
From: sue.susman@gmail.com [mailto:sue.susman@gmail.com] **On Behalf Of** Sue Susman
Sent: Thursday, April 09, 2009 4:33 PM
To: LLPComments
Subject: Public-Private Investment Funds and Legacy Loan Program

Re: Comments on the proposed plan for Public-Private Investment Funds (PPIFs) and the Legacy Loan Program.

Dear Executive Secretary Feldman:

I live in one of many rental buildings that have been part of an affordable state development project ("Mitchell-Lama housing") in New York State and that could be affected by the proposed PPIF and Legal Loan Program.

Mitchell-Lama housing originally encompassed many hundreds of thousands of tenants. Although guaranteed a return on their investment, over the past few years the original owners have found it much more profitable to sell them to investors for prices far exceeding what the rent rolls will bear. In order to produce the profits promised in these overleveraged buildings, these investors have three options:

- (1) oust the rent regulated tenants and replace them with those paying rents that are 3 to 8 times higher,
- (2) immediately "flip" or sell the building to another buyer (as happened during the boom market), and
- (3) invest nothing in the infrastructure, letting it decay.

The alternative is default, as is now being faced by our landlord, Laurence Gluck of Stellar Management, for another project he bought - the Riverton, a multi-building development in the Harlem section of New York City.

This "predatory equity" has resulted in the loss of tens of thousands of affordable rental apartments through no fault of the renters, who have continued to pay their rents despite reduced maintenance. At this point, renters in another 70,000 affordable apartments are at risk due to overleveraging.

Many of the Legacy Assets targeted for acquisition through the PPIF are connected to rental housing occupied by low- and middle-income tenants who have been victims of "predatory equity".

I therefore urge the establishment of a Multi-Family Preservation Program that will assist with de-leveraging these assets and bring relief to hundreds of thousands of low and moderate income renters across the country. This program should be guided by the following principles:

- Over-leveraged loans must be de-leveraged to a "fair market value." "Fair market value" indicates that such mortgages be valued utilizing assumptions that insure

that the current rental income will be adequate for the proper operation and maintenance of the property, along with reasonable reserve payments and debt service.

- On properties where debt does not meet the “fair market value” test, lenders will be required to perform a physical inspection of the asset in consultation with HUD or a HUD-designated unit of local government. A failed physical inspection will trigger a “regulatory default” and the property should be placed into foreclosure.
- If borrowers are in financial default, lenders should be compelled to seek swift foreclosure actions.
- Any negotiated loan modification that results in debt forgiveness for an existing borrower or a preservation purchaser should require them to enter into a long term use-agreement with HUD, or a HUD-designated unit of local government, to ensure the long-term financial health, physical integrity, and affordability of the mortgaged property.
- In all cases, final disposition of this targeted housing stock must include protections for renters and use restrictions to ensure the long-term financial and physical health of the properties.

In an effort to achieve these outcomes, the FDIC may consider creating a special purpose entity to carve out these assets, and resell them pursuant to the principles stated above. This would be similar to the Resolution Trust Corporation used in the clean up the savings and loan problems of the late 1980s.

Thank you for your consideration.

Sincerely,

Susan D. Susman, president
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