

Congress of the United States
Washington, DC 20515

March 18, 2009

Secretary Timothy Geithner
US Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner,

We are writing to request your urgent attention to an issue affecting low and moderate income renters in New York City and in several other urban rental housing markets across the country. A large portion of our affordable multi-family rental housing stock has become significantly over-leveraged as a result of real-estate speculation and irresponsible lending practices. The loans on these properties are dangerous and unsustainable and affect hundreds of thousands of tenants in New York City alone. These tenants bear no blame for the irresponsible and reckless decisions made by landlords and lenders to load up on debt and put these properties at risk. In order to protect these tenants, and the future of the affordable housing stock in New York City and around the country, it is critical that this administration work with Congress to develop a mechanism to address this looming crisis.

We believe that this dangerous trend has also occurred in other "high market" cities where speculation in the multi-family residential housing market flourished during the recent real-estate boom. (See *New York Times* article by Terry Pristin enclosed.)

In New York City, this crisis has become overwhelming; advocates who have tracked this trend now estimate that as many as 70,000 units of rental housing are at risk of disinvestment and foreclosure due to over-leveraging. The majority of these rental units are occupied by low and middle income families who are extremely vulnerable and who do not possess the resources to find adequate housing if this crisis leads to massive displacement and loss of services.

We are strongly urging the administration to create a **Multi-Family Preservation Program** that will assist with de-leveraging this crucial housing stock and bring relief to hundreds of thousands of low and moderate income renters across the country.

As in the Homeowner Affordability and Stability Plan, we believe that participation in the multi-family program should be a necessary condition for lenders and servicers who receive TARP funds or other federal resources. In general terms, the program should consist of the following elements:

- ❖ Over-leveraged loans must be deleveraged 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.
- ❖ In the event that a loan modification is negotiated which results in debt forgiveness for an existing borrower or a preservation purchaser, they should be required to enter into a long term use-agreement with HUD, or a HUD designated unit of local government, that ensures the long term financial, health, physical integrity, and affordability of the mortgaged property.
- ❖ To ensure that the final disposition results in the stable and financially viable long-term ownership for these projects, the administration should also enact a uniform and enforceable set of underwriting standards that are driven by the same factors as the “fair market value” definition.

We understand that the administration is hard at work dealing with a number of complicated and extremely critical issues, including the implementation of the single family foreclosure prevention program. Though we appreciate the urgency of these many complex issues, we feel strongly that the crisis facing renters as a result of over-leveraging deserves immediate attention.

We hope you will contact Jon Sheiner in Congressman Rangel's Washington, D.C. office at 202-225-4365, as well as David Stoopler in Senator Schumer's Washington, D.C. office at 202-224-6542, and Aixa Alemán-Díaz in Congresswoman Velázquez' Washington, D.C. office to discuss this proposal in more detail. Thank you in advance for you attention to this matter.

Sincerely,



Congressman Charles B. Rangel



Senator Charles E. Schumer



Congresswoman Nydia M. Velázquez