



**NATIONAL
HOUSING
T R U S T**

November 1, 2005

Senator Christopher S. Bond, Chair
Senate Appropriations Subcommittee
on Transportation, Treasury, the Judiciary,
Housing and Urban Development, and
Related Agencies
133 Dirksen Senate Office Building
Washington, DC

Senator Patty Murray, Ranking Member
Senate Appropriations Subcommittee
on Transportation, Treasury, the Judiciary,
Housing and Urban Development, and
Related Agencies
133 Dirksen Senate Office Building
Washington, DC

Congressman Joseph Knollenberg, Chair
House Appropriations Subcommittee
on Transportation, Treasury and Housing
and Urban Development, the Judiciary,
District of Columbia
2358 RHOB
Washington, DC

**Congressman John W. Olver, Ranking
Member**
House Appropriations Subcommittee
on Transportation, Treasury and Housing
and Urban Development, the Judiciary,
District of Columbia
2358 RHOB
Washington, DC

Re: Appropriation for Upfront Grants and Below-Market Sales of Foreclosed
Multifamily Properties

To Whom It May Concern:

The National Preservation Working Group is an organization dedicated to the preservation of the nation's stock of affordable, multifamily, federally assisted and insured housing. We are comprised of a unique mix of organizations representing nonprofit organizations, tenants, and state housing finance agencies. The purpose of this letter is to express our strong support for at least a \$60 million appropriation in 2006 specifically so that FHA can continue (1) to sell foreclosed, multifamily properties at below-market rates to preservation purchasers and (2) to provide rehabilitation grants so that rents on such properties will remain affordable to low-income households.

In 1994, Congress enacted the Multifamily Housing Property Disposition Reform Act in order to alleviate property disposition requirements that had created a bottleneck at HUD. At the time, there were more than 500 properties in HUD's foreclosed portfolio, and there were hundreds more that had not been foreclosed due to HUD's inability to deal with the problem. As part of the Act, Congress permitted the HUD secretary to "provide up-front grants for the necessary cost of rehabilitation and other related development costs." The legislation identified FHA's General and Special Risk Insurance Fund as the source of funding for upfront grants. Within appropriate limits, the use of the Fund gave HUD the flexibility it needed affirmatively to further housing preservation.

As part of its recent reconciliation package, the Senate Committee on Banking, Housing, and Urban Affairs recommended subjecting to appropriations the mandatory authority that had been provided to FHA in 1994 under the property disposition program. Under this legislation, the Committee writes, "FHA's mandatory spending authority for rehabilitation grants and below-market sales would end." In short, FHA's ability (1) to sell properties or HUD-held multifamily loans to the extent that the asset value exceeds the sale proceeds or (2) to make upfront grants in conjunction with such sales would become subject to appropriations. The House Financial Services Committee adopted this legislation on October 27, 2005.

Two outcomes can reasonably be anticipated from this short-sighted legislation: (1) foreclosed properties in strong markets will be lost from the affordable inventory, and (2) HUD will be unable to dispose of foreclosed properties in weak markets. In short, HUD will once again find itself lacking the necessary resources and flexibility to be a strong partner in housing preservation transactions. HUD will once again become a part of the problem. We believe that up front grants offer the best hope for preserving this housing at the lowest possible cost to the taxpayer.

Unfortunately, the recent budget resolution actions came after the House and Senate had acted on their separate appropriations bills, creating a need for special attention and action to assure the continuation of essential programs such as this one. Recognizing the likely outcomes from this reconciliation recommendation, the Senate and House Committees authorize \$100 million in 2006 to assure that FHA can continue to provide upfront grants and engage in below-market sales. In order to assure that defaulted properties remain within the affordable inventory, we strongly urge you to appropriate at least \$60 million of that amount.

Thank you.

Very truly yours,



Michael Bodaken
President

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Enclosure

cc:

National Housing Conference
National Housing Law Project
National Low Income Housing Coalition
National Alliance of HUD Tenants
Enterprise Foundation
Local Initiative Support Corporation
Stewards of Affordable Housing for the Future
Association of Housing and Neighborhood Developers
California Housing Partnership
Century Housing Corporation
Community Economic Development Assistance Corporation
Chicago Community Development Corporation
Community Preservation and Development Corporation
Housing Preservation Project
Texas Tenants Union
Urban Homesteading Assistance Board