

ERVIN and
ASSOCIATES
INCORPORATED

FI-261393

March 29, 1999

Mr. William K. Barth
Managing Attorney
Office of General Counsel, Freedom of Information Act Division
U.S. Department of Housing and Urban Development
451 Seventh Street, SW
Washington, D.C. 20410-0500

Via Facsimile to (202) 401-7901

Re: FOIA Request - Summary of Results of Mark to Market Restructurings

Dear Mr. Barth:

HUD is currently undergoing a mark to market program which includes various demonstration programs. The chief architect of this program, Austin Fitts, confided in me in late 1995 that she expected the writeoffs through these transactions, including fees, insurance claims and lost interest, would approach \$25 billion. We have also heard that the mark to market program has been described by an ex-high ranking HUD official, who was instrumental in the program development, as "breaking the bank," the bank being the FHA insurance fund.

So as to enable a realistic evaluation of the results of this mark to market initiative compared to the expectations for the program, it is necessary that the real numbers and real results be summarized in a format that is understandable to the normal person and based on what is really happening on an annual basis, instead of obfuscating the issue by referring to the long term cost of renewing Section 8 authority. Since HUD has been reluctant to explain the results in a manner in which normal people can understand, it is necessary to obtain raw data which can be summarized in simple terms based on the results of real transactions.

Under the provisions of the Freedom of Information Act, please provide us with the following:

1. Whatever cost/benefit analysis was prepared calculating the annual savings (based on real annual expenditures rather than Section 8 contract renewals) of mark to market restructuring compared to annual renewals;
2. Cost/benefit analysis of any alternatives to maintaining the previous structure or mark to market which were evaluated;
3. Information, preferably in an electronic format, identifying the results of each project restructured to date under the mark to market program including the demonstration program as follows:
 - Project FHA #
 - Project Name
 - Project location (city, state and zip code)
 - First mortgage balance before restructuring
 - First mortgage balance after restructuring
 - Second mortgage balance after restructuring
 - Amount of insurance claim paid on restructuring
 - First mortgage interest rate before restructuring
 - First mortgage interest rate after restructuring

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- Second mortgage interest rate after restructuring
- Previous rent levels - in total
- Restructured rent levels
- Previous Section 8 annual project-based rent amounts
- Restructured Section 8 annual project-based rent amounts
- Restructured Section 8 annual voucher rent amounts
- Effective date of mortgage restructuring
- Effective date of Section 8 restructuring
- Cash flow created as a result of effective date differentials
- Management fee rate before restructuring
- Management fee rate after restructuring
- Estimated real estate tax reductions as a result of the restructuring
- Funds allowed in the transaction for Neighborhood Networks initiatives
- All fees paid to third parties for restructuring
- All funded reserves before restructuring
- All funded reserves after restructuring
- Anticipated repair and renovation requirements
- Annual reserve funding requirements before restructuring
- Annual reserve funding requirements after restructuring

Ervin and Associates agrees to pay up to \$250 for the processing of this request. If the anticipated fees are to exceed \$250, please call me immediately at (301) 469-3422 so I may have an opportunity to reformulate the request or approve the additional fees without delaying the processing of the request.

Very truly yours,
ERVIN and ASSOCIATES, INCORPORATED


David J. Ervin