

Congress of the United States
House of Representatives
Washington, DC 20515

March 19, 2004

Mr. Arthur A. Garcia, Administrator
Rural Development Rural Housing Service
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250-0701

Dear Mr. Garcia:

We are writing to express our desire that the Rural Housing Service (“RHS”) work closely with Fannie Mae and Freddie Mac to make the processing and approval of loans to rehabilitate and preserve Section 515 rental properties a top priority.

As you know, Fannie Mae purchased such a loan last December, which was the first of its kind and which provides a template for further such loans. It is our understanding that the loan closed after more than three years of discussion and negotiation between the borrower (Volunteers of America), the lender (Capri Capital), Fannie Mae, and the USDA. We are pleased to know that RHS is currently working with Fannie Mae to develop strategies for streamlining the model documents for these loans to reduce the time it takes to make such loans.

With more than 16,000 properties in the Section 515 inventory, many of which are aging and in need of rehabilitation – either for the owners of the properties or new buyers – there is an urgent need to close additional Section 515 loan preservation transactions.

Both Fannie Mae and Freddie Mac have expressed a commitment to purchase these very important preservation loans. We recommend that you take advantage of both Fannie Mae and Freddie Mac’s interest and commitment and move quickly to get more loans in the pipeline.

We also recommend that you send an Administrative Notice or otherwise inform RHS state offices that the agency is ready to work with lenders and Fannie Mae and Freddie Mac on such transactions. We also urge you to market the availability of these type loans to owners of Section 515 loan program stock and potential new buyers.

Thank you for your attention to this very important housing issue.

Sincerely,


REP. BARNEY FRANK


REP. MAXINE WATERS

Mr. Arthur A. Garcia
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