



MEMORANDUM

To: Review Attorneys & Paralegals

From: Mary Sabatini DiStephan *MSD*

Re: HPD Article 8A Loans
(Replaces Memos of 5/13/82 and 1/21/86)

Date: August 25, 1997

In your review you may find properties which have mortgages held by the New York City Department of Housing Preservation and Development pursuant to the Article 8A loan program. If you do, please contact Joseph Taffaro at HPD (212) 386-6464 and work with him to be sure that the terms of the mortgage are clearly disclosed in the offering. HPD would also like to be made aware of all such plans.

See attached letter.

MSD:jr
Attachment



DEPARTMENT OF HOUSING PRESERVATION
AND DEVELOPMENT

ANTHONY GLIEDMAN, Commissioner

Office of Rent and Housing Maintenance
DIVISION OF EVALUATION AND COMPLIANCE
100 GOLD STREET, NEW YORK, N.Y. 10038

Telephone 566-5800

Room No. 8166

DANIEL W. JOY, Deputy Commissioner
JOSEPH SHULDINER, Assistant Commissioner

February 9, 1982

Mr. Scot Greathead
Assistant Attorney General
2 World Trade Center
New York, N.Y. 10047

Dear Mr. Greathead:

The Article 8A Loan Program is one of the programs under my jurisdiction. A growing number of cooperative and condominium conversion plans under review by your office will include 8A Loans to be assumed or satisfied. I am writing you to explain our concerns about the handling of 8A Loans in conversion plans and to request your assistance in addressing them.

Article 8A Loans are funded with Community Development Block Grant monies. The Department of Housing and Urban Development's regulations on the use of Community Development funds preclude their use for activities which result in displacement of tenants in occupancy. We believe that many conversion plans will cause such displacement. We also believe that some owners will attempt to receive 8A Loans that enable them to make the improvements necessary for a conversion plan to be successful. Therefore, in our most recent loans and all future loans, full prepayment will not be permitted for the first five years of the loan term. This restriction will ensure that owners do not prepay our loans for the purpose of undertaking a non-acceptable conversion. For loans made prior to the change in our mortgage, we are still concerned about an owner prepaying for this purpose.

Given this restriction, it would make sense for future Attorney General reviews of buildings with 8A Loans to include notification to the 8A Loan Program. We can then advise your office whether the 8A Loan contains a bar on prepayment as well as provide you with information and recommendations for buildings whose loans were granted prior to the establishment of the restriction.

The 8A Loan Program also requires that all proposed transfers of ownership in loan buildings receive our prior approval. Rules have been established to govern such approvals where the owner is proposing a conversion plan in which the new cooperative will assume the 8A mortgage. We will only provide our consent for plans that meet the following conditions.

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Mr. Scot Greathead

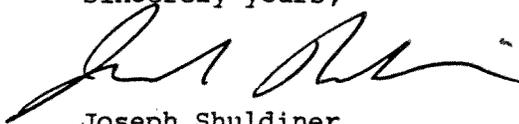
- The plan is a non-eviction plan.
- More than 50% of the residential tenants in occupancy agree to purchase under the plan.
- The purchase price to tenants does not exceed \$10,000 per rental room.
- The plan provides that the proprietary lease contain a provision prohibiting the lessee or future shareholders from claiming apartments under Section 54 a of the Rent Stabilization Code or Section 55 of the regulations adopted pursuant to the Local Emergency Rent Control Act and the City Rent and Rehabilitation Law.

These rules will be used for the entire term of the 8A mortgage.

Future reviews by the Attorney General's office of conversion plans should also take these restrictions into account.

If you require further information on these policies or wish to meet with me to discuss notification procedures, please feel free to call me at 566-5800.

Sincerely yours,



Joseph Shuldiner
Assistant Commissioner
Division of Evaluation and
Compliance

JS:rg