

ERVIN and ASSOCIATES
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FJ-187066

RECEIVED
MAY 2 6 57 PM '97
EXECUTIVE SECRETARIAT

May 2, 1997

Ms. Pat Morgan
Director, Executive Secretariat
U.S. Department of HUD
451 Seventh Street, SW, Room 10139
Washington, D.C. 20410

Via Facsimile to (202) 619-8365

Re: Essex Street (FHA# 000-94005), dba Crescent Square Apartment

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EXECUTIVE SECRETARIAT

Dear Ms. Morgan:

Within the past week, the *Washington Post* ran a series of articles on Crescent Square apartments in Landover, Maryland. Apparently, 300 families who are current on their rent payments may be evicted because the owner of the project failed to pay the project's water bills. To date, the *Post* has not focused on the fact that this project was previously insured by HUD and both the project and the residents were abandoned without protection. This is one of the many negative effects of HUD's Note Sale initiative.

Until early October 1995, Ervin and Associates provided special loan servicing on behalf of HUD to this difficult property. During this time, we were able to ensure that the bills were paid and the owner did not take money that was needed to protect the project and the residents. In early October, 1995, this and 106 other similar projects were removed from our work order in retaliation for our objecting to illegal contracting interference and the theft by HUD of our proprietary financial statement information. HUD then effectively ignored the project for the next 10 months, allowing it to deteriorate until it was sold in a suspect Note Sale auction to a bidding team consisting of Lennar and BlackRock, two financial powerhouses.

Once this sale took place, the regulatory agreement that could have been used to put the owner in jail or fine him up to \$250,000 for diversion of the rents, was canceled. The owner, having nothing to lose, then placed the project in bankruptcy to delay foreclosure by the new note holders. Instead of being concerned with the welfare of the residents, the problem has now become a fight about large sums of money between the project owner and the new owner of the mortgage. This same story is being repeated throughout the country and is only the prelude to what will occur when HUD implements its Portfolio Reengineering (Mark-to-market) strategy which could seriously hurt one million American families.

HUD cannot and should not walk away from responsibility for these residents. Similarly, HUD must accept responsibility for ignoring this project between October 1, 1995 until August 5, 1996.

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Under the provisions of the Freedom of Information Act, please provide us with the following for the period of October 1, 1995 until August 5, 1996:

- 1) Copies of all physical inspections performed (forms HUD-9822);
- 2) Copies of all management reviews performed (forms HUD-9834);
- 3) Copies of all ABC reports submitted (forms HUD-93479, HUD-93480, and HUD-93481); and
- 4) Any correspondence to or from the owner, particularly that notifying the owner of problems or concerns with the property and corrective action that should be taken.

Ervin and Associates is requesting this information because, as citizens, we have a right to know the details regarding these actions (or inactions) by HUD, that have now put 300 families at risk of being thrown out on the street. The responsive documents will be of no commercial benefit to us. Considering this, any fees assessed should be subject to the limitations regarding non-commercial requestors.

Ervin and Associates agrees to pay up to \$50 for the processing of this request. If the anticipated fees are to exceed \$50, please call me so I may have an opportunity to alter the request.

Very truly yours,
ERVIN and ASSOCIATES, INCORPORATED


David J. Ervin