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Please advise Marcia

December 18, 1997

ok

Ms. D. Margaret Drury
Office of the City Clerk
City Hall
795 Massachusetts Ave.
Cambridge, Massachusetts 02139

Dear Ms. Drury:

Thank you for forwarding to me the resolution by the City Council asking that the Massachusetts Delegation consider legislation to give cities notification and the first opportunity to purchase FDIC properties. With respect to notice, I have written to the FDIC (a copy of the letter is enclosed) asking that it ensure that municipalities receive notice of FDIC auctions.

On the question of giving priority to municipalities, I am afraid that such legislation would have little chance of passage. Since the Republicans have taken control of Congress, as you know, they have severely cut domestic programs, including housing, in order to pay for increases in military expenditures and tax decreases, while balancing the budget. One of the casualties of those cuts in domestic programs as been the RTC/FDIC Affordable Housing Program, which I helped start and which Congress effectively eliminated two years ago by refusing to appropriate money for the program. As long as the Republicans retain control of Congress, I don't think that the program, or one like it, would get the political support necessary to revive it.

BARNEY FRANK

BF/mk

FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, DC 20429

OFFICE OF THE CHAIRMAN

December 31, 1997

RECEIVED
JAN 05 1998
Congressman Barney Frank

FYI Barney

Honorable Barney Frank
House of Representatives
Washington, D.C. 20515

Dear Congressman Frank:

Thank you for your letter on behalf of the City of Cambridge.

Representatives of our Division of Resolutions and Receiverships and the City of Cambridge have discussed the issue that you raised with specific reference to certain properties located at 324, 332, and 340 Franklin Street in Cambridge.

For your convenience, we have enclosed a copy of an October 8, 1997 letter to Ms. Vali Buland of the Cambridge Law Department. As noted in the letter, the Federal Deposit Insurance Corporation did not sell the properties in question or the mortgages encumbering them. Instead, we reached a settlement with the borrowing entity and the owner of the properties under which the FDIC agreed to assign the properties to a guarantor or his nominee.

In the past, the FDIC has conveyed several problem properties and mortgage interests to Massachusetts municipalities for rehabilitation but, at present, we own no real estate in the City of Cambridge and hold only ten mortgages there. In this regard, our personnel have agreed to notify the City directly if the FDIC forecloses on, or otherwise acquires, property in the City. Additionally, any scheduled foreclosure sale would be a matter of public record.

Your continuing interest in the work of the FDIC is appreciated. Please let me know if you have further questions.

Sincerely,

Andrew C. Hove, Jr.
Chairman

Enclosure

FDIC
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W
Washington, DC 20429

Office of the Director
Division of Resolutions and Receiverships

October 8, 1997

Ms. Vali Buland
Law Department, City Hall
795 Massachusetts Avenue
Cambridge, Massachusetts 02139

Dear Ms. Buland:

This letter is to confirm our telephone conversation of October 7.

The Federal Deposit Insurance Corporation as Receiver for the failed Bank of New England never owned the properties at 324, 332, and 340 Franklin Street in Cambridge. The properties were owned by a private entity, and the FDIC held only a mortgage interest through a loan acquired when the Bank of New England failed. The FDIC also did not sell its mortgage interest in the properties. Rather, in October 1996, the FDIC reached a settlement agreement with the borrowing entity and owner of the properties whereby, for financial consideration, the FDIC agreed to assign its mortgage interest to a guarantor of the trust, or his nominee. The settlement was based, in part, on the market value of the collateral properties less outstanding taxes as determined by an independent, local appraiser, and in view of the inherent risk, expense, and time associated with a foreclosure scenario.

With respect to the FDIC's real estate sales practices, the FDIC markets owned properties directly, through listings with real estate brokers, and at auctions and sealed-bid sales. For your reference, enclosed is a copy of the FDIC's quarterly Investment Properties catalogue, which lists real estate properties that are available for sale. Additionally, you may wish to visit the FDIC's Internet site at *http://www.fdic.gov*, with real estate sales information listed under the heading, **Asset Sales Information**. The site includes a searchable FDIC Owned Real Estate (ORE) Retrieval System, a National Asset Sales Calendar for ORE Sales, and Frequently Asked Questions (FAQs) about ORE Sales.

At present, the FDIC does not own any real estate properties in Cambridge, and holds less than ten loans that are secured by real property located in Cambridge. However, in the event that the FDIC forecloses, or otherwise acquires, a property in Cambridge, I have asked our Northeast Service Center in Hartford, Connecticut to notify you directly. Any scheduled foreclosure sale also would be a matter of public record. If you have further questions about our owned real estate sales practices, Mr. Joe Palladino, Regional Manager (ORE) at the Service Center, will be pleased to assist you at (860) 291-4705 or 1-800-873-7785.

Finally, as we discussed, the FDIC will not be able to notify you about settlements reached with borrowers, as the terms of such settlements typically are protected by the borrower's right to financial privacy. However, in view of the concerns expressed about the settlement reached in the case involving the Franklin Street properties, that matter has been referred to the FDIC's Office of Inspector General (OIG). The OIG independently reviews and investigates reports of fraud, waste, abuse and mismanagement.

I hope that this information is helpful.

Sincerely,

Stan Ivie
Manager
Government and Public Relations

Enclosure

cc: OIG

BARNEY FRANK
4TH DISTRICT, MASSACHUSETTS

2210 RAYBURN BUILDING
WASHINGTON, DC 20515-2104
(202) 225-5931

29 CRAFTS STREET
NEWTON, MA 02158
(617) 332-3920

Congress of the United States
House of Representatives
Washington, DC

558 PLEASANT STREET
ROOM 309
NEW BEDFORD, MA 02740
(508) 999-6462

222 MILLIKEN PLACE
THIRD FLOOR
FALL RIVER, MA 02721
(508) 674-3551

89 MAIN STREET
BRIDGEWATER, MA 02324
(508) 697-9403

December 19, 1997

Mr. Andrew Hove
Chairman
FDIC
550 17th Street, N.W.
Washington, D.C. 20429

Dear Mr. Chairman:

I am writing regarding the Federal Deposit Insurance Corporation's auctions of properties acquired from bank failures. The city council of Cambridge, Massachusetts has written to me asking that I weigh in with the FDIC to ensure that municipalities are adequately notified of these auctions. Apparently, a developer acquired rental property at an FDIC auction at a price that the city could have paid had it received sufficient notice to participate in the auction. The city would have preserved the property as affordable housing, whereas the developer apparently moved to evict its low and moderate income tenants. I don't know whether the FDIC is permitted to notify cities of auctions before it publishes general announcements, but I ask that you ensure that cities are notified at least at the same time as the general public.

I appreciate your attention to this.

BARNEY FRANK

BF/mk

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Barney Frank
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BF/mk

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Consent Communication #1 S-10

Communication was received from Representative Barney Frank, transmitting thanks for the resolution adopted by the City Council regarding giving notice to cities about FDIC properties.

In City Council January 12, 1998

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