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Tennessee Bars Memphis Conduit From Selling Housing Bonds.

Tennessee has temporarily barred a Memphis agency from issuing municipal bonds for housing, saying it's suffering from a leadership vacuum while it deals with a high-profile default of debt issued to finance the purchase of two apartment complexes.

The Memphis Health, Educational and Housing Facility Board hasn't had an executive director since December and is facing scrutiny over a \$12 million bond issue by the Global Ministries Foundation to buy the Warren and Tulane apartments in Memphis. On March 14, Bloomberg reported that the U.S. Department of Housing and Urban Development cut rent subsidies to more than 1,000 residents because the buildings were infested with roaches and had numerous health and safety violations. The loss of the federal funds caused the securities to default, pushing the price to as little as 21 cents on the dollar.

"You've got an agency that's going into its fifth month without an executive director and they're needing to deal with, and some cases respond to, some fairly high profile things," said Tennessee Housing Development Authority Executive Director Ralph Perrey in a telephone interview. "We think they have their hands full and we want to give them time to work through all of this."

Buyers Sing Blues After Memphis Bond Default Goes Unrecognized

The Tennessee Housing Development Authority allocates tax-exempt bonds to affordable housing developers. The bonds are then issued through conduits like the Memphis HEHF for a fee.

THDA has referred two developers seeking to issue \$22 million of municipal bonds for multi-family apartments through the Memphis HEHF to other area conduits.

Daniel Reid, Memphis HEHF chairman, said in an e-mail that the agency has hired an interim executive director and is working closely with the city of Memphis to address THDA's concerns.

"The board fully anticipates the prompt resolution of THDA concerns and restoration of full services to pending and new applicants in the very near future," Reid wrote.

The action by THDA was reported earlier by the Memphis Daily News.

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