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Memphis Ministry's Conduit Debt Put on Watch by S&P on HUD Probe.

Credit ratings on about \$360 million of multifamily-housing bonds issued by Global Ministries Foundation, a Tennessee-based operator of low-rent apartments, were placed under review for possible downgrades by S&P Global Ratings because the U.S. Department of Housing and Urban Development is probing the non-profit.

The placement on CreditWatch with "negative implications" affects 23 municipal-debt issues sold in states including Alabama, Florida, Indiana, Louisiana and Tennessee, the rating company said in a news release.

"In our view, effective ownership and management are essential to an affordable housing program's economic feasibility and sustainability," S&P said. "The HUD investigation therefore warrants our review of GMF's full portfolio and our assessment of the project owner's overall strategy and management."

GMF has come under scrutiny after the the U.S. Department of Housing and and Urban Development cut rent subsidies to more than 1,000 residents at GMF apartments in Memphis because the buildings were infested with roaches and had numerous health and safety violations. The loss of the federal funds caused bonds issued for the apartments to default, pushing the price to as little as 21 cents on the dollar.

HUD Section 8 subsidies support 15 of the 23 bond issues. S&P said that if it confirms that any of the Section 8 properties are at risk of losing their subsidies, it could downgrade or withdraw its ratings. Most of the issues carry investment-grade ratings, while four are already considered junk.

S&P said it was reviewing its assessment of GMF's strategy and management "based on our view of GMF's lack of strategic planning for the properties' current state and weak operational effectiveness."

"GMF is fully cooperating with recent HUD inquiries and requests for documentation, and we will continue to aid HUD and other government representatives should they have additional inquiries," said GMF spokeswoman Audrey Young in an e-mailed statement. "In the interim, GMF remains focused and committed to its mission to provide housing to some of America's families most in need of safe, affordable housing."

Daryl Madden, a spokesman for HUD's Office of Inspector General, confirmed that search warrants were executed at GMF's office in Cordova, Tennessee, and a third party based in Dexter, Missouri. The Commercial Appeal of Memphis reported that the third party was the Gill Group, which appraised many of the properties GMF has purchased in Memphis.

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