The Rent Guidelines Board
1997 Mortgage Survey

March 14, 1997

Introduction

Section 26-510 (b)(iii) of the Rent Stabilization Law requires the Rent Guidelines Board to consider the "costs and availability of financing (including effective rates of interest)" in its deliberations. To assist the Board in meeting this obligation, each January the RGB research staff undertake a survey of financial institutions which underwrite mortgages to multifamily properties in New York City. This survey asks lenders about terms for new and refinanced loans, underwriting criteria, non-performing loans, and characteristics of buildings in their portfolios.

As in past years, the RGB staff updated the survey sample to include only those institutions still offering loans for multiple-dwelling properties. Staff also added a number of underwriting institutions to the sample based on a list furnished by the Federal Deposit Insurance Corporation (FDIC). This list consists of all lenders in New York State regulated by the FDIC which supply financing for multifamily properties. Though most of the lenders offering loans in New York City were queried in the past, we were able to find an additional sixteen institutions. The total sample size for the 1997 Mortgage Survey was sixty-seven lenders comprised of savings banks, savings and loan associations and commercial enterprises.

Survey Respondents

Twenty-eight of the sixty-seven financial institutions surveyed responded to the 1997 Mortgage Survey, furnishing the RGB with details about New York City's multifamily lending market. The 1997 survey reflects conditions during 1996 or shows point to point changes from January 1996 to January 1997 depending on the nature of the question.

The information provided by the FDIC also includes the dollar value of each lender's multifamily real estate holdings. The dollar value of such holdings ranged significantly among survey respondents. One respondent's multifamily mortgages total $1.2 billion, while many respondents have total mortgages ranging from $100 million to $800 million. Some lenders returning this year's survey have only a few million dollars in mortgage assets. Financial institutions with larger holdings tend to have slightly lower financing costs.

In the early 1990s, RGB's Mortgage Surveys found that many institutions had halted their multifamily lending services. This trend reversed in the last two years as three institutions created separate multifamily lending divisions and no lenders left the mortgage market. Though we found no consolidation activity between 1995 and 1996, four lenders merged with other enterprises between 1996 and 1997 and continue to offer mortgage services through their new institutions.

What's New

- ✔ The average interest rate for new multifamily mortgages in New York City is 8.8%, virtually unchanged from last year's figure of 8.6%, the lowest level in two decades.
- ✔ Other financing terms for new mortgages, such as points (1.34), terms and types are also little changed from last year.
- ✔ Refinancing costs are considerably lower than new originations with interest rates and service fees averaging 8.4% and 1.15, respectively.
- ✔ Low interest rates for refinanced loans are spurring refinancing activity. Many lenders report increases of 75% or more over last year's levels.
- ✔ Loan volumes are soaring due to mounting loan applications and notable increases in lender approvals.
- ✔ The average loan-to-value ratio increased to 71.5% in 1997. This is the third consecutive year the average LTV ratio has increased, indicating a trend toward loosening mortgage requirements.

Twelve of this year's respondents also completed last year's Mortgage Survey, enabling us to distinguish between actual changes in the lending market (longitudinal analysis) versus fluctuations caused by different institutions responding to the surveys in consecutive years. This report begins by discussing findings from all respondents to the 1997 Mortgage Survey followed by an analysis of the longitudinal group.

Cross Sectional Study

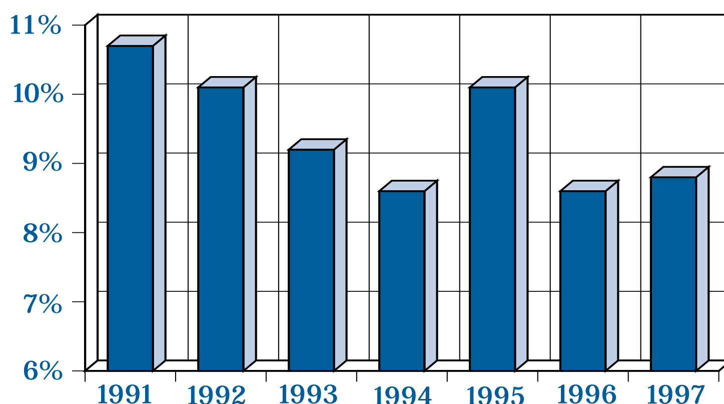
Financing Availability and Terms

Interest rates for new multifamily mortgages inched up slightly this year averaging 8.8%, twenty basis points higher than last year. This marks the third year out of the last four that mortgage interest rates for new originations fell below 9%. Stable interest rates were prompted by the Federal Reserve's relatively unwavering course. The Fed reduced its Federal Funds Target Rate—the rate banks charge each other for overnight loans—by 0.25% to 5.25% on February 1, 1996 but has not altered this rate since. The Discount Rate—the interest rate Federal Reserve Banks charge for loans to depository institutions—is now 5.0%, unchanged since this time last year. With mainly steady target rates set by the Federal Reserve, large banks have likewise maintained their prime lending rates causing very little fluctuation in interest rates for home equity loans, small business loans, credit cards and mortgages.

Refinanced loans carry an interest rate of 8.4%, breaking the pattern of nearly identical interest rates for new and refinanced mortgages noted by the RGB over the years. This year, a number of survey respondents do not offer loan refinancing, and these lenders typically offer new mortgages at higher interest rates than those institutions offering both loan types. However, two lenders offering both charge lower rates for refinanced loans than new originations, a reversal of the trend in the early 1980s when interest rates for refinanced loans were twice that of new loans.

Mortgage Interest Rates are Virtually Unchanged in 1997.

(Average Mortgage Interest Rates for New Loans)



Source: Rent Guidelines Board, Annual Mortgage Surveys.

The apparent increase in mortgage interest rates for new loans is probably a result of the RGB's efforts to include small mortgage lenders in its sample rather than a significant jump in the cost of financing. Lenders with lower dollar values in real estate assets typically charge higher interest rates than larger institutions. (See the longitudinal section for further discussion of changes in mortgage interest rates.)

Aside from these fluctuations in interest rates, trends in mortgage financing are consistent with last year. Points, terms and types of loans for new mortgages have remained relatively constant in recent years. Points, or service fees, currently charged by lenders for new loans range from 1 to 3, and the average service fee is 1.34%, nearly the same as last year's average of 1.32%. Thus, loan fees remain somewhat above the 1995 mean of 1.25%. Average points charged for refinanced loans are once again lower than for new loans, averaging 1.15%, a bit below last year's average.

Since survey respondents normally provide a wide range of term lengths rather than a single number, it is difficult to know where within the range banks are actually lending. The duration of mortgages reported by respondents typically varies between 3 and 30 years. Despite the uncertainty surrounding loan terms, more lenders are offering loans with maturities ranging from 10 to 20 years as opposed to 5 year terms. Last year, close to half (9 out of 20) of respondents' offered loans with maximum loan maturities of 5 years, while this year just over one-third of lenders (9 of 26) offer loan maturities up to 5 years. This result could stem from the different survey sample, though, as only one of the recent additions offer loans with a maximum length of 5 years. (Refer to the longitudinal section for a further discussion of mortgage lengths.)

Much like last year, lenders are permitting flexible loan terms. For example, banks continue to offer mortgages with longer amortization schedules than the loan's maturity, and a number of respondents offer more than one loan type. One-half of lenders offer fixed rate mortgages, one-third supply adjustable rates, and the remainder offer both types. An adjustable-rate mortgage is usually rescheduled after 3 years for shorter term loans and after 5 years for loans with longer terms.

Though mortgage interest rates have averaged below 9% in three of the last four years, refinancing activity has been modest until this year. Nearly all lenders completing the 1997 Mortgage Survey reported refinancing many more loans this year at lower rates. More than half of respondents said they refinanced at least 25% more loans this year than last year, and one-third of the respondents reported an unprecedented swelling by three-quarters or more over last year's level. Buildings with 20 or fewer units shared in the refinancing boom, though slightly fewer lenders (18 out of 24) report refinancing the loans of smaller buildings at lower rates.

As mentioned above, mortgage interest rates and service fees for refinanced loans declined somewhat from the previous year and now have significantly lower costs than new loans. The reduction in refinancing costs is encouraging more borrowers to refinance their loans. (See graph, next page.)

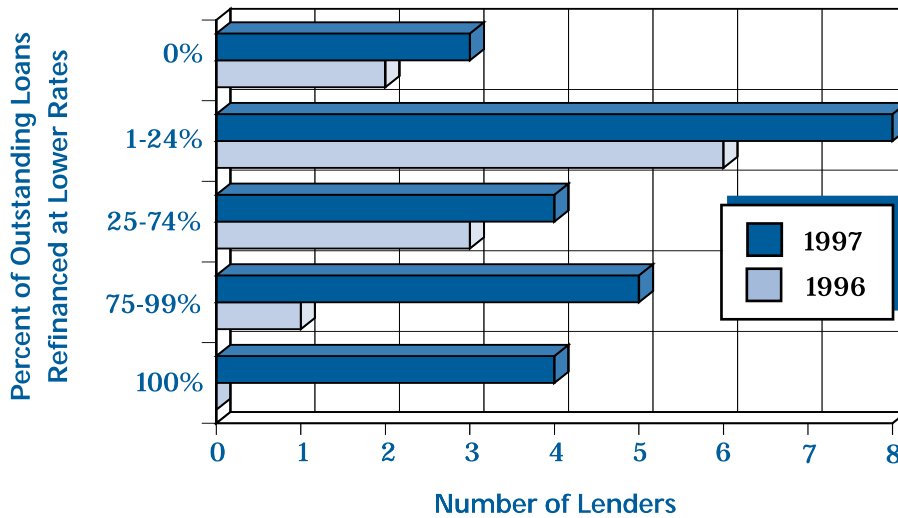
Last year's Mortgage Survey found the volume of loans underwritten by financial institutions declined slightly despite decreases in interest rates. Qualitative reasons for decreasing loan applications suggested heightened competition among lenders. This year, loan volumes are soaring. More than half of respondents (15 out of 27) reported expanding loan volumes, and many lenders report increases of 50% or more over last year's levels. Such burgeoning activity was due mostly to increases in applications placed with lenders (undoubtedly for loan refinancing), but some lenders also reported increasing approvals. Only two lenders in twenty-seven reported declines in loan volumes. This contrasts sharply with last year when more than one-third of respondents claimed their loan volumes declined.

Underwriting Criteria

From the late 1980s to the early 1990s, the RGB's annual Mortgage Surveys documented reduced mortgage financing availability for rental properties in New York City and mounting costs. (For an overview of trends in underwriting criteria and non-performing loans, see *A Brief History of Mortgage Financing* on page 5.) The conditions causing the market's upheaval have retreated, though, and a new era of cautious but ample loan availability has arrived.

The 1993 Mortgage Survey showed that almost half of those institutions still offering mortgages formulated stricter lending criteria. The proportion of lenders implementing stricter standards dropped remarkably after 1993 to 15% and 10% respectively in 1994 and 1995, and declined further during the past

Loan Refinancing Soars as Refinancing Costs Drop.



Source: Rent Guidelines Board, 1996 and 1997 Mortgage Surveys.

Note: Lending institutions were asked what percent of the loans in their portfolios were refinanced during the past year at lower rates.

two years. In 1997, only two lenders in twenty-eight mentioned tightening their standards by using more stringent approvals and monitoring requirements. One lender was reacting to increased demand for mortgage financing, the other did not specify the cause. Survey respondents have not altered their lending practices in the last two years, because heightened requirements in effect during the early 1990s brought a period of low delinquencies and defaults.

A second set of questions relating to origination practices concerns requirements such as loan-to-value ratios, debt service coverage, and building characteristics. The mean dollar amount respondents are willing to lend based on a building's value (the loan-to-value ratio, or LTV) ranges from 50% to 80%. The average LTV increased further in 1997 by .5% to reach 71.5%. This is the third straight year the average LTV ratio increased, indicating a trend toward loosening mortgage financing practices.

The debt service ratio (net operating income divided by the debt service) measures an investment's ability to cover mortgage payments using its gross income net of its operating expenses. In other words, higher debt service coverage requirements signal that lenders are willing to loan a lesser dollar amount given constant net income. Currently, lenders' standards for debt service ratios vary from 1.15% to 1.4%, and, as in the last several years, the most common debt service requirement is 1.25%.

Criteria regarding loan amounts and physical characteristics of buildings have not changed much since a year ago. Two respondents have minimum loan values of $35,000 and $500,000 respectively, while maximum loan amounts range from $800,000 to $6 million. These figures are slightly higher than last year's responses.

The Mortgage Survey traditionally asks respondents to supply additional lending standards for loan applications. Such requirements cover the number of

units in the building, as well as the building's age, location, and level of maintenance. Almost every lender stipulates that buildings must be in at least good condition, several lenders require buildings to have 10 or more units, four specify location by neighborhood or borough, and four consider whether a building could potentially be converted to a cooperative or condominium. One lender takes into account whether the borrower is an occupant of the building. No other standards were mentioned. These conditions are not significantly different from last year.

Non-Performing Loans and Foreclosures

Responses to the non-performing loan section of this year's survey are as encouraging as last year when lenders' real estate holdings remained current. Last year, not one lender reported increases in non-performing loans or defaults, while one respondent claimed its level decreased 100% due to the improved rental market. Again this year, not one survey respondent experienced an increase in non-performing or defaulted loans. Of the twenty-five banks providing the percent of their loans currently delinquent, almost all reported levels of 1% or less. Two banks responded that their non-performing loans comprise about 1.5% of their total real estate loans, and one reported 4%. An additional lender reported a 40% delinquency rate, by far the largest proportion but unchanged from the previous year. This is a first-time participant in RGB's Mortgage Surveys, but we could find nothing unusual in this lender's responses to account for the high non-performance level.

Lending institutions also supply the number of foreclosure actions they undertook during the previous year as well as how they resolve such foreclosures. Only one lender suggested its foreclosure actions declined, while all other respondent reported no change in their actions or that they have no foreclosures to mention. Though all but one lender reported no change in foreclosure actions, many lenders provide their course of action in the event of foreclosure. The most common prescription is restructuring the debt. Others seize the property, resume regular debt service, or arrange financing with another financial institution. One lender reported that it sells some of its foreclosed properties and restructures the debt of others. These results do not differ substantially from last year, except that a larger proportion of lenders restructure defaulted loans.

Characteristics of Rent Stabilized Buildings

Additional questions on the Mortgage Survey ask about characteristics of buildings currently in lenders' portfolios including building size, vacancy and collection losses, loan-to-value ratios, and operating and maintenance costs. Three-quarters of respondents (21 out of 28) typically provide mortgages to buildings with 20 or more dwellings. The most common building size is 20-49 units, unlike last year's results in which lenders preferred 50 to 99 units. This change stems from the RGB's efforts to include in the survey sample lenders with fewer build-

A Brief History of Mortgage Financing in New York City

The Savings and Loan Crisis, incipient in the early 1980s, noticeably infected New York City's multifamily lending market in 1987, probably spurred on by the stock market crash in October. As a result, secondary lenders tightened their standards causing most primary lenders to do the same.

Two years later, the Resolution Trust Corporation (RTC) placed many savings and loans under receivership or closed them down entirely. Soon after, Freddie Mac discontinued purchasing mortgages in the secondary market. New York City's multifamily mortgage market was in upheaval due to the deepening economic recession and the instability of the national banking system. Many institutions terminated their multifamily mortgage programs altogether.

By 1993 the lending market was entirely restructured. Banks' rigid lending standards finally paid off in 1995 when defaults had stabilized and delinquencies declined. Freddie Mac re-entered the secondary mortgage market infusing sizable funds into the lending pool. Loan volumes inched up and, for the first time in almost a decade, lenders who had left the market resumed loan originations.

Lenders eased their standards slightly between 1994 and 1996 by allowing higher loan-to-value ratios and longer loan terms. According to the 1997 Mortgage Survey, lenders have very few non-performing loans or foreclosures, and refinancing activity is soaring. Low interest rates and increasing loan volumes suggest expanding mortgage availability in New York City at slightly lower financing costs.

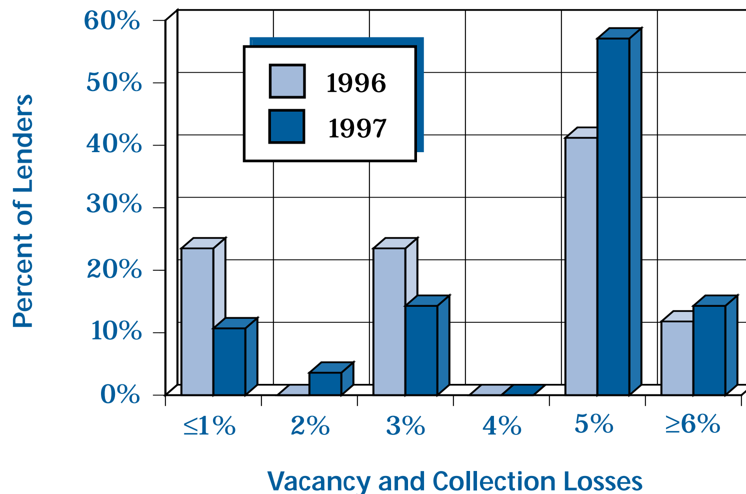
ings in their portfolios, the same banks who lend to smaller properties. The second most common building size is 50-99 units, while three lenders each typically lend to buildings with fewer than ten units and buildings with 11-19 dwellings, respectively. One mainly holds mortgages for buildings with 100 or more units.

The combined vacancy and collection losses reported by respondents increased considerably since last year when the mean was 3.7%. This year's average is 4.3%, almost as high as 1995 when losses averaged 4.6%. Nearly three-quarters of the institutions responding to the 1997 Mortgage Survey report vacancy and collection losses of 5% or more unlike last year when only one-half of respondents reported losses this high, and one-quarter claimed combined losses of 1% or less.

A change in the Mortgage Survey instrument made in 1996 allows us to distinguish between relinquished rental income due to vacant apartments (vacancy losses) versus lost income caused by delinquent rental payments (collection losses). The percent of losses attributed to collection problems this year is 2.4%, while almost 2% are due to vacancies. This breakdown shows that collection problems are slightly lower than last year's average (2.9%), while vacancy losses increased by more than one percentage point.

This change may be due to the loosening standards reported by banks in the last two years. It is possible that with slightly looser standards, lenders are now making loans to buildings they would have denied prior to last year. These buildings may have slightly higher vacancy losses thereby bringing up the average losses of buildings in lenders' portfolios. Alternatively, the increase in vacancy losses could be caused by a slight slackening in the rental market. Preliminary figures from the 1996 New York City Housing and Vacancy Survey show an increase of six-tenths of a percentage point in the vacancy rate among rental buildings since 1993. Though the exact cause is difficult to pinpoint, it is clear that vacancy losses are somewhat higher than a year ago.

Lenders Report Higher Vacancy and Collection Losses.



Source: Rent Guidelines Board, Annual Mortgage Surveys.

Note: Lending institutions were asked what percent best describes the typical vacancy and collection losses of rent stabilized buildings financed by their institutions during the past year. Though collection losses declined somewhat, vacancies increased by nearly one percentage point.

The loan-to-value ratio (LTV) of mortgages currently held by respondents averages 66.5%, or one-half of a percentage point higher than in 1996. Though the average increased slightly, about the same proportion of lenders (10 out of 28) reported typical LTVs of 70% or higher, twice as many lenders as in 1995. Apparently, some financial institutions are continuing to lend up to their maximum LTV standards, an action they had refrained from previous to last year. LTV standards have also increased in each of the last three years and now average 71.5% as mentioned previously.

The RGB queries financial institutions regarding typical operating and maintenance (O&M) expenses of buildings with outstanding mortgages. Because lenders' answers are extremely varied, we have not presented average or modal values in the past. We have found that lenders' responses are more a reflection of the type of building, whether luxury or basic, and the buildings' conditions for which the lender underwrites mortgages rather than a guideline of costs involved in operating New York City's rental housing. Nonetheless, such responses are valuable in determining what type of buildings currently hold outstanding mortgages. For example, a response of $3,000 in monthly operating and maintenance expenses indicates the institution lends to highly-staffed, well-maintained buildings with large units.

Banks reported O&M costs ranging from 30% to 60% of gross income. All but three respondents who provide typical dollar values indicate O&M expenses between $200 to $400 per apartment per month. Of the three lenders with expenses outside this range, two institutions have higher costs ($550 and $750, respectively) while the third has lower costs ($190). Such expenses are modest compared with previous years. Because costs probably have not declined since last year, lower reported O&M expenses hint that lenders are providing mortgages for a different set of properties, ones that differ sharply from luxury buildings.

In last year's Mortgage Survey Report, staff found:

> *[T]he differences between an institution's current lending standards and the characteristics of its overall portfolio point to changes in that institution's formal or informal practices and possible exceptions to its standards when choosing to underwrite individual loans. The loan-to-value ratio data confirms that a subset of lenders are sufficiently comfortable with the economy to ease their lending practices even if they have not officially changed their underwriting standards, as none report doing during the past year.*

The same analysis applies to conditions found this year. Though no lender officially changed its mortgage lending practices, institutions continue to allow higher loan-to-value ratios, an indication that lenders are more comfortable with the state of the real estate market.

Longitudinal Study

With so many of the same institutions responding to the RGB's surveys in consecutive years, we are once again providing a longitudinal perspective in the Mortgage Survey Report. In this section, staff compare responses from the twelve lenders who replied to surveys in both 1996 and 1997 (longitudinal group) with the data from all twenty-eight institutions providing responses in 1997 (cross sectional group). This comparison helps to determine whether the noted changes reflect the changing lending market or different respondents resulting from our efforts to include many smaller lenders in the survey.

Financing Availability and Terms

The terms offered by institutions responding to both the 1996 and 1997 Mortgage Surveys (longitudinal group) differ substantially from those of all respondents (cross sectional group). For example, interest rates for new mortgages in 1997 were lower for the longitudinal group (8.5%), than for the cross sectional group (8.8%). Again, this probably reflects the changes in the 1997 Mortgage Survey sample. All new lenders in 1997 are necessarily

excluded from the longitudinal analysis, and these banks tend to have higher financing costs.

Data from the longitudinal group show that mortgage financing is cheaper in 1997. Mortgage interest rates for both new and refinanced mortgages declined in the longitudinal group, unlike the increase in rates for new mortgages found in the cross sectional analysis. The longitudinal interest rate for new mortgages dropped eleven basis points from 8.6% in 1996 to 8.5%, while lenders reduced rates for refinanced mortgages from 8.5% to 8.4%, a decline of ten basis points. Service fees also declined since last year from 1.3% to 1.2% for new loans and from 1.1% to 1.0% for refinancing.

Loan lengths and types are more consistent over the two years. Though the cross sectional analysis points to longer mortgage terms in 1997, the longitudinal data shows that four out of twelve lenders changed their mortgage terms, two now offer longer terms and two offer shorter terms, though the average is about the same in both years. Mortgage maturities in the longitudinal group are typically 5 to 15 years compared with many lenders in the cross sectional group who offer mortgages with 20 to 30 year maturities. Most respondents in both 1996 and 1997 offer fixed rate mortgages, though a few offer adjustable rates.

The longitudinal data confirms that twice as many lenders refinanced the loans in their portfolios this year at lower rates. By 1997, all but one lender responding to both surveys reported at least some portion of their loans were refinanced at lower rates. Not only are more lenders participating in refinancing, they are refinancing a larger percent of loans in their portfolios. While those banks reporting refinancing activity said they refinanced about one-quarter of their loans last year, lenders refinanced more than half of their loans in 1997. Five banks refinanced three-quarters or more of their mortgages at lower rates.

One additional change between 1996 and 1997 is noteworthy. Nearly half of all longitudinal respondents reported increases in loan volumes in 1997 almost exclusively due to swelling loan applications. This sharply contrasts to last year when one-third of the respondents reported decreases in loan volumes.

Lending Standards

A number of lenders in our longitudinal analysis increased their maximum loan-to-value ratios from 1996 to 1997. Five out of eleven participants in both surveys have higher maximum values this year—two banks reported a maximum LTV of 75% compared with 70% last year, and three lenders provide LTV ranges with upper limits at least five percentage points higher than last year. The mean LTV for the longitudinal group is somewhat lower than for the cross sectional group indicating that respondents in consecutive years are more cautious. The longitudinal debt service coverage data also confirms that lenders are requiring debt service coverage ratios of roughly 1.25%, unchanged from last year.

The increase in vacancy and collection losses reported in the cross sectional analysis also is evident in the longitudinal data. The average losses reported in 1997 are 4.2%, or nine-tenths of a percentage point higher than in 1996. Four lenders out of ten providing responses on both questionnaires report signifi-

Longitudinal Analysis

The longitudinal section confirms that:

- ✔ Interest rates for new loans are fairly steady,
- ✔ The cost of mortgage refinancing declined leading to mounting refinancing activity,
- ✔ Loan volumes soared due to swelling applications,
- ✔ Loan-to-value ratios have relaxed somewhat,
- ✔ Rental losses increased mostly due to higher vacancies, and
- ✔ Non-performing loans and foreclosure actions remain limited.

cantly larger losses this year. While vacancies account for only one-third of total losses in 1997, they account for almost all of the increase in combined vacancy and collection losses since 1996. Delinquent collections are about 3% in 1997, the same as last year.

Non-performing and Delinquent Loans

Another optimistic finding is that almost all institutions responding to RGB Mortgage Surveys in successive years report few or no foreclosure actions. Half of respondents reported a small number of non-performing loans in 1997, twice as many as in 1996. This increase is undoubtedly due to a slight change in the 1997 Mortgage Survey question which does not include "Don't Know" as an option as did the previous survey, thereby encouraging lenders to provide a rough estimate on this year's survey. No lender reported a non-performance level higher than 2% this year indicating that loan portfolios are overwhelmingly solid. The longitudinal findings confirm that delinquencies have been minimal in the last two years.

Conclusion

Though the small number of institutions responding to both the 1996 and 1997 Mortgage Surveys renders the data unreliable on its own, the longitudinal data is useful in that it corroborates the findings from the more abundant cross sectional data. With noted exceptions, the longitudinal perspective confirms that the multifamily lending market has loosened during the past two years. Interest rates are basically unchanged from last year, lending standards have relaxed and outstanding loans are remaining current. Lower costs of borrowing and greater mortgage availability reported in last year's Mortgage Survey, are leading to mounting demand for lending services. ❑

1997 Mortgage Survey Appendix

A. Interest Rates and Terms for New and Refinanced Mortgages, 1997

New Mortgages					Refinanced Mortgages				
Instn	Rate	Points	Term (yrs)	Type	Instn	Rate	Points	Term (yrs)	Type
5	8.38%	1.0-2.0	5-25	adj ∆	5	8.38%	1.0-2.0	5-25	adj ∆
10	8.00%	1.0	10-25	fxd & adj	10	8.00%	1.0	10-25	fxd & adj
12	10.25%	2.0	15	fxd	12	10.25%	2.0	15	fxd
14	7.75-9.0%	1.0-2.0	5+5	adj after 15 yrs	14	7.75-9.0%	1.0-2.0	5+5	adj after 15 yrs
15	7.02-7.52%	1.0	5+5 or 10	fxd	15	7.02-7.52%	1.0	5+5	fxd
18	market rates	--	--	--	18	market rates	--	--	--
21	7.0-7.75%	1.0	5	fxd	21	7.0-7.75%	1.0	5	fxd
23	8.30%	1.0	5	fxd	23	8.30%	0	5	fxd
29	8.25-9.25%	1.0-2.0	up to 30	fxd, adj	29	8.25-8.50%	1.0-2.0	up to 30	fxd
33	9.25%	1.0-2.0	10	adj π	33	9.25%	1.0-2.0	10	adj π
40	8.25%	1.0	10	fxd	40	8.25%	1.0	10	fxd
43	8.75%	1.5	15	adj	43	8.75%	1.5	15	adj
44	9.00%	1.0	5+5+5	adj	44	§	--	--	--
47	7.75-9.0%	1.0	5+5 opt.	fxd	47	7.75-9.0%	1.0	5+5 opt.	fxd
50	Ω	1.0-2.0	NR	fxd, adj, bal	50	Ω	1.0-2.0	NR	fxd, adj, bal
54	8.0-9.0%	1.0	5+ 5 opt.	fxd	54	9.0-9.50%	1.0	5	fxd
56	7.88%	1.0	5	adj ∫	56	7.88%	1.0	5	adj ∫
57	10.00%	1.5	3	fxd	57	9.50%	0	3	fxd
64	6.71-7.21%	1.0-2.0	7-20	fxd	64	§	--	--	--
70	8.00%	1.0	NR	fxd	70	8.00%	1.0	NR	fxd
73	8.50%	1.5	25	adj	73	8.50%	1.0	25	adj
74	9.0-11.00%	1.0-3.0	5-15	adj	74	9.0-11.00%	1.0	10-15	adj
75	9.50%	1.0	10	adj ø	75	9.50%	1.0	10	adj ø
77	10.75%	1.5	15	adj	77	§	--	--	--
78	9.75-10.0%	1.5-2.0	5-7	adj	78	9.75-10.0%	1.5-2.0	5-7	adj
81	9.25%	1.0	30	fxd	81	§	--	--	--
83	10.00%	1.0-2.0	15	fxd	83	10.00%	1.0-2.0	15	fxd
87	10.00%	2.0	10 or 15	fxd	87	§	--	--	--
Avg	**8.83%**	**1.34**	**11.15**	**†**	**Avg**	**8.36%**	**1.15**	**10.08**	**†**

NR indicates no response to this question.
fxd = fixed, adj = adjustable, bal = balloon
∆ 5-20 years fixed, 25 years adjustable.
∫ 5 year adjustable rate mortgage with 10-25 year amortization.
Ω Treasury Bill plus spread.
π 20-25 year amortization.
ø 15 year amortization.
§ Refinancing not available or no refinanced mortgages right now.
† No average could be computed due to large variations in responses.

Note: The average for interest rates, points and terms is calculated by using the midpoint when a range of values is given by the lending institution. Five year terms with one or more five year options are considered to have 5-year maturities when calculating the mean.

Source: 1997 Rent Guidelines Board Mortgage Survey.

B. Typical Characteristics of Rent Stabilized Buildings, 1997

Lending Institution	Loan-to-Value of Outstanding Loans	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Collection Losses Only	Typical Building Size	Monthly O&M Cost per Unit
5	75%	80%	1.25%	5%	1%	20-49	$217
10	55%	75%	1.20%	5%	DK	50-99	45%-55% of income
12	60%	50%-67%	1.25%	3%	1%	1-10	30%-60% of income
14	70%	75%	1.15%	NR	NR	50-99	$300-$400
15	65%	75%	1.20%	1%	1%	50-99	$280-$400
18	70%	75%	1.30%	5%	5%	20-49	$750
21	65%	NR	NR	1%	1%	50-99	$550
23	70%	70%	1.25%	5%	4%	50-99	$320
29	NR	80%	1.25%	6%	DK	20-99	$300
33	65%	50%-70%	1.25%-1.40%	3%	1%	20-49	$208
40	75%	75%	1.25%	5%	1%	NR	$325
43	70%	70%	1.20%	7%	5%	20-49	NR
44	65%	70%	1.25%	5%	3%	1-10	$210
47	60%	75%	1.30%	5%	NR	20-49	$250-$350
50	60%	75%	1.15%	5%	2%	20-49	$295
54	55%	60%	1.25%	3%	DK	20-49	$356
56	65%	70%	1.25%	5%	<1%	50-99	NR
57	60%	65%-70%	1.40%	5%	5%	20-49	$200-$300
64	75%	80%	1.25%	6%	1%	100+	NR
70	65%	70%	1.25%	2%	1%	50-99	$200
73	70%	75%	1.25%	5%	DK	11-19	DK
74	70%	DK	1.25%	5%	2%	11-19	varies
75	65%	NR	NR	5%	3%	20-49	$225
77	65%	65%	1.20%	3%	NA	20-49	$190
78	60%	70%	1.30%	5%	3%	20-49	NR
81	80%	80%	1.20%	5%	5%	50-99	NR
83	65%	65%	1.20%	<1%	<1%	1-10	$252
87	50%	NR	NR	5%	3%	11-19	$200
Average	**65.6%**	**71.5%**	**1.25%**	**4.3%**	**2.4%**	**mode 20-49**	**†**

NR indicates no response to this question.
DK indicates the respondent does not know the answer to this question.
† No monthly average could be computed due to the large variation in responses.
Note: The average for loan-to-value and debt service coverage ratios is calculated using the midpoint when a range is given by the lending institution.

Source: 1997 Rent Guidelines Board Mortgage Survey.

C. Interest Rates and Terms for New Financing, Longitudinal Study

Lending Institution	Interest Rates 1997	Interest Rates 1996	Points 1997	Points 1996	Term 1997	Term 1996	Type 1997	Type 1996
10	8.00%	7.75-8.13%	1.0	1.0	10-25	∆	fxd & adj	fxd & adj ∆
12	10.25%	9.25-10.75%	2.0	2.0	15	5-25 §	fxd	fxd
14	7.75-9.0%	7.75-9.0%	1.0-2.0	1.0-2.0	5+5	5+5	adj after 15 yrs	adj after 5 yrs
15	7.02-7.52%	7.75-8.25%	1.0	1.0	5+5 or 10	5+5 opt.	fxd	fxd
18	NR	--	NR	--	NR	balloon	NR	adj
21	7.00-7.75%	7.00-7.50%	1.0	1.0	5	5	fxd	fxd
23	8.30%	8.10%	1.0	1.0	5	5	fxd	fxd
40	8.25%	9.00%	1.0	1.0	10	5	fxd	fxd
43	8.75%	9.50%	1.5	1.5	15	15	adj	adj
44	9.00%	9.00%	1.0	1.0-2.0	5+5+5	5+5	adj	fxd
56	7.88%	7.50%	1.0	1.0	5	5	adj ∫	adj ∫
57	10.00%	10.00%	1.5	2.0	3	5+5	fxd	fxd
Avg	**8.50%**	**8.61%**	**1.23**	**1.32**	†	†	†	†

NR indicates no response to this question.
∆ 5 year fixed with 10 year amortization, 5 year adjustable with 25 year amortization.
§ up to 5-year term is adjustable, longer terms are fixed at higher rates.
∫ 5 year adjustable rate mortgage with 10-25 year amortization.
† No average could be computed due to large variation in responses.
Note: The average for interest rates and points is calculated by using the midpoint when a range of values is given by the lending institution.

Source: 1996 and 1997 Rent Guidelines Board Mortgage Surveys.

D. Interest Rates and Terms for Refinanced Loans, Longitudinal Study

Lending Institution	Interest Rates 1997	Interest Rates 1996	Points 1997	Points 1996	Term 1997	Term 1996	Type 1997	Type 1996
10	8.00%	7.75-8.13%	1.0	1.0	10-25	5	fxd & adj	adj ∆
12	10.25%	9.25-10.75%	2.0	2.0	15	15	fxd	fxd
14	7.75-9.0%	7.75-9.0%	1.0-2.0	1.0-2.0	5+5	5+5	adj after 15 yrs	adj after 5 yrs
15	7.02-7.52%	7.75-8.25%	1.0	1.0	5+5 or 10	5+5 opt.	fxd	fxd
18	NR	--	NR	--	NR	balloon	NR	adj
21	7.00-7.75%	7.00-7.50%	1.0	1.0	5	5	fxd	fxd
23	8.30%	8.10%	0	0	5	5	fxd	fxd
40	8.25%	9.00%	1.0	1.0	10	5	fxd	fxd
43	8.75%	9.50%	1.5	1.5	15	15	adj	adj
44	§	--	§	--	§	5+5	§	fxd
56	7.88%	7.50%	1.0	1.0	5	5	adj ∫	adj ∫
57	9.50%	9.25%	0	0-2.0	3	5+5	fxd	fxd
Avg	**8.39%**	**8.49%**	**1.00**	**1.10**	†	†	†	†

NR indicates no response to this question.
∆ 5 year fixed with 10 year amortization, 5 year adjustable with 25 year amortization.
∫ 5 year adjustable rate mortgage with 10-25 year amortization.
§ Refinancing not available or no refinanced mortgages right now.
† No average could be computed due to large variation in responses.
Note: The average for interest rates and points is calculated by using the midpoint when a range of values is given by the lending institution.

Source: 1996 and 1997 Rent Guidelines Board Mortgage Surveys.

E. Lending Standards and Relinquished Rental Income, Longitudinal Study

Lending Institution	Max Loan-to-Value 1997	Max Loan-to-Value 1996	Debt Service Coverage 1997	Debt Service Coverage 1996	Rental Losses 1997	Rental Losses 1996
10	75%	70%	1.20	1.20	5%	≤1%
12	50-67%	50-60%	1.25	1.25	3%	≤1%
14	75%	75%	1.15	1.15	NR	--
15	75%	75%	1.20	1.20	1%	5%
18	75%	70%	1.30	1.30	5%	≥6%
21	NR	NR	NR	NR	1%	≤1%
23	70%	70%	1.25	1.25	5%	5%
40	75%	75%	1.25	1.25	5%	3%
43	70%	70%	1.20	1.25	>7%	≤1%
44	70%	65-70%	1.25	1.25-1.35	5%	5%
56	70%	70%	1.25	1.40	--	ß
57	65-70%	65%	1.40	1.35	5%	5%
Avg	**72%**	**70%**	**1.25**	**1.26**	**4.20%**	**3.30%**

NR indicates no response to this question.
ß Just began financing in June 1995.
Note: The average for loan-to-value and debt service coverage ratios is calculated using the midpoint when a range is given by the lending institution.

Source: 1996 and 1997 Rent Guidelines Board Mortgage Surveys.

F. Retrospective of New York City's Housing Market

Year	Interest Rates for New Mortgages	Permits for New Housing Units
1981	15.9%	11,060
1982	16.3%	7,649
1983	13.0%	11,795
1984	13.5%	11,566
1985	12.9%	20,332
1986	10.5%	9,782
1987	10.2%	13,764
1988	10.8%	9,897
1989	12.0%	11,546
1990	11.2%	6,858
1991	10.7%	4,699
1992	10.1%	3,882
1993	9.2%	5,173
1994	8.6%	4,010
1995	10.1%	5,135
1996	8.6%	8,652
1997	8.8%	666 (410)

Note: Housing permits for 1997 are for January. The number of permits issued in January 1996 are in parentheses.

Sources: Rent Guidelines Board, Annual RGB Mortgage Surveys; U.S. Bureau of the Census.