The Rent Guidelines Board

1998 Mortgage Survey

March 9, 1998

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Summary

Operating in a strong New York City real estate market, many financial institutions continued to lower their interest rates and loosen lending standards in the past twelve months. The Rent Guideline Board's 1998 Mortgage Survey found that the average interest rate for new multifamily mortgages is 8.48%—the lowest in the 16-year history of the survey. Lower costs for borrowing and greater mortgage availability, in turn, have generated greater demand for lending services and a wider range of products for borrowers in the multifamily mortgage market.

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 surveys financial institutions that underwrite mortgages for multifamily properties in New York City. The survey provides details about New York City's multifamily lending market, including point to point changes from January 1997 to January 1998. The survey is organized into four sections: new and refinanced loans, underwriting criteria, non-performing loans, and characteristics of buildings in lenders' portfolios.

Survey Respondents

Thirty-two financial institutions responded to the 1998 Mortgage Survey—the highest number of respondents in the history of the survey. The survey sample is updated annually to include only those institutions still offering loans for multiple dwelling properties. New underwriting institutions for the survey were found through research in trade journals, directories, and lists compiled by the Federal Deposit Insurance Corporation (FDIC). This year, we mailed the survey to seventy lenders. Of the 32 that responded, two were commercial mortgage firms, two were nonprofit development corporations, and the rest were traditional lending institutions ranging from savings banks, savings and loan associations to commercial banks.

The dollar value of multifamily real estate holdings varied significantly among survey respondents. According to the FDIC, five of the commercial banks that responded to the Mortgage Survey had between $200 and $1,600 million in their multifamily mortgage portfolios as of June 1997. The majority of respondents, however, held between $1 to $30 million in multifamily mortgages. As in previous RGB Mortgage Surveys, we found that financial institutions with larger holdings tend to have slightly lower financing costs.

What's New

- ✔ Average interest rates for new multifamily mortgages are 8.48%—the lowest in the 16-year history of the Mortgage Survey.
- ✔ Average service fees (points) have declined (1.02 for new mortgages and 0.99 for refinanced loans) and terms have become more flexible in response to greater levels of demand and declining defaults in the past five years.
- ✔ Refinancing activity continues to sustain the increased momentum of mortgage lending activity. About half the lenders completing this year's Mortgage Survey reported refinancing 25 to 100% of the outstanding loans in their portfolios at lower rates.

Larger lenders also tended to provide a greater number of new and refinanced loans. Ten lenders provided more than 75% of the total volume of new mortgages in the entire pool of respondents—three of these ten lenders appeared on the FDIC's top ten list of commercial banks with multifamily loans. Furthermore, five large lenders provided almost 50% of the total volume of refinanced loans in the entire pool of respondents.

Twenty of this year's respondents also completed last year's Mortgage Survey. A large pool of respondents replying in consecutive years enables us to provide a longitudinal analysis that distinguishes between actual changes in the lending market versus fluctuations caused by different institutions responding to the surveys in consecutive years. This report begins by discussing findings from a cross-sectional study of all respondents to the 1998 Mortgage Survey followed by an analysis of the longitudinal group.

Cross-Sectional Analysis

Financing Availability and Terms

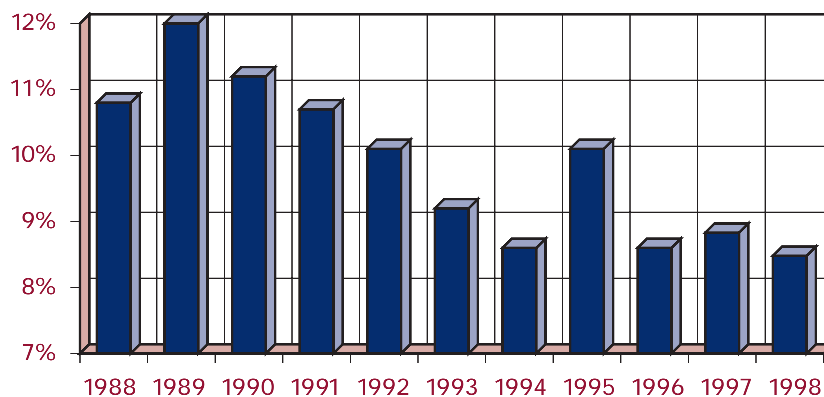
Mortgage financing conditions have not changed dramatically from those found in recent years. This year's average interest rate was 8.48% for new multifamily mortgages (a drop of 0.35 percentage points from the previous year). This decline marks the fourth time in five years that mortgage interest rates for new originations fell below 9%.

The average rate for refinanced loans was 8.49%. Two survey respondents do not offer loan refinancing—these lenders typically offer new mortgages at higher interest rates (on average 9.5%) than those offering both loan types. Of the thirty lenders that offer both types of loans, two 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.

One reason for this relative stability in mortgage rates was the Federal Reserve's unwavering course for the past two years. For instance, the Federal

Multifamily Mortgage Interest Rates Declined in 1998.

(Average Interest Rates for New Loans, 1988-1998)



Source: Rent Guidelines Board, Annual Mortgage Surveys.

Average interest rates for new multifamily mortgages are 8.48%—the lowest in the 16-year history of the survey. This finding mirrors a decline in overall interest rates reported in the January 19–25, 1998 issue of *Crain's NY Business:* "the average rate for a 30-year fixed mortgage in metropolitan New York . . .was 6.98%, . . . the first time since October 1993 that the index was below 7%."

Funds Rate—the rate banks charge each other for overnight loans—was only increased from 5.25% to 5.50% in March 1997. The Discount Rate—the interest rate Federal Reserve Banks charge for loans to depository institutions—has remained constant at 5% for the past two years. Large banks, following the pattern set by the Federal Reserve, maintained their prime lending rates at a level that produced very little fluctuation in mortgage interest rates.

Points—upfront service fees charged by lenders—also closely followed the trend set in previous years. Points for new mortgages ranged from 1 to 3, moving from an average of 1.34% in 1997 to 1.02% in 1998. Average points charged for refinanced loans this year were 0.99%, or about 0.16% below the 1997 average.

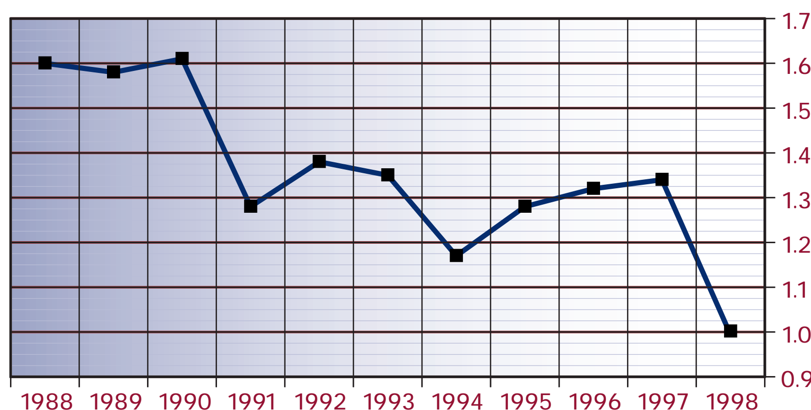
Lenders appeared to be more flexible in the loan terms they offered this year. While term lengths are difficult to analyze (because survey respondents normally provide a wide range of terms rather than a single number), the range of terms offered in 1998 was slightly broader than that found in 1997. Mortgage terms reported by respondents typically fell within the 3 to 30-year range and most lenders offered 5 to 15 years. Seven lenders offered a maximum of 5 years or less, and another seven gave 25 to 30 years.

Refinancing activity in 1997 followed the growth levels reported in previous years. Almost half the respondents reported a significant increase in loan volume from the previous year, with one bank even witnessing a 333% increase. On average, there were almost 60% more loans underwritten in 1997 (among those that reported a significant change) than in the previous year. This surge in loan volume was mostly due to increases in applications: thirteen of these banks reported significant increases in the volume of applications they received for refinancing, while three reported a significant increase in the approval rate of such applications.

Much of this trend can be traced to the fact that reductions in refinancing costs are encouraging more borrowers to refinance their loans. About one-third

Service Fees for New Loans Declined Significantly in 1998.

(Average Points Charged for New Loans, 1988-98)

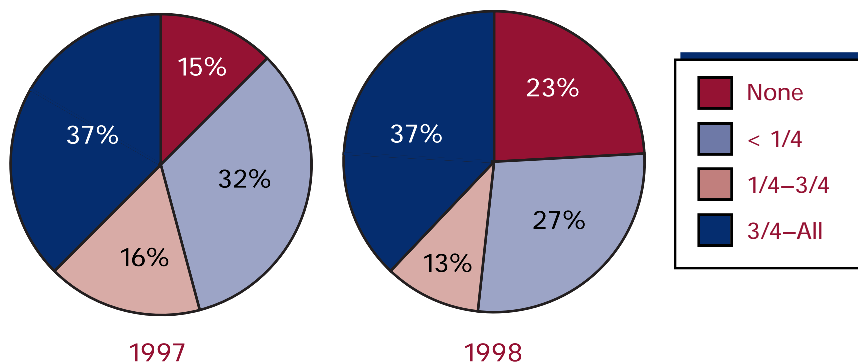


Source: Rent Guidelines Board, Annual Mortgage Surveys.

Points, or upfront service fees charged by lenders, declined to the lowest level in more than a decade. This year, points averaged 1.02% for new multifamily mortgages and 0.99% for refinanced loans.

Low Costs Maintain High Refinancing Volume.

(Percent of Institutions' Outstanding Loans Refinanced at Lower Rates, 1997–1998)



Source: Rent Guidelines Board, 1998 and 1997 Mortgage Surveys.

The percent of outstanding loans refinanced at lower rates during the past year continues to grow at a steady pace. As in the previous year, about one-third of the respondents in 1998 refinanced more than three-quarters of their outstanding loans at lower rates. This two-year growth in loan refinancing is due in large part to the continuation of low financing costs for mortgages and a healthy NYC real estate market.

of the lenders completing this year's Mortgage Survey refinanced three-quarters or more of their outstanding loans at lower rates than the year before. Buildings with 20 or fewer units shared in the refinancing boom: over half (19 out of 32) of the lenders refinanced the loans of smaller buildings in their portfolios at lower rates.

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 financing costs. (For an overview of trends in underwriting criteria and non-performing loans, see "A Brief History of Mortgage Financing in NYC" on the next page). The conditions causing this market upheaval, however, have continued to retreat in 1998. This year's Mortgage Survey finds even more evidence that a new era of cautious but ample loan availability has established itself in New York City.

Lending practices have remained steady in the past three years. This trend reflects a period of low delinquencies and defaults that resulted from heightened requirements in effect during the early 1990s. In this year's survey, only four respondents reported changes in their underwriting practices: all of these lenders lowered the points and fees for borrowers looking for mortgages, while two increased their monitoring requirements. In terms of approvals, two respondents reported more stringent criteria, while the other two had less stringent approvals. Explanations for these changes are also mixed: two lenders changed underwriting criteria because of increased demand for mortgage financing, one lender was reacting to an increased opportunity to sell loans on the secondary market, while another pointed to increased competition.

As in the previous year, respondents reported few changes in other areas of origination practices and standards such as loan-to-value ratios, debt service coverage, and building characteristics. The dollar amount respondents were

willing to lend based on a building's value (the loan-to-value ratio, or LTV) ranged from 50% to 80%. The average maximum LTV in 1998 is 71%—a slight decline from the previous year's average of 71.5%. Normally, a decline in the LTV criteria may indicate a tightening of mortgage financing practices. In this case, however, the decline is too small to be statistically significant and is probably due to changes in the survey sample. As we shall see in the longitudinal analysis, the average maximum LTV actually increased for the twenty lenders that responded in consecutive years.

The debt service ratio (or net operating income divided by the debt service) remained steady from the previous year, with the most common debt service requirement at 125%. The debt service ratio measures an investment's ability to cover mortgage payments using its gross income net or its operating income. The higher the debt service coverage requirements, the less money a lender is willing to loan given constant net income. Because the most common debt service ratio did not change from the previous year, we can assume that most lenders in 1998 have not changed the amount of money they are willing to lend in relation to the net operating income of buildings.

Most lenders stipulate that a building be in good condition, while five reported that they would accept average, acceptable, or fair conditions when assessing loan applications. One respondent evaluated the quality of building management before approving a loan application. Four lenders stated that they take into account the age of a building, with two indicating an effective remaining life of at least 30 and 50 years respectively.

Most lenders also require buildings to have a minimum of 5 or more units, with three setting limits at 15, 30, and 60 units respectively. Only one lender considered a building's potential for cooperative or condominium conversion, indicating that 70% of the units in a building be available as potential co-ops. No respondent takes into account whether the borrower is an occupant of the building, but one lender does consider the neighborhood in which the building is located and the borrower's credit and financial strength. Another respondent stipulated that 25% of the loan be used for new improvements.

Non-Performing Loans and Foreclosures

In another sign of a stable mortgage market, very few lenders reported non performing loans or foreclosures in 1997. Only one respondent reported a significant increase from the previous year—this was a 104% jump attributed to an acquisition of another institution's portfolio. However, this deviation is minor considering the fact that the increase only represents 0.76% of the lender's total multifamily mortgage portfolio.

None of the twelve lenders that indicated delinquent loans reported levels of more than 2% of total loans. This finding is similar to the previous year, when all but two lenders reported levels of less than 2%.

Lending institutions also reported very few foreclosure proceedings for rent stabilized buildings in their portfolios between 1996 and 1997. All but one respondent reported that there was no change in foreclosures from the previous year. The one lender that did indicate a significant change in its foreclosure

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 lending programs altogether.

By 1993 the mortgage market was entirely restructured. By 1995, lenders' rigid standards finally paid off 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 had very few non-performing loans or foreclosures, and refinancing activity soared. Low interest rates and increasing loan volumes this year suggest that mortgage availability in New York City will continue to expand at slightly lower financing costs.

actions, reported a 25% decline from the previous year. In a separate question, lenders were asked about the percentage of loans to rent stabilized buildings that were currently in foreclosure. Of the seven lenders that currently had loans in foreclosure, all stated that the number of loans in foreclosure made up 2% or less of their total outstanding loans.

The most common prescription for foreclosures reported this year was to restructure debt service. Five respondents also seized property, five allowed borrowers to resume regular debt service, four arranged financing with another institution, while one lender reported that it had sold 90% of its foreclosed properties. These foreclosure actions do not differ substantially from 1996, except that a larger proportion of borrowers were allowed to resume debt service coverage in that year.

Characteristics of Rent Stabilized Buildings

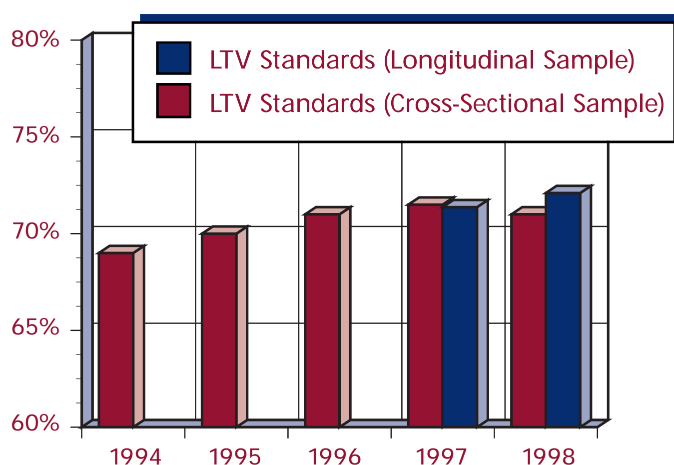
Characteristics of buildings in lenders' portfolios remained nearly the same as last year. Almost three-quarters of the respondents typically provide mortgages to buildings with 20 or more dwellings. In the 1995 Mortgage Survey, the average building size reported by lenders was 50–99 units. In the 1996 and 1997 surveys, average building size decreased to 20-49 units. This finding may be an indication of the RGB's efforts to include smaller lenders, which tend to have smaller buildings in their portfolios.

In another indication of a stronger rental market, the 1998 Mortgage Survey found that average vacancy and collection losses declined slightly to 4.2%. Nearly half of the respondents reported that buildings in their portfolios experienced vacancy and collection losses of 5% or more—a smaller proportion than was reported last year, when 75% of lenders reported similar problems.

The percent of losses attributed to collection problems also declined this year to 2.21%, or about 0.19% less than what was found in the previous year.

Maximum Loan-to-Value Ratios Increased.

(1997–98 Longitudinal vs. Cross-Sectional Average Loan-to-Value Standards)



Source: Rent Guidelines Board, Annual Mortgage Surveys.

Maximum loan-to-value (LTV) criteria increased from 1997 to 1998 in the longitudinal analysis of twenty lenders that replied in consecutive years. This finding indicates an increase in the dollar amount respondents are willing to lend for multifamily housing.

While the official loan-to-value (LTV) criteria used to evaluate loans did not change significantly, the actual reported LTV ratio of building mortgages currently held by respondents sharply increased from the 1997 Mortgage Survey. This year's survey found that the average LTV ratio of buildings currently in lenders' portfolios is 68%, or about two percentage points higher than the 66% average found in the 1997 survey. Differences between an institution's current lending standards and the characteristics of its overall portfolio point to possible exceptions to its standards when choosing to underwrite individual loans. The higher LTV ratios that characterize this year's sample of buildings may be an indication that lenders continue to feel comfortable with the current state of the real estate market. It is also quite possible that the higher LTV ratios resulted from an actual increase in the value of buildings in lender portfolios.

This year, the average operating and maintenance (O&M) expense per unit reported by lenders was $301, a 6% increase from the $283 average found in the 1996 Mortgage Survey. In a new question this year, lenders were also asked to estimate the typical rent per unit per month in the buildings that are part of their mortgage portfolios. They reported an average monthly rent of $629, which is very close to the $645 mean found in the 1996 Housing and Vacancy Survey for renter occupied units (and $680 mean for stabilized units). This is another indication that the RGB Mortgage Survey continues to enjoy a fairly representative sample of the multifamily mortgage market.

Longitudinal Analysis

In this section, staff compare responses from the twenty lenders who replied to surveys in both 1997 and 1998 (longitudinal group) with the data from all thirty-two institutions providing responses in the 1998 survey (cross-sectional group). This longitudinal comparison helps to determine whether the changes highlighted in the cross-sectional analysis reflect actual fluctuations in the lending market or the presence of a larger pool of respondents this year.

Financing Availability and Terms

The terms offered by the longitudinal group differ substantially from those of all respondents (cross-sectional group). For example, average interest rates for new mortgages in 1998 were lower for the longitudinal group (8.13%) than for the cross sectional group (8.48%). This probably reflects changes in the pool of survey respondents because new lenders in this year's survey (by definition excluded from the longitudinal group) tend to have higher financing costs.

Data from the longitudinal group supports our findings in the cross-sectional analysis that mortgage financing was cheaper in 1998 than in the previous year. While average mortgage interest rates for both new and refinanced loans declined in both groups, they declined at a faster rate in the longitudinal group. For instance, the longitudinal interest rate for new mortgages dropped by 0.57%, while the cross sectional group declined by 0.35%.

Changes in points, loan lengths, and types are more consistent between the two groups. Service fees declined by about the same rate in both groups: there was a 0.37% decline for new loans in the longitudinal group and 0.32% decline in the cross sectional group. The longitudinal data also shows a fair amount of consistency in terms offered by respondents in 1997 and 1998. Additionally, lenders in the longitudinal group offered comparable types of loans from one year to the next, with a slight increase in adjustable loans this year.

Both longitudinal and cross-sectional groups refinanced (at lower rates) about the same percent of loans in their portfolios this year. All but four lenders in the longitudinal group reported that some portion of their loans was refinanced at lower rates. Lenders in the longitudinal group are also refinancing, on average, about the same amount of loans in their portfolios (59%) as in the previous year (63%). As was the case in the 1997 survey, half of all longitudinal respondents reported increases in loan volumes in 1998 almost exclusively due to swelling loan applications.

Lending Standards

In the longitudinal analysis, the maximum loan-to-value (LTV) ratio parallel findings in the cross-sectional analysis that indicate stable trends in the rental market. While there is a slight increase from 71.4% to 72.1% in the maximum LTV criteria for the longitudinal group, there is a slight decrease from 71.5% to 71% in the cross-sectional group. The longitudinal debt service coverage data remains the same as the year before: an average debt service ratio of 124%, which is similar to that found in the cross-sectional analysis.

However, there is a significant difference between vacancy and collection losses between the two groups. The average vacancy and collection losses reported in the cross-sectional analysis is higher (4.20%) than that found in the longitudinal group (3.79%). The percent of losses attributable to collection problems was also higher in the cross-sectional group (2.21%) and the longitudinal one (1.94%). Again, when a historical comparison is made between the 1997 and 1998 Mortgage Surveys, almost no change is detected in the longitudinal group, while a decrease is detected in the 1998 cross-section. These differences are most likely due to the large number of new lenders in the cross-sectional group.

Non-performing and Delinquent Loans

As was the case in 1997, the longitudinal findings for 1998 confirm that delinquencies have been minimal. None of the lenders in the longitudinal group report significant changes in non-performing loans or foreclosures from the same period last year.

Conclusion

While the longitudinal analysis of the 1998 Mortgage Survey is only as reliable as the number of lenders that participate, the data from consecutive years supports 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 year. 1998 Interest rates are slightly lower than those found in 1997, lending standards have relaxed somewhat, and defaults on outstanding loans have continued to be limited in scale. It appears that the lower costs of borrowing and greater mortgage availability reported in the last three years have continued to generate mounting demand for lending services and a wider range of products for borrowers in the multifamily mortgage market.

1998 Mortgage Survey Appendix

A. Interest Rates and Terms for New and Refinanced Mortgages, 1998

	New Mortgages					Refinanced Mortgages				
Instn	Rate (%)	Points	Term (yrs)	Type	Volume	Rate(%)	Points	Term (yrs)	Type	Volume
1	Ω	1	30	fxd	6	Ω	1	up to 3	fxd	0
4	Prime+(1.5)	1.5	5 or 7	adj	6	Prime+(1.5)	1.5	5 or 7	adj	2
5	Ω	1	5–10	fxd	85	Ω	1	5–10	fxd	100
6	8.00–8.50	1	5+5+5	(5 yr) adj	15	8.00–8.50	1	5+5+5	(5 yr) adj	22
8	9.00	2	5–15	both	27	8.25–9.25	2	5–20	both	9
9	7.25	1	5,10,20,25	fxd	0	7.25	1	5,10,20,25	fxd	6
10	7.00–7.5	1	5	fxd	70	7.00–7.50	1	5	fxd	200
12	10.00	1	15	adj	15	§	—	—	—	—
13	Ω	0–1	25	adj	50	Ω	0–1	up to 25	adj	25
14	7.50–9.00	0–2	5 & 5	adj	250	7.50–9.00	0–2	5 & 5	adj	250
15	7.25	0	5	fxd	113	7.25	0	5	fxd	55
16	Ω	0.50–2	bal	adj	99	Ω	0.50–2	bal	adj	81
17	8.25	1–2	10–15 (10–25π)	adj	0	8.25	1–2	10–15 (10–25π)	adj	0
19	8.00–8.5	1	15	fxd	20	8.00–8.5	1	15	fxd	5
20	7.38	0	10	fxd	50	7.38	0	10	fxd	10
22	7.00	0	5–10 (25π)	adj	3	7.00	0	5–10 (25π)	adj	47
23	8.50	1	5+5 (30π)	fxd	40–50	FHIB+(2.5) or 9	1	5+ 5 (30π)	fxd	30
27	7.75	0	10–15	adj	3	7.75	0	10 (15π)	adj	7
28	7.25	PAR	10–25	fxd	48	7.25	PAR	10–25	fxd	0
30	8.00	1	30	fxd	80	8.00	1	up to 30	fxd	20
31	8.50	1–2	10 / 15	adj	10	8.50	1–2	10 / 15	adj	4
32	7.50–9.95	1	5	fxd	2	7.50–9.95	1	5	fxd	2
33	8.25–8.75	1	15 / 25	adj	60	8.25-8.75	1	15 / 25	adj	16
34	8.00	1	10 yrs (30π)	adj	0	8.00	1	10 yr (30π)	adj	0
35	9.25	1	15	fxd	0	9.25	1	15	fxd	0
36	7.00	1	5–30	fxd	0	7.00	1	5-30	fxd	11
37	10.00	1	10	fxd	8	10.00	1	10	fxd	0
38	Ω	1	5–10	fxd	47	Ω	1	5–10	fxd	15
39	13.25	0	10,15 (10,30π)	fxd	40	13.25	0	10,15 (10,30π)	fxd	NR
40	9.00	2	15	fxd	0	§	—	—	—	—
41	8.875–9.25	3	10 / 15	fxd	0	7.25–7.875	3	3,5,7 bal (25π)	adj	NR
42	8.50–9.50	1–2	5 (20,25π)	fxd	30–35	8.50–9.50	1–2	5 (20,25π)	fxd	0
Avg	**8.48**	**1.02**	**11.34**	**†**	**37**	**8.49**	**0.99**	**10.83**	**†**	**33**

Ω Treasury Bill plus spread.
π Amortization.
§ Refinancing not available or no refinanced mortgages right now.
† No average could be computed due to large variations in responses.

fxd = fixed rate mortgage.
adj = adjustable rate mortgage.
bal = balloon
NR = indicates no response to this question.

Note: The averages for interest rates, points and terms are 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: 1998 Rent Guidelines Board Mortgage Survey.

B. Typical Characteristics of Rent Stabilized Buildings, 1998

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	Average Monthly O&M Cost/Unit	Average Monthly Rent/Unit
1	77.5%	75–80%	1.15x	2%	1%	50-99	$675	$750
4	65%	60-65%	1.2	6%	3%	20-49	**NR**	$270
5	60%	75%	1.2	2%	1%	50-99	$400	$750
6	65%	65–70%	1.20–1.35	5%	3%	1–10	$250–300	$650
8	60%	50–70%	1.25	5%	1%	1–10	$200	$600
9	75%	80%	1.2	3%	1%	20-49	$291	$900
10	65%	75%	1.2–1.3	1%	1%	50-99	$300	$550
12	65%	65%	1.2	3%	**DK**	20-49	$350	$600
13	70%	75%	1.2	5%	3%	20-49	$300	$600
14	70%	75%	1.15	5%	5%	50-99	$300–$400	$600–800
15	70%	70%	1.25	5%	4%	50-99	$300	$650
16	65%	75%	1.15	5%	2%	20-49	$280	$575
17	70%	70%	1.25	<1%	<1%	11–19	**DK**	$685
20	65%	**DK**	**DK**	**NR**	**NR**	50-99	**NR**	**NR**
22	65%	75%	1.4	5%	<1%	11–19	$320	$800
23	55%	65%	1.25	3%	<1%	20-49	$180	$500
27	65%	70%	1.35	3%	<1%	11–19	$228	$650
28	75%	75–80%	1.25	5%	1%	50-99	$320	$600
30	75%	80%	1.25–1.3	5%	4%	20-49	$240–300	$550
31	75%	75% or <	1.2	5%	2%	1–10	$325	$685
32	75%	75%	1.2	>7%	4%	50-99	$358	$660
33	65%	65%	1.3	7%	4%	20-49	$341	$520
34	60%	65%	1.3	5%	3%	11–19	$300	$500-700
35	65%	65%	1.15	3%	1%	20-49	$250	$600
36	70%	80%	1.25	2%	1%	100+	$367	$700
37	65%	60–65%	1.2	<1%	<1%	1–10	$400	$850
38	65%	75%	1.15	>7%	5%	20-49	$300	$600
39	70%	60 or 65%	1.00 or 1.25	5%	2%	11–19	$150	$450
40	**NR**	70%	1.3	**NR**	**NR**	**NR**	**NR**	**NR**
41	65%	70%	1.2	>7%	4%	1–10	$267	$550
42	65%	65%	1.3	5%	2%	11–19	$290	$570
Average	**68%**	**71%**	**1.25%**	**4.2%**	**2.21%**	**mode 20-49**	**$301**	**$629**

NR = indicates no response to this question.
DK = indicates the respondent does not know the answer to this question.

Note: Average loan-to-value (LTV) and debt service coverage ratios are calculated using the midpoint when a range was given by the lending institution.

Source: 1998 Rent Guidelines Board Mortgage Survey.

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

Lending Institution	Interest Rates 1998	Interest Rates 1997	Points 1998	Points 1997	Term 1998	Term 1997	Type 1998	Type 1997
1	8.10%	9.25%	1	1	30	30	fxd	fxd
4	10.00%	9.75%-10%	1.5	1.5–2.0	5–7	5–7	adj	adj
5	8.43%	7.02%-7.52%	1	1	5–10	5+5 / 10	fxd	fxd
6	8.00–8.50%	9%	1	1	5+5+5	5+5+5	5 yr adj	adj
8	9.00%	10.25%	2	2	5–15	15	both	fxd
9	7.25%	8.38%	1	1–2	5–25	5–20	fxd	**NR**
10	7.00–7.50%	7-7.75%	1	1	5	5	fxd	fxd
12	10.00%	10.75%	1	1.5	15	15	adj	adj
13	8.61%	T+spread	0–1	**NR**	25	**NR**	adj	**NR**
14	7.50–9.00%	7.75-9.00%	0–2	1–2	5+5	5+5	adj	adj after 15 yrs
15	7.25%	8.30%	0	1	5	5	fxd	fxd
16	7.91%	T+spread	0.50–2	1–2	balloon	balloon	adj	both
17	8.25%	9.25%	1–2	1–2	10–15	10	adj	adj
19	8.00–8.5%	8.25%	1	1	15	10	fxd	fxd
20	7.38%	8.00%	0	1	10	**NR**	fxd	fxd
22	7.00%	7.88%	0	1	5 / 10	5	adj	10-25 yr amort.
23	8.50%	8.0-9.0%	1	1	5+5 / 30	5+5	fxd	fxd
27	7.75%	9.50%	0	1	10 /15	10	adj	adj
28	7.25%	8.00%	PAR	1	10–25	10 / 25	fxd	fxd
30	8.00%	8.25%-9.25%	1	1–2	30	30	fxd	both
Average	**8.13%**	**8.70%**	**0.88**	**1.25**	†	†	†	†

NR indicates no response to this question.
† No average could be computed due to large variation in responses.
Note: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution.
Source: 1998 and 1997 Rent Guidelines Board Mortgage Surveys.

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

Lending Institution	Interest Rates **1998**	Interest Rates **1997**	Points **1998**	Points **1997**	Term **1998**	Term **1997**	Type **1998**	Type **1997**
1	8.10%	**NR**	1	**NR**	3	**NR**	fxd	**NR**
4	10.00%	9.75–10.00%	1.5	1.5–2.0	5–7	5-7	adj	adj
5	8.43%	7.02–7.52%	1	1	5–10	5+5	fxd	fxd
6	8.00–8.50%	**NR**	1	**NR**	5+5+5	**NR**	5 yr adj	**NR**
8	8.25–9.25%	10.25%	2	2	5–20	15	both	fxd
9	7.25%	8.38%	1	1–2	5–25	5–20 fxd/25 adj	fxd	**NR**
10	7.00–7.50%	7.00–7.75%	1	1	5	5	fxd	fxd
12	§	§	—	—	—	—	—	—
13	8.61%	T+spread	0–1	**NR**	25	**NR**	adj	**NR**
14	7.50–9.00%	7.75–9.00%	0–2	1–2	5+5	5+5	adj	adj after 15 yrs
15	7.25%	8.30%	0	0	5	5	fxd	fxd
16	7.91%	T+spread	0.5–2	1–2	balloon	balloon	adj	both
17	8.25%	9.25%	1–2	1–2	10–15	10	adj	adj
19	8.00–8.50%	8.25%	1	1	15	15	fxd	fxd
20	7.38%	8.00%	0	1	10	**NR**	fxd	fxd
22	7.00%	7.88%	0	1	5 / 10	5	adj	10-25 yr amort.
23	9.00%	9.00–9.50%	1	1	5 + 5 / 30	5	fxd	fxd
27	7.75%	9.50%	0	1	10	10	adj	adj
28	7.25%	8.00%	PAR	1	10–25	10 / 25	fxd	fxd
30	8.00%	8.25%–8.50%	1	1–2	30	30	fxd	fxd
Average	**8.05%**	**8.51%**	**0.88**	**1.20**	†	†	†	†

NR indicates no response to this question.
§ Refinancing not available or no refinanced mortgages right now.
† No average could be computed due to large variation in responses.
Note: Averages for interest rates and points are calculated by using the midpoint when a range of values were given by the lending institution.

Source: 1998 and 1997 Rent Guidelines Board Mortgage Surveys.

E. Lending Standards and Relinquished Rental Income, Longitudinal Study

Lending Institution	Loan-to-Value Criteria 1998	Loan-to-Value Criteria 1997	Debt Service Coverage 1998	Debt Service Coverage 1997	Collection Losses 1998	Collection Losses 1997
1	75–80%	80%	1.15	1.20	1%	5%
4	60-65%	70%	1.20	1.30	3%	3%
5	75%	75%	1.20	1.20	1%	1%
6	65–70%	70%	1.20–1.35	1.25	3%	3%
8	50–70%	50–66.66%	1.25	1.25	1%	1%
9	80%	80%	1.20	1.25	1%	1%
10	75%	**NR**	1.20–1.30	**NR**	1%	1%
12	65%	65%	1.20	1.20	**NR**	**NR**
13	75%	**NR**	1.20	**NR**	3%	**NR**
14	75%	75%	1.15	1.15	5%	**NR**
15	70%	70%	1.25	1.25	4%	4%
16	75%	75%	1.15	1.15	2%	2%
17	70%	50–70%	1.25	1.25–1.40	<1%	1%
19	75%	75%	1.25	1.25	1%	1%
20	**NR**	70%	**NR**	1.25	**NR**	1%
22	75%	70%	1.40	1.25	<1%	<1%
23	65%	60%	1.25	1.25	<1%	**NR**
27	70%	**NR**	1.35	**NR**	<1%	3%
28	75–80%	80%	1.25	1.25	1%	2%
30	80%	80%	1.25–1.30	1.25	4%	**NR**
Average	**72.1%**	**71.37%**	**1.24**	**1.24**	**1.94%**	**2%**

NR indicates no response to this question.

Note: Average loan-to-value and debt service coverage ratios are calculated using the midpoint when a range is given by the lending institution.

Source: 1998 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%	9,919
1982	16.3%	12,601
1983	13.0%	11,598
1984	13.5%	17,249
1985	12.9%	15,961
1986	10.5%	25,504
1987	10.2%	15,298
1988	10.8%	18,659
1989	12.0%	13,486
1990	11.2%	13,896
1991	10.7%	9,076
1992	10.1%	6,406
1993	9.2%	5,694
1994	8.6%	7,314
1995	10.1%	6,553
1996	8.6%	7,323
1997	8.8%	11,539
1998	8.5%	11,582

Note: The number of permits issued are for the previous calendar year (for instance, 1998 numbers indicate permits issues from January to December 1997) as measured by the Census Bureau in New York City's five boroughs, plus Putnam, Rockland, and Westchester counties.

Sources: Rent Guidelines Board, Annual Mortgage Surveys; U.S. Bureau of the Census, Manufacturing & Construction Division, Residential Construction Branch.