The Rent Guidelines Board

2002 Mortgage Survey

March 26, 2002

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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 rent stabilized properties in New York City. The survey provides details about New York City's multifamily lending during the 2001 calendar year. The survey is organized into five sections: new and refinanced loans, underwriting criteria, non-performing loans, characteristics of buildings in lenders' portfolios and geographical distribution of lending practices.

Summary

The results of the 2002 *Mortgage Survey* indicate that the market for lending to rent stabilized buildings owners remains strong, despite the onset of a recession in the first half of 2001. This is due in large part to a continuing decline in interest rates and the delayed impact of the recession on the real estate industry. Similar to the past couple of years, this year saw a continuation of a stable and accessible lending market. Interest rates for both new and refinanced mortgages declined, and lending terms became slightly more flexible compared to the prior year. New loan volume among banks surveyed increased, though refinancing volume remained steady. The survey also found that participating lenders offer their services throughout the City, with, for the most part, little difference in lending practices and interest rates between boroughs.

Survey Respondents

Twenty-five financial institutions responded to this year's survey, out of sixty surveys mailed. Two fewer institutions responded this year compared to last year, in part due to the continuing trend of bank mergers and acquisitions. Each year, the survey sample is updated to include only those institutions offering loans for multiple dwelling, rent stabilized properties. Through research in trade journals, directories, World Wide Web search engines and lists compiled by the Federal Deposit Insurance Corporation (FDIC), new institutions are added each year, and irrelevant ones are removed. The twenty-five respondents include an array of traditional lending institutions, such as savings banks, S & L's, credit unions and commercial banks, but non-traditional lenders were also surveyed, including a local housing services program and a government-subsidized loan program.

What's New

- ✔ Average interest rate for new multifamily mortgages fell 1.07 percentage points, or 13%, to 7.35%, the lowest ever recorded in this survey.
- ✔ Refinancing interest rates fell to 7.40%, a 7% decline from last year.
- ✔ Average points (fees) for new loans fell .20 percentage points, or 21%, to 0.79%.
- ✔ Vacancy and collection losses increased for the first time in three years, entirely due to an increase in vacancy, not collection, losses.
- ✔ Interest rate and lending practice variation between boroughs remained minimal.
- ✔ Average new loan volume increased, while refinanced loan volume remained unchanged.

The FDIC provides data about the multifamily real estate holdings of those institutions that report figures to it. There is significant variety in the dollar value of the holdings of the respondents, ranging from $2.2 million to over $3 billion. Six institutions had multifamily holdings worth over one billion dollars, while six had holdings of less than $100 million. The average multifamily real estate portfolio this year holds $863 million, up from $657 million last year.[1]

As in prior years, a few large lenders again provided most of the new and refinanced mortgages. Of all respondents, four provided 73% of the total volume of new mortgages, and three provided 77% of the total volume of refinanced loans of all respondents.

The report also compares information from the same group of lenders who have responded each of the last two years. Conducting a longitudinal analysis of the respondents better enables the staff to distinguish between actual changes in the lending market versus fluctuations caused by different institutions responding to the surveys in consecutive years. Eighteen institutions that responded this year also completed last year's *Mortgage Survey*. This decreased the size of the longitudinal group by three respondents compared to last year.

The report begins by discussing findings from a cross-sectional study of all respondents to the 2002 *Mortgage Survey*, followed by an analysis of the longitudinal group.

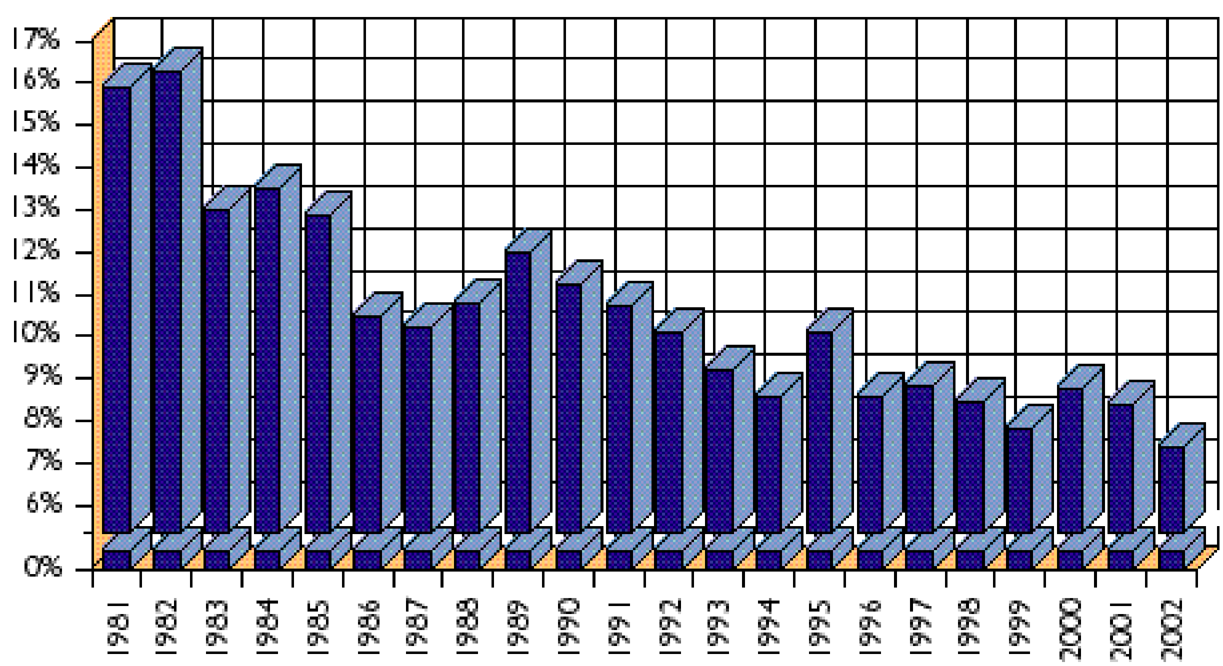
Cross-Sectional Analysis

Financing Availability and Terms

For the fourth time in five years, average interest rates decreased from the prior year. This year's average rate of 7.35% for new multifamily mortgages was a decrease of 1.07 percentage points, or 13%, from the previous year (see graph below). The primary reason for the average interest rate decline is explained by examining the actions of the Federal Reserve Board. After years of economic expansion, the Fed sought to lessen the impact of the recession that emerged over this year on the U.S. economy by lowering interest rates charged to banks. In turn, banks and other institutions were able to lend money at lower rates.

Multifamily Mortgage Interest Rates Continue Decline

(Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2002)



Source: Rent Guidelines Board, Annual *Mortgage Surveys*.

The vast majority of the institutions responding to the survey this year (22 out of 25) also offered refinanced mortgages, and usually on similar terms. All but one institution charged the same rate for refinanced and new originations. The average rate for refinanced loans was 7.40%, a decrease of 0.57 percentage points, or 7.2%, from the previous year.

Federal Reserve Board actions taken in 2001 help to explain the decrease in mortgage rates. Mortgage interest rates are influenced in large part by both anticipation and reaction to measures taken by the Fed. During the year, Fed lowered both the Discount Rate — the interest rate at which depository institutions borrow from the Federal Reserve Bank of New York — and the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — eleven separate times, both falling a total of 4.75 percentage points.[2]

Average up-front service fees, or points, charged by lenders were 0.79% for new loans this year, a drop of .20 percentage points, or 21%. Average fees reported in the survey have remained low, near 1%, for the past five years (see graph below). Points for new mortgages ranged from 0 to 2%. This year, the average points charged for refinanced loans was 0.83%, a 22% drop from last year.

Lenders remained just as flexible in the loan terms they offered this year, comparable to the results from recent year's *Mortgage Surveys*. While somewhat difficult to analyze (survey respondents normally provide a wide range of terms rather than a single number), the range of terms offered this remained similar. Mortgage terms reported by respondents fell within a wide 1- to 30-year range, and most lenders offered 5 to 15 years. This continued mortgage term flexibility over recent years is in great contrast to terms found in the surveys of

Definition of Terms

Actual LTV - the typical loan-to-value ratio of buildings in lenders' portfolios

Debt Service - the repayment of loan principal and interest

Debt Service Ratio - net operating income divided by the debt service;measures the risk associated with a loan; the higher the ratio, the less money an institution is willing to lend

Loan-to-Value Ratio (LTV) - the dollar amount institutions are willing to lend based on a building's value; the lower the LTV, the lower the risk to the lender

Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

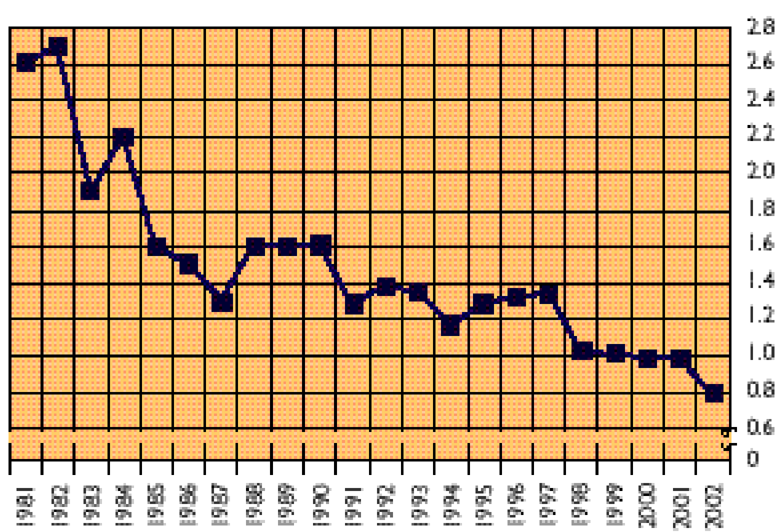
Points - up-front service fees charged by lenders as a direct cost to the borrowers

Terms - the amount of time the borrower has to repay the loan; generally, the term should not exceed the remaining economic life of the building

Average service fees for new loans fell to their lowest in the history of the survey -- 0.79%.

Service Fees for New Loans Decline To Record Low

(Average Points Charged for New Loans, 1981-2002)



Source: Rent Guidelines Board, Annual *Mortgage Surveys*.

five to seven years ago, which indicated that close to half of respondents offered maximum loan maturities of just five years.

As one might expect from lower interest rates and favorable lending terms, loan volume for both new and refinanced mortgages remained robust. An average of 71 new loans per institution were financed this past year, an increase of 18.2% from last year's 60. In comparison, the *1998 Survey* showed an average of 37 new mortgages per lender, and the *1999 Survey* showed 41. The average number of refinanced loans (58) remained virtually unchanged from last year's survey (59), but like the average number of new loans, has shown a trend of increasing through the late 1990's.[3]

The stability in refinancing activity seen in this year's survey, despite a sizeable drop in interest rates, may be attributable to a few factors. Because interest rates began to fall significantly in 2000, and because rates have largely been below 9% since the mid-1990s, many building owners have already taken advantage of favorable interest rates prior to the past year. However, almost three-quarters (74%) of the institutions surveyed reported that they refinanced their in-house loans in their portfolios at lower rates. This was a notable increase from the 51% of institutions who reported lower refinancing rates last year.

This year, more lenders (36%) reported a significant increase in the volume of new and refinanced loan applications, compared to the year before (27%). Just one lender saw a decrease in volume this year, compared to four in the prior year, which was attributed to a decreased approval rate. But the majority of lenders (56%) reported little or no change in loan volume this year, about the same as last year (58%).

The *Mortgage Survey* also asks lenders specific questions about financing for smaller buildings. Institutions reported that more small buildings were refinanced at lower rates this year. To determine if small building owners are taking advantage of refinancing options, lenders were asked how many refinanced loans were offered at lower rates to buildings with twenty or fewer units. Respondents reported that almost half (48%) of existing loans to smaller buildings were refinanced at lower rates. This is an increase from last year, when 35% of refinanced loans were offered to small buildings at lower rates. (For data in this section, see Appendix A.)

Underwriting Criteria

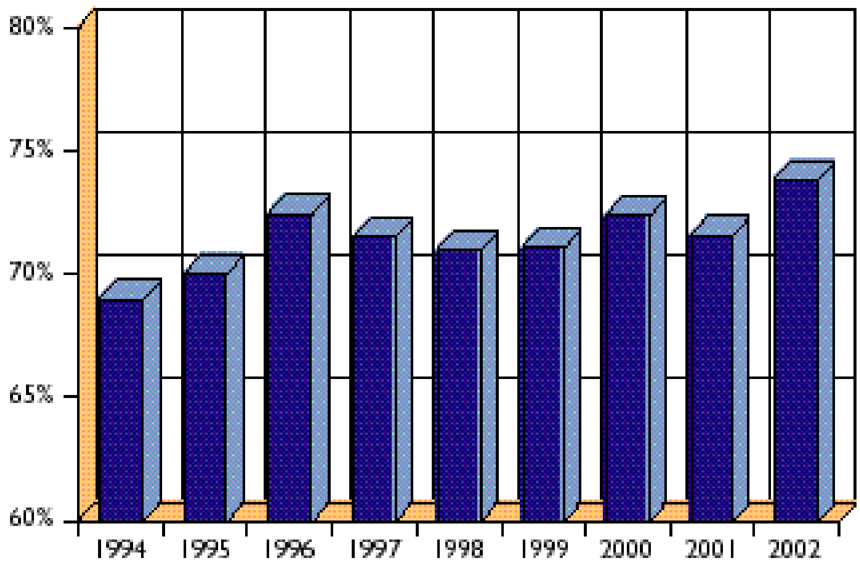
Similar to the last few years, this year's survey found little change in the lending practices of institutions. This trend reflects a continuing period of low delinquencies and defaults that resulted from stricter requirements in effect a decade ago. As recent surveys have indicated, this year's findings provide additional evidence that while lenders are always cautious, this past year represented a continued era of ample loan availability and a continuation of the less stringent underwriting policies seen for the last several years.

Virtually all lenders maintained the same underwriting practices this year. Criteria for maximum loan-to-value ratios, debt service coverage, and building characteristics, such as age and condition, varied little from last year's survey. The average maximum loan-to-value ratio (LTV), the dollar amount ceiling respondents were willing to lend based on a building's value, ranged from 60% to 90%. The average was 73.8%, an increase from the prior year's 71.6% (see graph on next page).

The debt service ratio – which measures an investment's ability to cover mortgage payments using its net or operating income – is another important lending criterion. The debt service ratio – or net operating income divided by the debt service – remained practically unchanged, with an average debt service requirement of 1.24 (versus 1.25 last year). The higher the debt service coverage requirements, the less money a lender is willing to loan given constant net income. Because the average debt service ratio remained relatively constant since last year, it can be assumed that most lenders have not changed the amount of money they are willing to lend in relation to the net operating income of buildings. (See Appendix B.)

Additional standards cited by lenders when assessing loan applications remain the same as last year. Sixty-eight percent of lenders stipulate that

Increase in Maximum Loan-to-Value Ratios
(1994-2002 Cross-Sectional Average Loan-to-Value Standards)



Source: Rent Guidelines Board, Annual *Mortgage Surveys*.

overall building maintenance is an important standard when assessing loan applications. Thirty-two percent consider the number of units important. Nearly one quarter (24%) of lenders take into consideration whether the borrower was an occupant of the building, with one lender stating that they prefer that the borrower not live in the building. Another 12% consider a building's potential for cooperative or condominium conversion. A final eight percent of lenders state that they take into account the age of a building.

Non-Performing Loans and Foreclosures

In response to questions concerning non-performing loans and foreclosure proceedings, lenders reported an increase in both this year. Seventeen percent of lenders report having non-performing loans, up from 12% the prior year, and 9% report having foreclosures over the past twelve months, up from 4%. However, for those institutions reporting either non-performing loans or foreclosures, these non-performing and foreclosed loans represented, on average, less than 1% of these respondents' total loans to rent stabilized buildings. An increase in reported vacancy and collection (V&C) losses, as discussed in the next section, may be contributing to the phenomenon of slightly more loan defaults and delinquencies this year. However, recent surveys still reflect substantial improvement over V&C losses seen five to seven years ago, when up to three-quarters of respondents reported losses of at least 5%.

Just one out of four lenders who reports having non-performing loans took foreclosure actions. That one lender reports having to foreclose on one-half of one percent of their portfolio, and that after taking foreclosure action, the institution in all cases, restructured the debt. This year's continuance of the moderate count of non-performing loans and foreclosures is in great contrast to the high level of foreclosure activity a decade ago.

Characteristics of Rent Stabilized Buildings

There was little change in the characteristics of rent stabilized buildings in their portfolios, according to this year's *Survey* findings. Similar to last year, the reported average building size in lenders' portfolios this year was evenly spread out between one and ninety-nine units. Six institutions reported an average of 1-10 units, another six reporting 11-19 units, a third six reporting 20-49 units, and four reporting an average building with 50-99 units. In addition, one lender indicated that their average building contains over 100 units. This year, 77% of lenders reported that the majority of buildings that they financed were built between 1901 and 1946, 14% said their average building was constructed between 1947 and 1960 and the remaining 9% of lenders said they were built between 1961 and 1980.

More rent stabilized buildings experienced vacancy losses this year while collection losses remained stable. Average vacancy and collection (V&C) losses increased overall this year to 4.15%, up .55 points, or 15%, from the prior year's figure.[4] However, since the percentage of losses attributed to collection problems remained virtually unchanged this year, at 2.28%, which indicates that an increase in vacancy losses accounted for the entire increase. In fact, the percentage of lenders facing 5% or more in V&C losses, after dropping last year, increased substantially from 35% to 54% (see graph below).

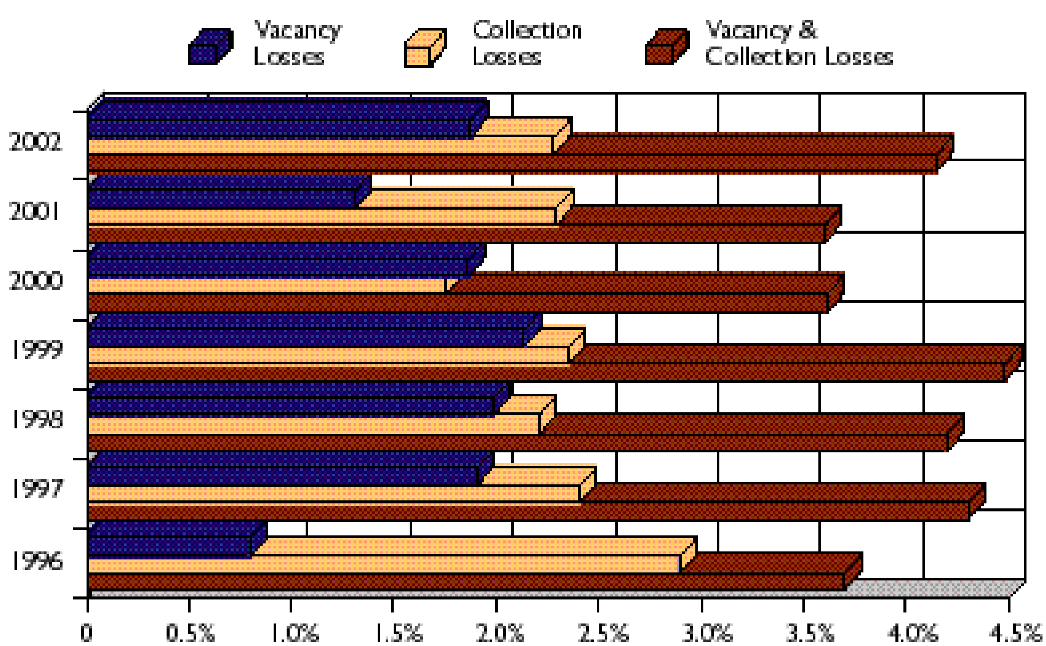
After remaining unchanged the previous three years, the average loan-to-value (LTV) ratio of 69.6% for buildings in lenders' portfolios saw a 4% increase from last year. This is a reflection of the same increase as found in the maximum ceiling LTV required by institutions. This increase in both the average and maximum ceiling LTV ratio indicates that lenders have become slightly more generous in their lending standards, a sign of a more accessible mortgage market.

Interestingly, lenders reported that average operating and maintenance (O&M) costs declined slightly this year. The average O&M expense per unit per month reported by lenders was $357, a 5% decrease from the $374 average found in last year's *Survey*.[5] The decline in expenses can perhaps be attributed to the decline in the price of heating oil during the past year and the general minimal level of inflation. However, the average rent per unit per month was $800, an 8% increase from the 2001 *Survey*, when the average rent reported was $742 (see Appendix B).

An examination of the average O&M cost-to-rent ratio shows that, after holding steady last year, it continued its decline that began three years ago, when this data was first collected. The O&M cost-to-rent ratio is important to examine because it is helpful in evaluating the profitability of New York's stabilized housing. In the 1999 survey, lenders reported a cost-to-rent ratio of 52.1%, which declined to 50.3% in 2000, remained relatively steady at 50.4% last year, but fell again to 44.6% this year, a cumulative three-year drop of 7.5 percentage points, or 14%.

Vacancy and Collection Losses Increase

(Average Vacancy and Collection Losses, 1996-2002)



Vacancy losses increase, while collection losses remain unchanged, resulting in an overall increase in V&C losses.

Source: Rent Guidelines Board, Annual *Mortgage Surveys*.

The RGB also examines the average O&M cost-to-rent ratio in the Income and Expense (I&E) Report, though the sources and sample sizes are very different. In the most recent I&E Report, the average O&M cost-to-rent ratio was 60.4%.[6]

Geographic Distribution

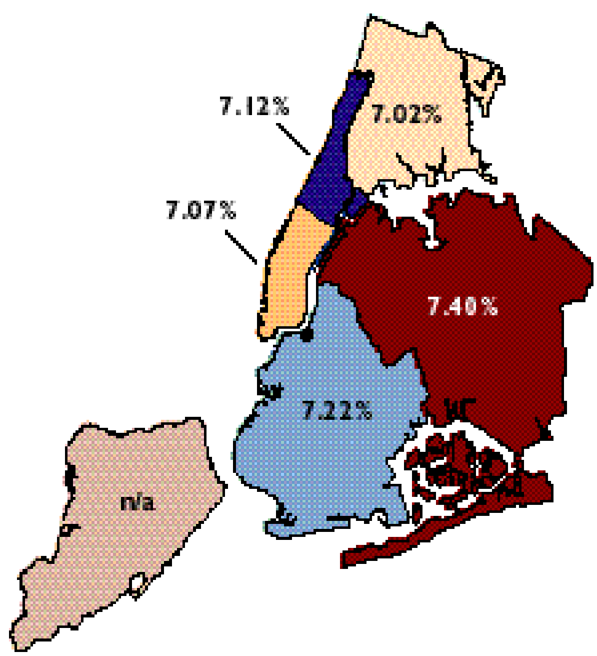
Two years ago, new geographic questions were added to the *Mortgage Survey*. Lenders were asked about the percentage of new and refinanced loans made to each borough, with Manhattan divided into upper and lower sections, acknowledging the common bifurcation of real estate data in that borough.

In contrast to last year's findings, buildings receiving new mortgages this year showed highly similar rates throughout the five boroughs. Average interest rates of lenders offering at least 25% of their new loans in a borough varied no more than 0.33 absolute points, or 4.5%, from the overall average interest rate of 7.35%. The Bronx was the borough with the lowest interest rate offered by institutions whose portfolio consisted of at least 25% of their loans in a borough, at an average of 7.02%. As found in last year's *Survey*, the highest was Queens, at 7.40%. Upper and lower Manhattan interest rates were virtually the same, at 7.12% in upper Manhattan and 7.07% in lower Manhattan. Average interest rates offered by institutions offering a substantial number of loans in Brooklyn offered them at 7.22%. In addition, loans to Staten Island made up no more than 15% of any institutions' portfolios. (See map below.)

As the survey has found in each of the last two years, results indicate that most institutions offer mortgages throughout the City, and that few lenders concentrate

Minimal Variation in Mortgage Interest Rates Between Boroughs

(Average Interest Rates Charged for New Loans, 2002)



Source: Rent Guidelines Board, 2002 *Mortgage Survey*.

Note: For the purposes of this survey, Lower Manhattan was defined as that part of the borough south of West 110 St. and East 96 St., and the remainder as Upper Manhattan. Staten Island rate information is "not applicable" because it does not contain enough stabilized buildings to calculate reliable statistics. These rates are the aggregate average charged by lenders citywide who offer at least 25% of mortgages in the particular borough.

on only one borough or area. This year's respondents to the survey appear to lend more widely than last year's group. 25.8% of loans in the survey were made in Brooklyn, 22.9% to Lower Manhattan buildings, 20.7% in Queens, 17.8% in Upper Manhattan, 11.4% in the Bronx, and 1.5% in Staten Island. (See map below.)

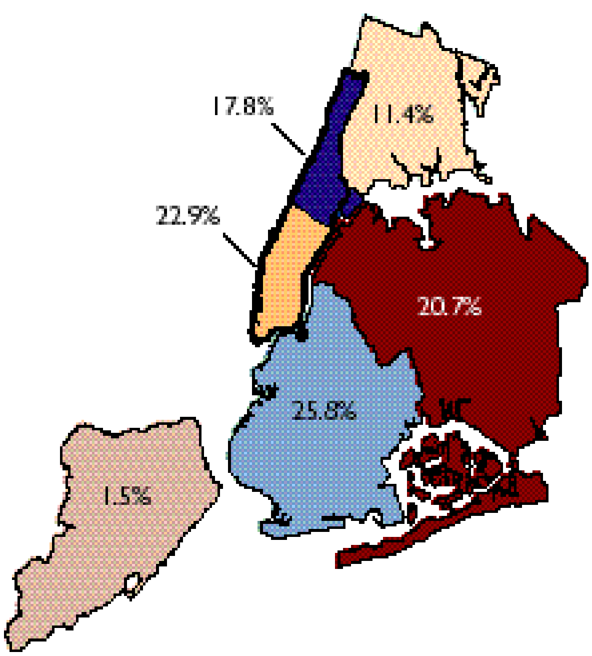
More institutions offered a substantial number of mortgages throughout NYC this year. Last year, 38% of institutions offered a substantial number of their total number of loans[7] in only one borough/area of the City. However, this year's survey indicated that only a quarter of lenders confined their lending to primarily one borough/area of the City, while 60% of lenders offered a substantial number of loans in two different boroughs/areas, and 15% offered a large number of loans in three or more different boroughs/areas.

For refinanced lending, the distribution by borough is somewhat similar — 25.9% of the refinanced mortgages in the survey were made in Brooklyn, 25.2% in Lower Manhattan, 24.4% in Queens, 12.1% in Upper Manhattan, 10.6% in the Bronx and 1.7% in Staten Island.

Lenders were again asked to report on the number of dwelling units contained in the average rent stabilized building in each borough in their portfolios. Lenders were most likely to lend to buildings with 20-99 units in upper Manhattan and the Bronx, while the other boroughs and lower Manhattan were more evenly split between smaller, 6-19 unit buildings and larger, 20-99 unit ones. While lenders do certainly lend to large buildings, only one reported that their average building contains over 100 units, and only in Queens.

New Mortgages Offered Widely Around City

(Average Distribution of New Mortgages By Borough)



Source: Rent Guidelines Board, 2002 *Mortgage Survey*.

Note: For the purposes of this survey, Lower Manhattan was defined as that part of the borough south of West 110 St. and East 96 St., and the remainder as Upper Manhattan.

Longitudinal Analysis

Since a number of respondents reply to the *Mortgage Survey* in at least two consecutive years, information regarding rent stabilized buildings can be analyzed longitudinally to more accurately measure changes in the lending market. This longitudinal comparison helps to determine whether changes highlighted in the cross-sectional analysis reflect actual fluctuations in the lending market or the presence of a different pool of respondents this year. In this section, responses from the eighteen lenders, three fewer than last year, who replied to surveys both last and this year (longitudinal group) were compared to the data from all twenty-five institutions providing responses in the 2002 survey (cross-sectional group).

Financing Availability and Terms

The longitudinal analysis revealed data that is similar to the findings in the cross-sectional group. This year's average interest rate reported by the longitudinal group was 7.35%, which represents a decrease of 12%, or 1.00 percentage points, from last year's rate of 8.35%. This decrease is slightly smaller than the change reported by the cross-sectional group (7.35% this year and 8.42% last year, a 13%, or 1.07 percentage point, decrease). (See Appendix C.)

Comparable changes were found in an examination of interest rates for refinanced loans. Both groups' average interest rate decreased from one year to the next, with the rate for the longitudinal group going from 7.90% to 7.36%, a decrease of 6.8%. (See Appendix D.) The average rate for the cross-sectional group saw a similar decrease by about the same percentage (7.2%).

This analysis also found that average points offered by lenders fell for both new and refinanced loans this year. The longitudinal group reports an average of 0.87 points for new loans, slightly lower than last year's 0.95, and fell more substantially for refinanced loans, from 1.05 last year to 0.88 this year, a 16.7% decline.

The longitudinal group, just like the cross-sectional one, found that more new loans were approved this year. However, among the longitudinal group, the volume of refinancing also increased. A substantial increase in the average number of new loans opened by participating institutions, from 60 last year to 87 this year, a 44% jump, was found among the longitudinal group. However, the number of refinanced loans established by the longitudinal group increased more slightly, with 70 refinanced loans this year, versus 65 the year before, revealing a more modest 8% increase. Similar to last year's findings, the longitudinal group's new and refinanced total loan volume was greater than the cross-sectional group.

Unlike last year's findings that indicated that both new originations and the refinancing boom were slowing, a few lenders in the longitudinal group indicated that their volume of new and refinanced loans increased. Those reporting a change in new and refinanced loan volume stated that the average increase was 56% over the prior year. Furthermore, most institutions reported that those buildings in their portfolios refinanced at lower rates, at an average rate of 81%. However, when asked for the percentage of refinancing among buildings with 20 or fewer units, only 44% refinanced at lower rates.

Lending Standards

Little change was found in the average maximum loan-to-value (LTV) ratio, according to the longitudinal analysis. There was a slight increase in the maximum LTV from 72.2% to 73.1% this year. The maximum LTV ratio found in the longitudinal group was slightly lower than the LTV found in the cross-sectional analysis (73.8%) for this year. The findings of both the longitudinal and the cross-sectional groups indicate a slightly greater flexibility in lending criteria. The actual average LTV of the longitudinal group increased slightly to 69.7%, compared to last year's 67.5%. It is also virtually the same as the 69.6% reported in the cross-sectional analysis this year. Furthermore, this year's longitudinal debt service coverage ratio is 1.24, almost the same as last year's 1.25, and exactly the same as this year's cross-sectional group figure. (See Appendix E.)

Similar to the cross-sectional findings, the survey found an increase in the vacancy and collection (V&C) losses in the longitudinal group from one year to the next. This year's average vacancy and collection loss was 3.92% compared to 3.65% last year, a 7% increase. In addition, 44% of lenders this year (versus 35% last year) in the longitudinal survey did report V&C losses of at least 5%.

Non-performing and Delinquent Loans

Little change was found among responding institutions when examining non-performing or delinquent loans for the longitudinal group from one year to the next. Delinquencies continue to be insignificant, with only one lender in the longitudinal group reporting notable changes in non-performing loans or foreclosures from the same period last year.

Conclusion

The 2002 *Mortgage Survey* found a slight expansion of the already-favorable lending market for rent stabilized building owners in the City. As influenced by Fed actions to reduce the impact of the recession, interest rates were lowered and institutions very moderately expanded their lending terms. New loan volume increased slightly, though refinancing held steady. There are signs that the national economy may be quickly recovering from what may turn out to be a mild recession. However, it is not yet known how long the City will deal with the economic impact of the September 11 attacks, let alone the recession.

Endnotes

1. FDIC data derived from the FDIC web site. World Wide Web Page <http://www.fdic.gov> (accessed March 12, 2002)

2. Discount Rate and Federal Funds Rate data derived from the Federal Reserve Board web site. World Wide Web Page <http://www.federalreserve.gov> (accessed March 12, 2002)

3. It is important to keep in mind, however, because of the trend in bank mergers, borrowers have fewer institutions to choose from. Therefore, the average institutional loan volume reported by remaining lenders may be inflated for this reason.

4. Vacancy and collection loss figures from the 2001 MSR have been amended slightly due to a prior calculation error, but the correct figures are used for comparison purposes in this report.

5. The per unit, per month O&M expense and rent figures reported in the *Mortgage Survey* reflect a very small, non-random sample of the City's regulated stock and are included for informational purposes only. The rent and expense figures in the Rent Guidelines Board's Income and Expense Study are derived from a much larger sample of stabilized buildings and can be viewed as more authoritative.

6. The operating and maintenance cost-to-rent ratio from the 2002 *Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately January 2002. The latest available O&M cost-to-rent ratio from the Income and Expense Study (I&E) reflects rents and expenses reported by owners for calendar year 1999. Average monthly costs per unit in the *Mortgage Survey* are consistently lower than those reported in the I&E. This may be due to differences in the two data sources–lenders' estimated average of buildings in an institution's portfolio vs. a weighted average of a large sample of owner-reported data; the large variance between the two sample sizes; and, the difference between the buildings studied in each analysis–buildings required to file Real Property Income and Expense (RPIE) forms must have an assessed value greater than $80,000 and 11 or more units, while the *Mortgage Survey* reports does not exclude these buildings.

7. A substantial number meaning that at least 25% of an institutions' total number of loans to NYC stabilized buildings were made in one borough/area.

2002 Mortgage Survey Appendix

A. Interest Rates and Terms for New and Refinanced Mortgages, 2002

	New Mortgages					Refinanced Mortgages				
Instn	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
5	6.95%	1.0	5+10	fixed	120	6.95%	1.0	5+10	fixed	30
7	7.00%	0.5	1-10	fixed	15	NR	NR	NR	NR	2
8	7.25%	1.0	5+5	adj	11	7.25%	1.0	5+5	adj	2
10	7.06%	0.5	5+7	fixed	NR	7.06%	0.5	5+7	fixed	375
14	7.25%	0.5	5+5,7+5	adj	200	7.25%	0.5	5+5,7+5	adj	175
15	7.10%	0.0	5/7/10	fixed	28	7.10%	0.0	5/7/10	fixed	28
17	7.50%	1.0	10/25	fixed	10	7.50%	1.0	10/25	fixed	0
18	7.50%	1.0	10 yr bal	fixed	75	7.50%	1.0	10 year bal	fixed	60
23	▼	0.8	5+7	fixed	20	▼	1.0	5+7	fixed	15
31	7.00%	1.0	10/15	adj	37	7.00%	10/15	10/15	adj	3
32	NR	0.9	3+10	fixed	1	NR	0.9	3+10	fixed	1
34	7.00%	1.0	5	fixed	2	7.25%	1.0	5	fixed	10
35	7.75%	1.0	15	fixed	29	7.75%	1.0	15	fixed	NR
36	6.93%	1.0	5,7,10&15 to 30	fixed	NR	NR	NR	NR	NR	NR
37	9.00%	1.0	10	fixed	16	9.00%	1.0	10/5 yrs payout	0	NR
41	8.84%	0.0	10/15/20	fixed	NR	8.84%	0.0	10/15/20	fixed	NR
100	8.50%	1.5	10	fixed	12	8.50%	1.5	10	fixed	NR
106	❖	0.0	up to 30 years	fixed	50	❖	0.0	0	fixed	30
107	6.50%	1.0	5 fxd/5 adj	both	499	6.50%	1.0	5 fxd/5 adj	both	NR
111	P + 1%	1.0	25 yrs w/ 5 yr bal	adj	3	P + 1%	1.0	25 yrs w/ 5 yr bal	adj	NR
114	7.38%	0.0	30	fixed	NR	NR	NR	NR	NR	NR
117	6.50%	1.0	5	fixed	210	6.50%	1.0	5	fixed	206
205	7.00%	0.0	10	fixed	30	7.00%	0.0	10	fixed	40
208	7.00%	1.0	5+5	0	50	7.00%	1.0	5+5	0	10
210.	7.25%	2.0	15-30	fixed	NR	7.25%	2.0	15 yrs	fixed	1
Avg.	7.35%	0.79	†	†	70.9	7.40%	0.83	†	†	58.12

Ω Treasury Bill plus spread.
π Amortization.
§ Refinancing not available.
† No average computed.
P Prime Rate
▼ 250+/- over 5yr t-bills
❖ Subsidized rate not included in average

fixed = fixed rate mortgage.
adj = adjustable rate mortgage.
bal = balloon
NR = no response to this question.
COF =Cost of Funds

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: 2002 Rent Guidelines Board *Mortgage Survey*.

B. Typical Characteristics of Rent Stabilized Buildings, 2002

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
5	75%	75%	1.3	3%	2%	20-49	$500	$1,100
7	65	75	1.3	5	2	50-99	$425	$800
8	65	75	1.3	5	1	1-10	$250	$750
10	DK	75	1.3	0.5	1	50-99	$350	$600
14	65	75	1.3	4	2	20-49	$500	$900
15	65	70	1.3	5	0	50-99	$425	$750
17	75	75	1.3	5	1	11-19	NR	NR
18	75	75	1.3	5	3	11-19	$225	$750
23	70	70	1.3	3	2	11-19	DK	$1,200
31	75	75	1.2	5	3	11-19	$389	$765
32	65	75	1.3	3	1	20-49	$500	$1,500
34	65	73	1.3	4	1	20-49	$400	$850
35	65	65	1.2	3	4	11-19	$340	$725
36	75	80	1.3	5	1	100+	NR	NR
37	65	63	1.2	0.5	1	11-19	$400	$850
41	65	75	1.2	8	4	1-10	$293	$594
100	55	60	1.3	3	5	1-10	$225	$750
106	90	90	1.2	6	3	20-49	$300	$413
107	65	75	1.2	5	2	NR	NR	$600
111	70	70	1.2	0.5	1	1-10	DK	DK
114	70	NR	NR	0	0	NR	DK	DK
117	70	75	1.3	4	2	50-99	$335	$650
205	65	75	1.2	5	3	1-10	DK	$800
208	75	75	1.3	5	5	20-49	DK	$725
210	80	80	1.2	7	5	1-10	$210	$725
Avg.	69.6%	73.8%	1.24	4.15%	2.28%	†	$357	$800

NR indicates no response to this question.
DK indicates the respondent does not know the answer to this question.
† No average computed.

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

Source: 2002 Rent Guidelines Board *Mortgage Survey*.

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

Lending Institution	Interest Rates 2002	Interest Rates 2001	Points 2002	Points 2001	Term 2002	Term 2001	Type 2002	Type 2001
5	6.95%	7.63%	1.0	1.0	5+10	5 to 10	fixed	Fixed
10	7.06%	7.75%	0.5	0.5	5+7	5 + 7	fixed	Fixed
14	7.25%	7.50%	0.5	0.5	5+5,7+5	5+5	adj	Adj
15	7.10%	7.13%	0.0	0.0	5/7/10	5/7/10	fixed	Fixed
17	7.50%	NR	1.0	0.0	10/25	0	fixed	NR
18	7.50%	7.50%	1.0	1.0	10 yr bal	5,7,10,15	fixed	Fixed
23	▼	8.63%	0.8	1.0	5+7	5+5	fixed	Fixed
31	7.00%	7.75%	1.0	1.5	10/15	10/15	adj	adj
32	NR	COF+1.5%	0.9	0.9	3+10	3-10	fixed	Fixed
34 .	7.00%	NR	1.0	1.0	5	5,10,15	fixed	Fixed
35	7.75%	8.50%	1.0	1.0	15	15	fixed	Fixed
37-	9.00%	9.25%	1.0	2.0	10	10	fixed	Fixed
41	8.84%	9.52%	0.0	0.0	10/15/20	10/15/20	fixed	Fixed
107	6.50%	7.13%	1.0	1.0	NR	5+5,up to 30π	Fixed	NR
111	WSJ + 1%	10.00%	1.0	0.8	25 yrs w/ 5 yr bal	15-25	adj	Adj
117	6.50%	7.25%	1.0	1.0	5	5+5	fixed	Fixed
208	7.00%	8.75%	1.0	1.0	5+5	5+5	NR	NR
210	7.25%	11.00%	2.0	2.0	15-30	15	fixed	Fixed
Avg.	7.35%	8.35%	0.87	0.95	†	†	†	†

NR indicates no response to this question.

COF =Cost of Funds

† No average computed

▼ 250+/- over 5yr t-bills

π Amortization.

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: 2001 and 2002 Rent Guidelines Board *Mortgage Surveys*.

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

Lending Institution	Interest Rates 2002	Interest Rates 2001	Points 2002	Points 2001	Term 2002	Term 2001	Type 2002	Type 2001
5	6.95%	7.63%	1.0	1.0	5+10	5 to 10	fixed	fixed
10	7.06%	7.75	0.5	0.5	5+7	5+7	fixed	NR
14	7.25%	7.50	0.5	0.5	5+5,7+5	5+5	adj	adj
15	7.10%	7.13%	0.0	0.0	5/7/10	5/7/10	fixed	fixed
17	7.50%	NR	1.0	0.0	10/25	0	fixed	NR
18	7.50%	7.50%	1.0	1.0	10 year bal	5,7,10	fixed	fixed
23	▼	8.38%	1.0	1.0	5+7	5+5	fixed	Fixed
31	7.00%	7.75%	10/15	1.5	10/15	10/15	adj	adj
32	NR	COF + 1.5%	0.9	0.9	3+10	3-10	fixed	fixed
34	7.25%	7.88%	1.0	1.0	5	5,10,15	fixed	fixed
35	7.75%	8.50%	1.0	1.0	15	15	fixed	fixed
37	9.00%	9.25%	1.0	2.0	10/5	10/5	NR	fixed
41	8.84%	8.33%	0.0	1.5	10/15/20	3/5/7	fixed	NR
107	6.50%	7.13%	1.0	1.0	5 fxd/5 adj	NR	both	fixed
111	WSJ + 1%	§	1.0	§	25+5	§	adj	§
117	6.50%	7.25%	1.0	1.0	5	5+5,up to 30π	fixed	fixed
208	7.00%	8.50%	1.0	1.0	5+5	5 + 5	NR	NR
210	7.25%	8.00%	2.0	2.0	15 yrs	15	fixed	fixed
Avg.	7.36%	7.90%	0.88	1.05	†	†	†	†

NR indicates no response to this question.

▼ 250+/- over 5yr t-bills

π Amortization.

COF =Cost of Funds

§ Refinancing not available.

† No average computed.

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: 2001 and 2002 Rent Guidelines Board *Mortgage Surveys*.

E. Lending Standards and Relinquished Rental Income, Longitudinal Study

Lending Institution	Max Loan-to-Value 2002	Max Loan-to-Value 2001	Debt Service Coverage 2002	Debt Service Coverage 2001	Collection Losses 2002	Collection Losses 2001
5	75%	NR	1.25	NR	2%	1%
10	75	75%	1.30	1.30	1	1
14	75	75	1.30	1.30	2	0.5
15	70	70	1.25	1.25	NR	NR
17	75	75	1.25	1.25	0.5	NR
18	75	75	1.25	1.20	3	2
23	70	68	1.25	1.25	2	3
31	75	75	1.20	1.20	3	3
32	75	75	1.30	1.30	1	1
34	73	70	1.25	1.40	1	2
35	65	65	1.15	1.25	4	2
37	63	63	1.20	1.20	0.5	0.5
41	75	70	1.20	1.20	4	4
107	75	75	1.20	1.20	2	2
111	70	70	1.20	1.20	0.5	0.5
117	75	73	1.30	1.30	2	1
208	75	75	1.30	1.35	5	5
210	80	80	1.15	1.15	5	5
Avg.	73.1%	72.2%	1.24	1.25	2.26%	2.21%

NR indicates no response to this question.
DK indicates the respondent does not know the answer 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: 2001 and 2002 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 in NYC and northern suburbs	Permits for New Housing Units in NYC only
1981	15.9%	12,601 β	11,060
1982	16.3%	11,598 β	7,649
1983	13.0%	17,249 β	11,795
1984	13.5%	15,961	11,566
1985	12.9%	25,504	20,332
1986	10.5%	15,298	9,782
1987	10.2%	18,659	13,764
1988	10.8%	13,486	9,897
1989	12.0%	13,896	11,546
1990	11.2%	9,076	6,858
1991	10.7%	6,406	4,699
1992	10.1%	5,694	3,882
1993	9.2%	7,314	5,173
1994	8.6%	6,553	4,010
1995	10.1%	7,296 φ	5,135
1996	8.6%	11,457 φ	8,652
1997	8.8%	11,619 φ	8,987
1998	8.5%	13,532 φ	10,387
1999	7.8%	15,326 φ	12,421
2000	8.7%	18,077 φ	15,050
2001	8.4%	19,347 σ	16,856 σ
2002	7.4%	∞	∞

Notes: Interest rate data was collected in January of the shown year. Permit data is for the entire 12-month period of the shown year.
The northern suburbs include Putnam,Rockland,and Westchester counties.
β Prior to 1984,Bergen Co.,NJ permit figures are included.
φ These figures have been revised from prior years to reflect the final adjusted count.
σ These figures are preliminary. ∞ These figures are not yet available.
Sources: Rent Guidelines Board, Annual *Mortgage Surveys*; U.S.Bureau of the Census,Manufacturing & Construction Division, Residential Construction Branch.