NYC Rent Guidelines Board

2003 Mortgage Survey

April 15, 2003

board members

Chair:
Marvin Markus

Public Members:
Betty Phillips Adams
Gale D. Kaufman
Elizabeth Lusskin, Esq.
Martin A. Zelnik, RA

Owner Members:
Harold A. Lubell, Esq.
Steven J. Schleider

Tenant Members:
Adriene L. Holder, Esq.
David D. Pagan

staff members

Executive Director:
Anita Visser

Research Associates:
Andrew McLaughlin
Brian Hoberman

Office Manager:
Leon Klein

Public Information:
Charmaine Frank

51 Chambers St., Suite 202 • New York,NY 10007 • 212-385-2934 • Fax:212-385-2554
www.housingnyc.com • email: Ask@housingnyc.com

what's new

- ✔ Average interest rate for new multifamily mortgages fell 1.16 percentage points, or 16%, to 6.19%, the lowest ever recorded in this survey.
- ✔ Refinancing interest rates also fell to 6.19%, also a 16% decline from last year.
- ✔ Average points (fees) for new loans increased a slight .02 points, or 3%, to 0.81%.
- ✔ Vacancy and collection losses increased for the second year in a row.
- ✔ Average new and refinance loan volume increased substantially this year.

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 lending 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 2002 calendar year. The survey is organized into five sections: new and refinanced loans, underwriting criteria, non-performing loans and characteristics of buildings in lenders' portfolios.

Summary

This year's *Mortgage Survey* reveals that the market for lending to rent stabilized building owners remains a borrower's market, as the historically low interest rates, easy availability of capital and high competitiveness between lending institutions continued. Despite the weak economy, the real estate lending market has remained strong. Those lenders responding to the survey report that their marketplace remained stable and accessible. Interest rates for both new and refinanced mortgages declined, lending terms remained flexible, and the number of non-performing loans and foreclosures remained virtually nonexistent. In addition, both new and refinanced loan volume among banks responding to our survey increased.

Survey Respondents

Twenty-seven financial institutions responded to this year's survey.[1] Compared to last year, two more institutions responded, primarily due to a reduction in the length of the survey.[2] The survey sample is updated each year to include only those institutions offering loans for multiple dwelling, rent stabilized properties. New institutions are added each year, and irrelevant ones are removed, primarily through research in trade journals, directories, internet search engines and lists compiled by the Federal Deposit Insurance Corporation (FDIC). The twenty-seven respondents include a variety of traditional lending institutions, such as savings banks, S & L's, credit unions and commercial banks, as well as non-traditional lenders, including a local housing services program and a government-subsidized loan program.

Data about the multifamily real estate holdings of institutions reveals a considerable range. Of the respondents in our survey that report figures to the FDIC, holdings range this year from $10.4 million to $3.6 billion. Seven 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 $812 million, a decline from $863 million last year.[3]

As in previous years, a small number of large lenders again provided most of the new and refinanced mortgages. Of all respondents, three provided 72% of the total volume of new mortgages, while three different lenders provided 75% 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 in what is called a longitudinal analysis. This type of data analysis of the respondents enables the staff to better distinguish between actual changes in the lending market versus fluctuations caused by different institutions responding to the surveys in consecutive years. Seventeen institutions that responded this year also completed last year's mortgage survey. This decreased the size of the longitudinal group by one respondents compared to last year.

The report begins by discussing findings from a cross-sectional study of all respondents to the *2003 Mortgage Survey*, followed by an analysis of the longitudinal group.

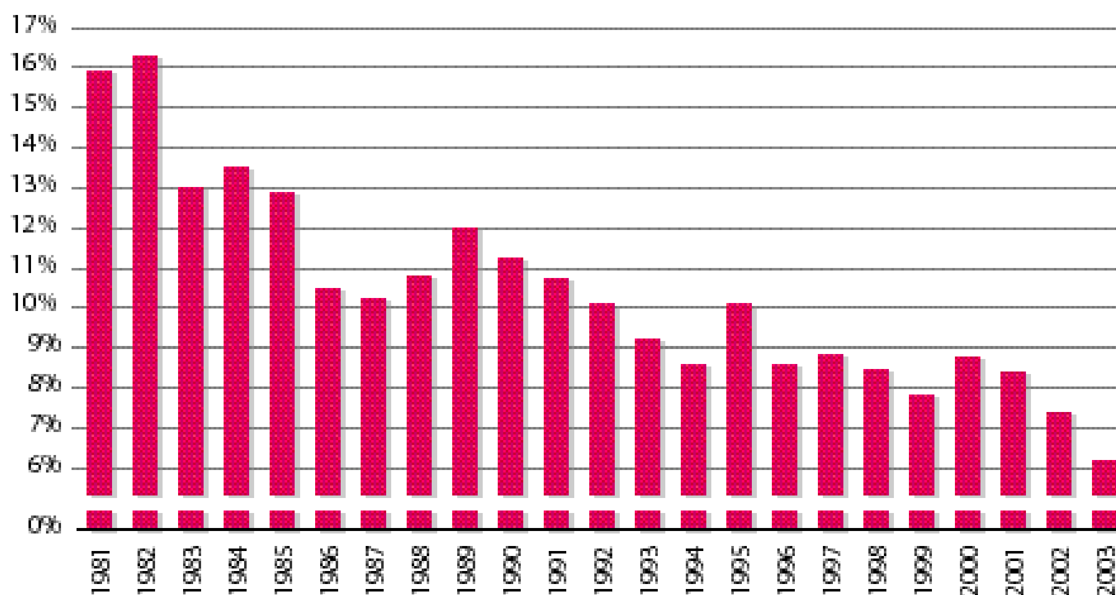
Cross-Sectional Analysis

Financing Availability and Terms

For the fifth time in six years, average interest rates declined from the prior year. This year's average rate of 6.19% for new multifamily mortgages was a decrease of 1.16 percentage points, or 16%, from the previous year (see graph below). This can partially, but not entirely, be explained by the action taken by the Federal Reserve Board (the "Fed"), as interest rates charged to banks were lowered only once, towards the end of 2002. The 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––in November, each falling a half of a percentage point. By contrast, in 2001, the Fed dropped each rate a total of 4.75 percentage points.[4] Therefore, because of this year's relatively small reduction in rates, the drop in interest rates charged by lenders can be attributed to competitive pressures in the lending marketplace.

Average Interest Rates for New Loans to Rent Stabilized Buildings,1981-2003

Multifamily Mortgage Interest Rates Continue to Decline



Source:Rent Guidelines Board,annual Mortgage Surveys.

All of the institutions responding to the survey this year also offered refinanced mortgages, and usually on similar terms. The average rate charged for refinanced mortgages, 6.19%, was the same as the average rate charged on new originations, the first time this has occurred since 1998. This year's average rate for refinanced loans was a decline of 1.21 percentage points, or 16%, from the previous year.

Points, or average up-front service fees, charged for new and refinanced loans were the same at all but two institutions. Average service fees charged on new loans by lenders were 0.81, a slight increase of 0.02 percentage points or 3%, from the previous year. Average fees reported in the survey have remained low, around or below one point, for the past six years (see graph below). Points for new mortgages ranged from 0 to 2% among the institutions surveyed. This year, the average points charged for refinanced loans was 0.78, a 6% drop from last year.

Lenders remained similarly flexible this year in the loan terms they offered, comparable to the results from recent mortgage surveys. While somewhat complicated to analyze (survey respondents normally provide a wide range of terms rather than a single number), the range of terms offered by institutions remained similar. Mortgage terms reported by respondents fell within a wide 3- to 30-year range, and most lenders offered 5 to 10 years. This continued mortgage term flexibility over recent years is in great contrast to terms found in the surveys of the early- to-mid nineteen nineties, when close to half of respondents offered maximum loan maturities of just five years.

As might be expected from lower interest rates and favorable lending terms, loan volume for both new and refinanced mortgages remained strong. An average of 103 new loans per institution were financed this past year, an increase of 45% from last year's 71. The average number of new loans per lender in our survey has increased

terms and definitions

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

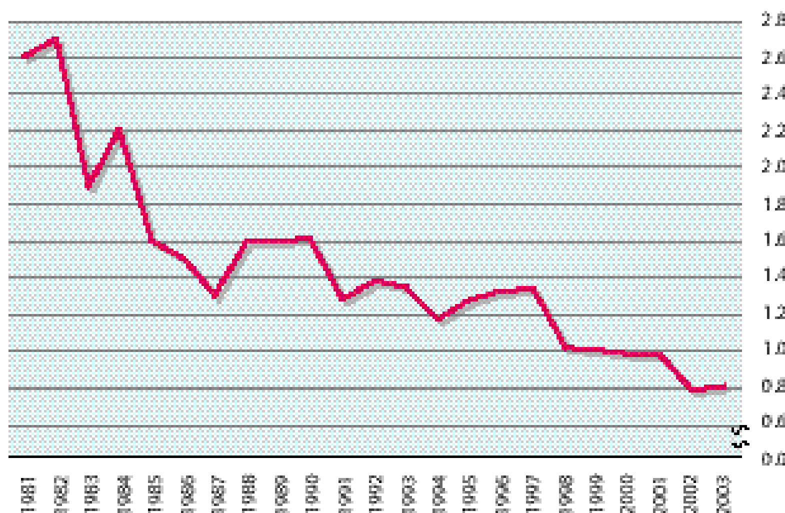
Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

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

Service Fees for New Loans to Rent Stabilized Buildings,1981-2003

Historically Low Service Fees Increase Slightly This Year



Source:Rent Guidelines Board,annual Mortgage Surveys.

significantly over recent years. For instance, the *1998 Mortgage Survey* showed an average of just 37 new mortgages per lender. The average number of refinanced loans similarly jumped over the last year, up from 59 in the 2002 survey to 103 in this year's survey (and coincidentally is the same average number of new mortgages offered this year as well). The number of refinanced loans offered per institution has increased at a similar rate to the increase in new loans since the late 1990's.[5]

As demonstrated by the large increase in the average number of loans made, most lenders saw their loan volume increase significantly this year. Two-thirds of all respondents reported that their loan volume increased, versus 14% in the 2002 survey.

This year, twice as many lenders reported a significant increase in the volume of new and refinanced loan applications, compared to the prior year. The increase in the number of loan applications may be due to the increased availability of capital and decline in interest rates, with many borrowers taking advantage of the favorable market by refinancing buildings they already own, or purchasing a building because of the affordable rates and terms offered by mortgage lenders. (For data in this section, see Appendix A.)

Underwriting Criteria

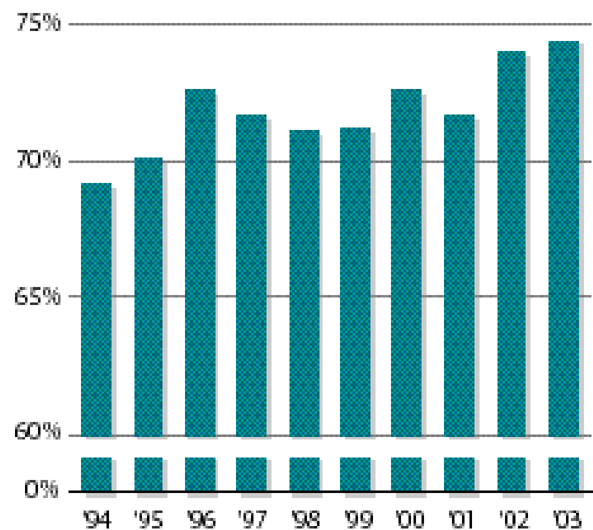
There was little change in the lending practices of institutions this year, as has been similarly found in recent years. This trend reflects a enduring period of low delinquencies and defaults that was at first a result of stricter requirements that went into effect more than a decade ago and in more recent years attributable to the endurance of a strong real estate market. 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.

Most lenders maintained the same underwriting standards 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 63% to 80%. The average was 74.2%, up from the prior year's 71.6% (see graph below).

The debt service ratio – which measures an investment's ability to cover mortgage payments using its net operating income – is another important lending criterion. The debt service ratio – or net operating income divided by the debt service – remained virtually unchanged, with an average debt service requirement of 1.25 (vs. 1.24 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 constant from 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.)

Other standards cited by lenders when assessing loan applications remain the same as last year. Sixty-four percent of lenders stipulate that overall building maintenance is an important standard when assessing loan applications. Forty-four percent consider the number of units important. Twelve percent of lenders consider the credit history of the borrower. An equal

1994-2003 Cross-Sectional Average Loan-to-Value Standards



Source:Rent Guidelines Board,annual Mortgage Surveys.

number of respondents (12%) consider whether the borrower was an occupant of the building or the potential conversion of the building to a co-op or condo.

Non-Performing Loans and Foreclosures

The vast majority of lenders again reported that they had neither non-performing loans nor foreclosure proceedings this year. Twelve percent of lenders report having non-performing loans, down from 17% the previous year, and 8% report having foreclosures over the past twelve months, virtually the same as last year's 9%. However, for those few institutions reporting either non-performing loans or foreclosures, these loans represented, on average, no more than 1% of these respondents' total loans to rent stabilized buildings, with the exception of just one lender.[6]

It is uncertain, however, whether the continued decline in both the number of non-performing loans and foreclosures this past year can continue indefinitely, as institutions also reported an increasing number of vacancy and collection (V&C) losses over the past year. (This will be discussed in the next section.)

Characteristics of Rent Stabilized Buildings

The average size of rent stabilized buildings in surveyed lenders' portfolios grew this year. Unlike last year's survey, which revealed that the typical building in a lenders' portfolio was more evenly spread out among varying building sizes, the most common building size reported this year was 20-49 units, with 37% of lenders reporting this size building as their average rent stabilized building. Another 26% of lenders reported that their average building contained 11-19 units. Meanwhile, 19% reported that an average building contains 1-10 units, 11% report it contains 50-99 units, and 7% report that the typically rent stabilized building they finance contains over 100 units.

More rent stabilized buildings experienced vacancy and collection losses again this year. Average vacancy and collection (V&C) losses were up this year to 4.29%, up 0.14 points, or 3%, from the prior year's figure. While this was the second year in a row of V&C increases, the level remains lower than that found four years ago, when V&C losses were 4.48%. In addition, the percentage of lenders reporting V&C losses of at least 5% increased from 54% to 58%. (see graph on next page). However, recent surveys still reflect substantial improvement over V&C losses seen six to eight years ago, when up to three-quarters of respondents had reported losses of at least 5%.

Last year's *Mortgage Survey* reported that average operating and maintenance (O&M) costs declined slightly. This year, however, average O&M expenses per unit per month reported by lenders again increased, up slightly from $357 to $359, a 1% increase.[7] In addition, average rent per unit per month increased as well, up 10%, from $800 last year to $881 this year. (see Appendix B).

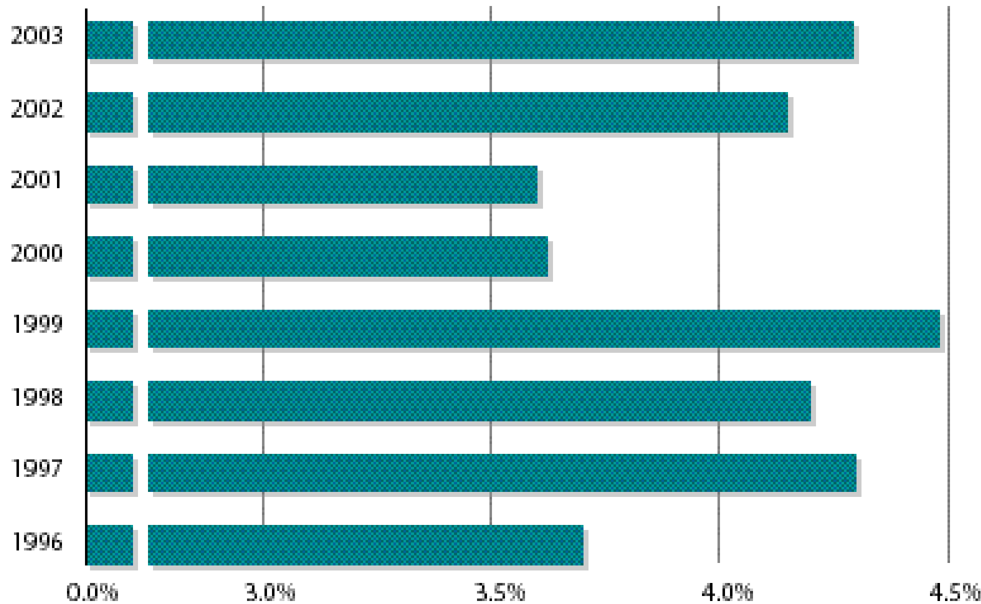
Examining the average O&M cost-to-rent ratio, which is the ratio of average monthly operating and maintenance costs to average monthly rents, reveals a decrease in the ratio, to 40.8%, down from 44.6% in the previous year.

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. Tracking the average O&M cost-to-rent ratio since 1998, when those surveyed were first asked for both O&M expense and rent figures, shows a fluctuation in the ratio between the two over the years. In the 1998 survey, lenders reported a cost-to-rent ratio of 47.9%, which increased to 52.1% in 1999, the highest in the six years the survey has asked these questions, followed by a significant drop since the 2001 survey, when the cost-to-rent ratio was 50.4%.

The RGB also examines the average O&M cost-to-rent ratio in the *Income and Expense (I&E) Report*, though it cannot be compared to the cost-to-rent ratio reported in the *Mortgage Survey*, because data in the *I&E Report* is over one year old, and the sources and sample sizes are very different. In the *2002 I&E Report*, which reported on data from the year 2000, the average O&M cost-to-rent ratio was 62.1%.[8]

In order to better gauge the lending market, for the first time this year's survey asked lenders whether they retain their mortgages or sell them to secondary markets. According to the survey, most respondents (78%) retain all their mortgages, 9% sell all their mortgages, and 13% sell some of their mortgages to secondary markets. Of those institutions selling their mortgages, the most common purchaser is either Freddie Mac or Fannie Mae.

Average Vacancy and Collection Losses, 1996-2003



Source: Rent Guidelines Board, annual Mortgage Surveys.

To understand whether building owners have sources of income other than those from residential tenants, this year's survey asked lenders whether the rent stabilized buildings to whom they offer mortgages contain commercial space. Eighty-eight percent of institutions surveyed indicated that some of the buildings in their portfolios contain commercial space. Of these institutions, they report that on average, a quarter (26%) of their buildings have commercial space.

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 seventeen lenders who replied to surveys both last and this year (longitudinal group) were compared to the data from all twenty-six institutions providing usable responses in the 2003 survey (cross-sectional group).

Financing Availability and Terms

The longitudinal analysis provided data that is similar to the findings in the cross-sectional group. This year's average interest rate reported by the longitudinal group was 6.15%, which represents a decrease of 17%, or 1.23 percentage points, from last year's rate of 7.38%. This decrease is slightly larger than the change reported by the cross-sectional group (6.19% this year and 7.35% last year, a 16%, or 1.16 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 7.46% to 6.15%, a decrease of 18%. (See Appendix D.)

The average rate for the cross-sectional group saw a similar, though smaller, decrease of 16%.

Average points offered by lenders fell for both new and refinanced loans this year among the longitudinal group. This sample reports an average of 0.75 points for new loans, slightly lower than last year's 0.83, and fell slightly more for refinanced loans, from 0.85 last year to 0.71 this year, a 17% decline.

The longitudinal group found that loan volume increased substantially over last year for both new and refinanced mortgages, and at a much higher rate that that found among the cross-sectional sample. The average number of new loans opened by participating institutions more than doubled, from 59 last year to 132 this year, an 125% increase, among the longitudinal group. The number of refinanced loans established by the longitudinal group saw a smaller but still significant increase, with an average of 105 refinanced loans this year, versus 70 the year before, a 51% increase. Similar to last year's findings, the longitudinal group's new and refinanced total loan volume was greater than among the cross-sectional group.

As might be expected, based on the large jump in the number of new and refinanced loans among the longitudinal sample, most lenders saw their loan volume increase over the past year. Of those lenders reporting an increase in volume, the longitudinal group saw an average increase of 27%, higher than the 22% increase found among the cross-sectional sample. However, among both samples, the increase in loan volume was less than that found in the previous year.

Lending Standards

The average maximum loan-to-value (LTV) ratio remained nearly the same, according to the longitudinal analysis. The maximum LTV this year among the longitudinal sample was 73.8%, slightly higher than last year's figure of 73.5%. This year's figure is also very similar to that of the cross-sectional group, whose maximum LTV was 74.2%. The findings of both the longitudinal and the cross-sectional groups indicate a slightly greater flexibility in lending criteria. This year's longitudinal debt service coverage ratio is 1.24, exactly the same as last year, and almost the same as this year's cross-sectional group figure of 1.25. (See Appendix E.)

Similar to the cross-sectional findings, the survey found a slight 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 4.15%, compared to 4.12% last year. This year's V&C losses among the longitudinal group were also lower than those found in the cross-sectional group, which saw average V&C losses of 4.29%. However, slightly fewer lenders (43%) in the longitudinal survey reported V&C losses of at least 5%, compared to 47% among the same lenders last year. By comparison, among the cross-sectional group, 58% saw V&C losses at or above 5% this year.

Non-performing and Delinquent Loans

While examining non-performing or delinquent loans among the longitudinal group over the last two years, little difference was found among responding institutions. Delinquencies continue to be insignificant, with only one lender in the longitudinal group reporting any non-performing loans or foreclosures during this past year. (The same lender was the only one reporting both last year, as well.[9])

Conclusion

The results of the *2003 Mortgage Survey* indicate that the market for lending to rent stabilized buildings owners remains a borrower's market, driven primarily by low interest rates and high competitiveness between lending institutions. The real estate lending market remains one of the few bright spots in an otherwise sagging local economy. As in recent years, the lending market remained stable and accessible. Interest rates for both new and refinanced mortgages declined, and lending terms remained similarly flexible. V&C losses increased, but the cost-to-rent ratio decreased. Whether the real estate market remains healthy over the next twelve months, despite the recession[10], remains to be seen. However, if the economy continues to sag, the Federal Reserve Board may be spurred to cut interest rates even lower, in turn strengthening not just the economy as a whole but the mortgage market, as well.[11]

Endnotes

1. One institution responded to the survey but indicated that they do not offer financing for rent stabilized buildings.Therefore, only 26 institutions are discussed in this report.

2. This year's mortgage survey was redesigned to improve the sample rate and remove questions that were considered less helpful for the overall purpose of the survey.Through last year, the survey had grown to five legal-sized pages,while this year's survey consisted of three letter-sized pages.Questions relating to the geographical location of buildings receiving mortgages,as well as follow-up questions relating to lending criteria, were removed.Questions relating to commercial space, whether lenders retain their mortgages,a request for the names of lenders' competitors,as well as space asking for information on trends and other comments, were added.

3. FDIC data derived from the FDIC web site.World Wide Web Page <http://www.fdic.gov> (accessed February 28,2003)

4. Discount Rate and Federal Funds Rate data derived from the Federal Reserve Board of New York web site.World Wide Web Page <http://www.ny.frb.org> (accessed March 11,2003)

5. 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.

6. The one lender reporting a higher percentage of non-performing loans and foreclosures is a not-for-profit organization specifically serving low-to-moderate income neighborhoods.

7. 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.

8. The operating and maintenance cost-to-rent ratio from the *2003 Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately January 2003. The average ratio is calculated from just 26 responses.The latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was $744 and average audited cost was $462, reflects rents and expenses reported by owners for calendar year 2000. 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 eleven or more units,while the *Mortgage Survey* reports does not exclude these buildings.

9. See Endnote 6.

10. "NYC Recession Persists Into Eighth Consecutive Quarter," *Economic Notes*, NYC Comptroller's Office, March 2003.

11. "Rates Keep Sliding Towards the 1950's," by Jonathan Fuerbringer, *New York Times*, March 8,2003.

Appendices

A. Interest Rates and Terms for New and Refinanced Mortgages, 2003

	New Mortgages					Refinanced Mortgages				
Instn	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
5	NR	1.0	5+10	Fxd	25	NR	0.8	5+10	Fxd	30
6	6.25%	0.5	5+5+5	Adj	7	6.25%	0.5	5+5+5	Adj	17
7	6.00%	0.0	10	Fxd	11	6.00%	0.0	10	Fxd	6
10	6.25%	0.0	5	Fxd	0	6.25%	0.0	5	Fxd	800
11	7.00%	0.0	15	Fxd	NR	7.00%	0.0	15	Fxd	680
14	5.50%	0.5	5+5	Adj	250	5.50%	0.5	5+5	Adj	200
15	NR	0.0	5/7/10	Fxd	NR	NR	0.0	5/7/10	Fxd	NR
16	5.69%	0.8	5+5/7+5/10+5	Fxd	1000	5.69%	0.8	5+5/7+5/10+5	Fxd	88
17	6.38%	0.8	15/25	Fxd	25	6.38%	0.8	15/25	Fxd	15
18	5.25%	1.0	5/25	Fxd	148	5.25%	1.0	5/25 or 10/25	Fxd	36
23	6.00%	1.0	5	Fxd	45	6.00%	1.0	5	Fxd	14
30	7.00%	1.0	up to 30	Fxd	50	7.00%	1.0	up to 30	Fxd	50
31	5.25%	0.5	5-10	Fxd	30	5.25%	0.5	5-10	Fxd	35
32	5.72%	0.8	3-10	Fxd	0	5.72%	0.8	3-10	Fxd	0
34	6.75%	1.0	5+5/25	Fxd	NR	6.75%	1.0	5+5/25	Fxd	30
35	6.75%	0.5	15	Fxd	37	6.75%	0.5	15	Fxd	10
36	5.50%	0.8	7-30 yr,	Fxd	301	5.50%	0.8	7-30	Fxd	22
37	8.25%	2.0	10	NR	17	8.25%	2.0	7/10 or 10	NR	0
40	6.75%	2.0	15 or 10/25 bal	Fxd	8	6.75%	2.0	15 or 10/25 bal	Fxd	1
41	6.56%	0.0	10-25	Both	NR	6.56%	0.0	10-25	Both	NR
50	6.87%	1.0		Adj	15	6.87%	1.0		Adj	15
116	5.17%	1.0	5,7,or 10	Fxd	15	5.17%	1.0	5,7,or 10	Fxd	8
117	5.13%	1.0	5	Fxd	150	5.13%	1.0	5	Fxd	375
209	5.75%	1.0	5+5+5,25 yr	Fxd	23	5.75%	1.0	5+5+5,25 yr	Fxd	33
210	7.00%	2.0	15	Fxd	6	7.00%	1.5	15	Fxd	2
251	5.80%	1.0	5,7,10,15,18,25,30	NR	NR	5.80%	1.0	5,7,10,15,18,25,30	NR	0
Avg.	**6.19%**	**0.8**	**†**	**†**	**103**	**6.19%**	**0.8**	**†**	**†**	**102.79**

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

Fxd = fixed rate mortgage
Adj = adjustable rate mortgage
bal = balloon
NR = no response to this question
 =Standard 10 yr, rate adj after 5

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: 2003 Rent Guidelines Board Mortgage Survey

B. Typical Characteristics of Rent Stabilized Buildings, 2003

Lending Institution	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Typical Size	Average Monthly O&M Cost/Unit	Average Rent/Unit
5	75%	1.2%	5%	20-49	$300	$1,200
6	70%	1.3%	3	1-10	$285	$750
7	75%	1.3%	5	50-99	$475	$1,400
10	80%	1.3%	3	20-49	$540	$900
11	75%	1.2%	3	1-10	$200	$950
14	75%	1.2%	3	11-19	$375	$850
15	70%	1.3%	5	20-49	$475	$850
16	75%	1.3%	5	20-49	$375	$750
17	75%	1.2%	4	11-19	$350	$800
18	75%	1.3%	5	20-49	$600	$900
23	75%	1.3%	3	20-49	$390	$710
30	80%	1.3%	5	11-49	$292	NR
31	75%	1.3%	4	20-49	$320	$700
32	75%	1.4%	5	50-99	$650	$1,445
34	73%	1.3%	3	20-49	$250	$750
35	65%	1.2%	3	11-19	$350	$750
36	80%	1.3%	5	100+	NR	NR
37	63%	1.2%	< 1	11-19	$450	$850
40	70%	1.2%	5	1-10	$210	$675
41	75%	1.2%	4	1-10	$200	$800
50	75%	1.1%	5	11-19	$420	$738
116	70%	1.5%	5	20-49	NR	$1,400
117	75%	1.4%	5	50-99	$350	$700
209	75%	1.3%	5	11-19	$71	$800
210	80%	1.2%	8	1-10	$333	$600
251	80%	1.3%	5	100+	NR	NR
Avg.	**74%**	**1.2%**	**4.29%**	**†**	**$359**	**$881**

NR indicates no response 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: 2003 Rent Guidelines Board Mortgage Survey

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

Lending Inst.	Interest Rates 2003	Interest Rates 2002	Points 2003	Points 2002	Term 2003	Term 2002	Type 2003	Type 2002
5	NR	6.95%	1.0	1.0	5+10	5+10	Fxd	Fxd
7	6.00%	7.00%	0.0	0.5	10	1-10	Fxd	Fxd
10	6.25%	7.06%	0.0	0.5	5	5+7	Fxd	Fxd
14	5.50%	7.25%	0.5	0.5	5+5	5+5,7+5	Adj	Adj
15	NR	7.10%	0.0	0.0	5/7/10	5/7/10	Fxd	Fxd
17	6.38%	7.50%	0.8	1.0	15/25 amort	10/25	Fxd	Fxd
18	5.25%	7.50%	1.0	1.0	5/25	10 yr bal	Fxd	Fxd
23	6.00%	t	1.0	0.8	5	5+7	Fxd	Fxd
31	5.25%	7.00%	0.5	1.0	5-10	10/15	Fxd	Adj
32	5.72%	NR	0.8	0.9	3-10	3+10	Fxd	Fxd
34	6.75%	7.00%	1.0	1.0	5+5/25	5	Fxd	Fxd
35	6.75%	7.75%	0.5	1.0	15	15	Fxd	Fxd
36	5.50%	6.93%	0.8	1.0	7-30 yr,	5,7,10&15 to 30	Fxd	Fxd
37	8.25%	9.00%	2.0	1.0	10	10	NR	Fxd
41	6.56%	8.84%	0.0	0.0	10-25	10/15/20	Both	Fxd
117	5.13%	6.50%	1.0	1.0	5	5	Fxd	Fxd
210	7.00%	7.25%	2.0	2.0	15	15-30	Fxd	Fxd
Avg.	**6.15%**	**7.38%**	**0.8**	**0.8**	**†**	**†**	**†**	**†**

NR indicates no response to this question.
† No average computed
t 250+/- over 5yr t-bills

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: 2002 and 2003 Rent Guidelines Board Mortgage Surveys

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

Lending Inst.	Interest Rates 2003	Interest Rates 2002	Points 2003	Points 2002	Term 2003	Term 2002	Type 2003	Type 2002
5	NR	6.95%	0.8	1.0	5+10	5+10	Fxd	Fxd
7	6.00%	NR	0.0	NR	10	NR	Fxd	NR
10	6.25%	7.06%	0.0	0.5	5	5+7	Fxd	Fxd
14	5.50%	7.25%	0.5	0.5	5+5	5+5,7+5	Adj	Adj
15	NR	7.10%	0.0	0.0	5/7/10	5/7/10	Fxd	Fxd
17	6.38%	7.50%	0.8	1.0	15/25 amort	10/25	Fxd	Fxd
18	5.25%	7.50%	1.0	1.0	5/25 or 10/25	10 year bal	Fxd	Fxd
23	6.00%	t	1.0	1.0	5	5+7	Fxd	Fxd
31	5.25%	7.00%	0.5	1.0	5-10	10/15	Fxd	adj
32	5.72%	NR	0.8	0.9	3-10	3+10	Fxd	Fxd
34	6.75%	7.25%	1.0	1.0	5+5/25	5	Fxd	Fxd
35	6.75%	7.75%	0.5	1.0	15	15	Fxd	Fxd
36	5.50%	NR	0.8	NR	7-30	NR	Fxd	NR
37	8.25%	9.00%	2.0	1.0	7/10 or 10	10/5 yrs payout	NR	NR
41	6.56%	8.84%	0.0	0.0	10-25	10/15/20	Both	Fxd
117	5.13%	6.50%	1.0	1.0	5	5	Fxd	Fxd
210	7.00%	7.25%	1.5	2.0	15	15 yrs	Fxd	Fxd
Avg.	**6.15%**	**7.46%**	**0.7**	**0.9**	**†**	**†**	**†**	**†**

NR indicates no response to this question.
t 250+/- over 5yr t-bills
† 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: 2002 and 2003 Rent Guidelines Board Mortgage Surveys

E. Lending Standards and Relinquished Rental Income, Longitudinal Study

	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
Lending Inst.	2003	2002	2003	2002	2003	2002
5	75%	75%	1.20%	1.25%	5%	3%
7	75%	75%	1.30%	1.25%	5	5
10	NR	75%	NR	1.30%	3	< 1
14	75%	75%	1.20%	1.30%	3	4
15	70%	70%	1.25%	1.25%	5	5
17	75%	75%	1.20%	1.25%	4	5
18	75%	75%	1.25%	1.25%	5	5
23	75%	70%	1.25%	1.25%	3	3
31	75%	75%	1.25%	1.20%	4	5
32	75%	75%	1.35%	1.30%	5	3
34	73%	73%	1.25%	1.25%	3	4
35	65%	65%	1.15%	1.15%	3	3
36	80%	80%	1.25%	1.25%	5	5
37	63%	63%	1.20%	1.20%	< 1	< 1
41	75%	75%	1.20%	1.20%	4	> 7
117	75%	75%	1.35%	1.30%	5	4
210	80%	80%	1.20%	1.15%	> 7	7
Avg.	**74%**	**74%**	**1.24%**	**1.24%**	**4.15%**	**4.12%**

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: 2002 and 2003 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 b	11,060
1982	16.3%	11,598 b	7,649
1983	13.0%	17,249 b	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	5,135
1996	8.6%	11,457	8,652
1997	8.8%	11,619	8,987
1998	8.5%	13,532	10,387
1999	7.8%	15,326	12,421
2000	8.7%	18,077	15,050
2001	8.4%	19,636 f	16,856 s
2002	7.4%	21,554 s	18,500 s
2003	6.7%	•	•

b Prior to 1984, Bergen Co., NJ permit figures are included.
f These figures have been revised from prior years to reflect the final adjusted count.
s These figures are preliminary.
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.
Sources: Rent Guidelines Board, Annual Mortgage Surveys; U.S. Bureau of the Census, Manufacturing & Construction Division, Residential Construction Branch.

G. 2003 Survey of Mortgage Financing for Multifamily Properties

New York City Rent Guidelines Board

51 Chambers Street, Suite 202 • New York, NY 10007 • (212) 385-2934
Fax (212) 385-2554 • www.housingnyc.com
Contact: Brian Hoberman, (212) 385-2934 ext. 20 or
email: Brian_Hoberman@housingNYC.com

2003 Survey of Mortgage Financing for Multifamily Properties

Directions: Please provide your ***best estimate*** for the following questions regarding your institution's permanent mortgage loan financing for **rent stabilized apartment buildings in New York City**. Please answer as many questions as possible. After you have completed the survey, please fax to (212) 385-2554 or mail to the Rent Guidelines Board at the above address. Thank you for your assistance.

Please note: All the information you supply through this survey will be kept in the ***strictest confidence*** and will only be used for statistical purposes by the Rent Guidelines Board.

Name of Lending Institution: ______________________

Name of Person Completing Survey: ______________________

Title & Department: ______________________

Telephone : ______________ Fax : ______________

Street Address: ______________ Suite / Floor: ________

City: ____________ State: ________ Zip Code: ________

E-mail address: ______________________

CONFIDENTIAL

I. Financing Availability and Terms for Multifamily Buildings

1a. Do you currently offer **new permanent financing** (*i.e.,* loans secured by a property not previously mortgaged by your institution) for rent stabilized buildings?

❑ **Yes.** (*Indicate typical terms and conditions at right.*)

❑ **No.** (*Please inform our office that you do not offer primary financing at this time.*)

Interest rate : ________ % (current) ________ % (12 mo. average for 2002)
Points : ________
Terms : ________
Type: Fixed / Adjustable (*circle one*)
Special conditions: ______________

1b. How many loans were made by your institution in 2002 for new permanent financing of rent stabilized buildings?

Number of loans: ______________

2a. Do you currently offer **refinancing** of mortgages on rent stabilized buildings?

❑ **Yes.** (*Indicate typical terms and conditions at right.*)

❑ **No.** (*Skip to question 4a if you do not offer refinancing.*)

Interest rate : ________ % (current) ________ % (12 mo. average for 2002)
Points : ________
Terms : ________
Type: Fixed / Adjustable (*circle one*)
Special conditions: ______________ (if any)

2b. How many loans did your institution refinance in 2002 for rent stabilized buildings?

Number of loans: ______________

3a. In the past year, has the total **volume of new and refinanced loans** underwritten by your institution changed significantly (by at least 5%)?

❑ Yes, we have experienced a significant ____________ (increase / decrease) of about ______ %

❑ No, it is about the same. (*Please skip Question 3b*).

3b. If loan volume has changed significantly, is the change attributable to:

(*Please check and fill in all applicable choices.*)

❑ A significant ____________ (increase / decrease) in the volume of loan **applications** of about ______ %

❑ A significant ____________ (increase / decrease) in the rate of application **approvals** of about ______ %

Are there any trends related to financing availability and terms on which you wish to comment?

____

____

____

____

CONFIDENTIAL 1

II. Underwriting Criteria for Rent Stabilized Buildings

4a. What **standards** does your institution employ when assessing loan applications for rent stabilized buildings?

(*Provide the **maximum** criteria.*)

	N.A.
Loan-to-Value Ratio: ____________	❑
Debt Service Coverage: ____________	❑
Appraised Value of Building: ____________	❑

4b. Please provide any **other standards** your institution employs when assessing loan applications. If you do not employ the standard given, place an "X" in the "N.A." column.

(*Indicate an **average, minimum, or maximum** criteria.*)

	N.A.
Number of Units in Building: ____________	❑
Building Age: ____________	❑
Borrower Lives in Building: ____________	❑
Overall Building Maintenance: ____________	❑
Co-op / Condo Conversion Potential: ____________	❑
Other (*Please Specify*): ____________	❑

5. Did your institution change its **underwriting practices** for financing or refinancing rent stabilized buildings over the past year?

❑ Yes.

❑ No. (*If no, please skip to Question 7*).

6. Yes, we changed our underwriting practices for rent stabilized buildings to:

(*Please check and fill in all applicable choices.*)

❑ Use ________ (more / less) stringent approvals.

❑ Require ________ (higher / lower) fees (i.e., points or fees).

❑ ____________ (Increase / Decrease) loan-to-value ratio.

❑ ____________ (Increase / Decrease) monitoring requirements.

❑ ____________ (Discontinue / Reduce / Expand) lending to rent stabilized buildings.

❑ Other : ______________

III. Additional Mortgage Questions

7. How many **dwelling units** are contained in the average rent stabilized building financed by your institution? (*Please check only one.*)

❑ 1 -10 ❑ 11 - 19 ❑ 20 - 49
❑ 50 - 99 ❑ 100 or more

8. Which of the following best describes the average **vacancy and collection loss** for rent stabilized buildings during the past year? (*Please check only one.*)

❑ < 1% ❑ 1% ❑ 2%
❑ 3% ❑ 4% ❑ 5%
❑ 6% ❑ 7% ❑ > 7%

9. Approximately what percentage of your loans to rent stabilized buildings are currently **non-performing**?

❑ None
❑ Approximately ________ %.

CONFIDENTIAL 2

10. Approximately what percentage of your loans to rent stabilized buildings are currently in **foreclosure**?

❑ None
❑ Approximately ________ %.

11a. Does your institution retain the mortgages you offer or do you sell any to secondary markets?

❑ We retain all the mortgages sold. (*If so, please skip to question 12.*)
❑ We sell all our mortgages to secondary markets.
❑ We sell _____% of our mortgages to secondary markets.

11b. To whom do you sell your mortgages? (*Please check and fill in all applicable choices.*)

❑ Fannie Mae
❑ Freddie Mac
❑ Other: ______________

12. In your sector, who are your major competitors in multi-family lending?

____

____

13. Do the mortgages offered to rent stabilized buildings include any commercial space?

❑ No
❑ Yes. Approximately what percentage of buildings in your portfolio have commercial space? ________%

14. What is your best estimate of average **operating and maintenance costs** per unit per month in the rent stabilized buildings financed by your institution?

$ ______________ ***per unit per month***

(*Include the following operating and maintenance costs in your estimate: Real Estate & Other Taxes, Labor, Fuel, Utilities, Contractor Services, Administration — including Legal, Management and other costs — Insurance, Parts & Supplies, and Replacement Costs.*)

15. What is your best estimate of average **rent** per unit per month in the rent stabilized buildings financed by your institution?

$ ______________ ***per unit per month***

Are there any additional trends relating to underwriting criteria, non-performing loans & foreclosure, or the mortgage market in general on which you wish to comment?

____

____

____

____

Thank you for taking the time to complete the survey.

CONFIDENTIAL 3