2004 Mortgage Survey

April 13, 2004

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what's new

- ✔ Average interest rate for new multifamily mortgages fell .44 percentage points, or 7.2%, to 5.75%, the lowest ever recorded in this survey.
- ✔ Refinancing interest rates fell even lower, to 5.68%, an 8.3% decline from last year.
- ✔ Average points (fees) for new loans decreased to a record low of .67 points, a 17% drop.
- ✔ Vacancy and collection losses dropped by 17% to 3.56%.
- ✔ Average new origination loan volume increased 55.2% and refinanced loan volume increased by 68.5%.

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. (See Appendix 7 for a reproduction of the survey) The survey provides details about New York City's multifamily lending during the 2003 calendar year. The survey is organized into four sections: new and refinanced loans, underwriting criteria, non-performing loans and characteristics of buildings in lenders' portfolios.

Summary

This year's *Mortgage Survey* reinforces the borrower's market of the past few years, sustained by Federal Reserve rates at a 45-year low[1] and high competitiveness between lending institutions despite the continuing trend of mergers and acquisitions. The 12-month average and current interest rates offered to rent stabilized apartments declined substantially from the *2003 Survey*, and the average number of loans per lender increased by more than 50%. New York City's economy still remains weak (the fourth quarter of 2003's 2.2% growth in real gross City product was the first increase in the past 11 quarters[2]), but the real estate market has remained strong regardless. Those lenders responding to the survey report that their marketplace remained stable and accessible. Interest rates for both new and refinanced mortgages declined for the fourth year in a row, lending terms remained flexible, and the number of non-performing loans and foreclosures remained virtually nonexistent. This report begins by describing general characteristics of the 26[3] survey respondents, and then moves on to discuss findings from a cross-sectional study of all respondents to the *2004 Mortgage Survey*, followed by an analysis of a group of 21 respondents who participated in each of the past two years.

Survey Respondents

Twenty-six financial institutions responded to this year's survey, equaling last's year response. The survey sample is updated each year to include only those institutions offering loans for multiple-dwelling, rent stabilized properties in New York City. 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 26 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 local housing services programs. Twenty-one of the 26 respondents also responded to last year's survey.

Institutions holding deposits insured by the FDIC report details about their holdings on a quarterly basis, including their multifamily real estate holdings, which vary considerably among this year's respondents. Twenty-two of the 26 survey respondents report their multifamily real estate holdings to the FDIC, with values ranging from a low of $20 million to a high of $5 billion. Up one from last year, eight of this year's institutions had multifamily holdings worth over one billion dollars, and the number with holdings of less than $100 million decreased from six to five. The average multifamily real estate portfolio increased sharply to $1.08 billion, a 33.1% increase from last year's $812 million.[4]

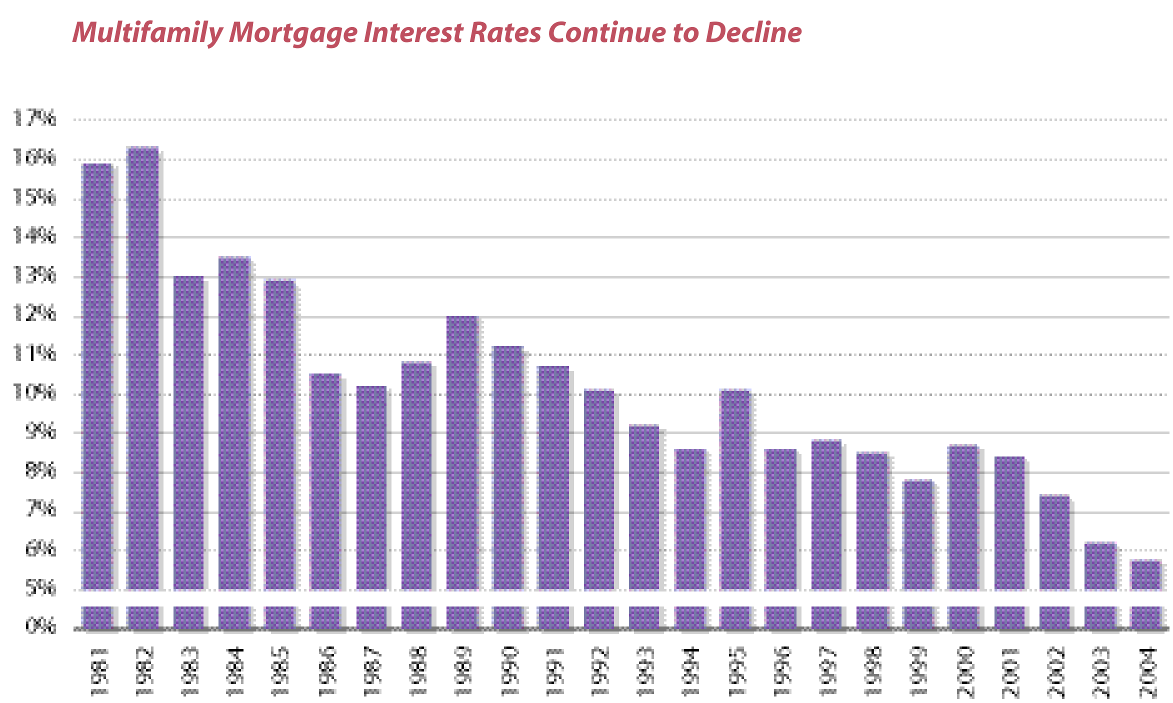
As in previous years, a small number of large lenders provided most of the total volume of new and refinanced mortgages. Of all respondents, three provided 82.3% of the total volume of new mortgages (at an average rate of 5.13%), while four lenders provided 81.6% of the total volume of refinanced loans (at an average rate of 5.03%).

Cross-Sectional Analysis

Financing Availability and Terms

For the sixth time in seven years, average interest rates declined from the prior year. This year's average January interest rate of 5.75% for new multifamily mortgages was a decrease of .44 percentage points, or 7.2%, from the previous year (see graph below). The interest rate drop among the institutions surveyed is tied in part to yet another cut in the Federal Funds and Discount rates set by the Federal Reserve Board. 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 – on June 25, each falling a quarter of a percentage point.

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2004



Source: Rent Guidelines Board, annual Mortgage Surveys.

The .25 percentage point drop at the end of June was the 13th since January 2001, when the Federal Funds rate was 6.5%.[5] This single, mid-year rate cut helps explain why the survey respondent's 12-month average new and refinanced mortgage rates were each .07 percentage points higher than current rates.

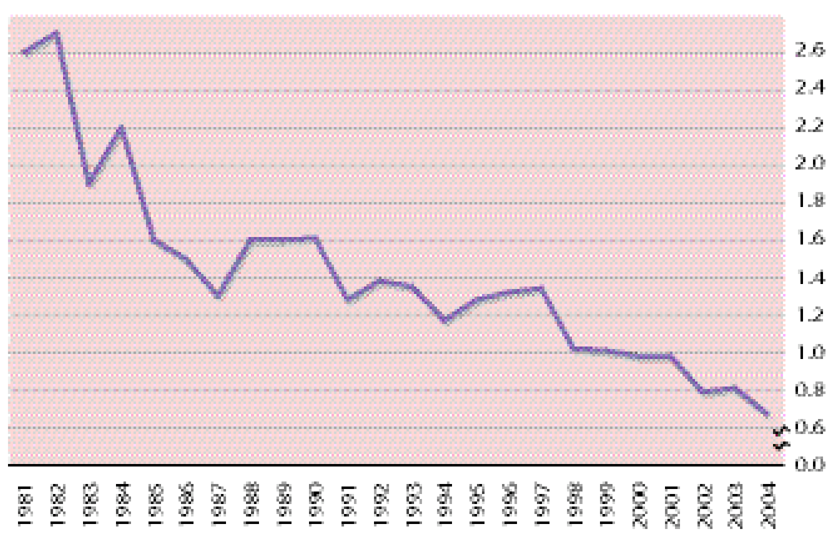
Institutions were also surveyed about their rates on refinanced mortgages, with all of the institutions offering identical or similar terms to those for new originations. The average current rate charged for refinanced mortgages, 5.68%, was just .07 percentage points lower than the average current rate charged on new originations and was half a percentage point (and 8.3%) lower than last year. (See Appendix 1)

Points, or up-front service fees, charged for new and refinanced loans ranged from 0 to 2 percent, with all but two lenders falling at or below 1 point. Average service fees charged on new loans by lenders were .67 percent, a significant 17.0% decrease from last year's average rate of .81. Average fees reported in the survey have remained around or below one point for the past seven years (see graph below), but are now at their lowest rate since the RGB began the *Mortgage Survey* in 1981. Points for refinanced mortgages were slightly lower than those of new originations, at .60, a 22.4% decrease from last year.

Lenders remained 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 to those offered in the prior year. Mortgage terms reported by respondents fell within a wide 3- to 30-year range, with most lenders offering between 5 and 10 years. This

Service Fees for New Loans to Rent Stabilized Buildings, 1981-2004

Historically Low Service Fees Fall to All-Time Low



Source: Rent Guidelines Board, annual Mortgage Surveys.

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 continued mortgage term flexibility over recent years is in great contrast to terms found in the surveys of the early- to mid-1990s, 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, with borrowers eager to refinance present loans and a strong market for new loan originations. An average of 160 new loans per institution were financed this past year, an increase of 55.2% from last year's 103. The average number of new loans per lender in the survey has increased significantly over recent years. For instance, the *1998 Mortgage Survey* showed an average of just 37 new mortgages per lender and just two years ago the average was only 71. The average number of refinanced loans also jumped markedly during the past year, up 68.5% to 173 in this year's survey, from just 103 last year.[6] Many lenders also noted that the number of applications they have received this past year has also jumped, with 42.3% of lenders reporting a significant increase in loan applications.

Underwriting Criteria

As seen in past years, there was little change in the lending practices of institutions this year. This trend reflects a sustained period of low delinquencies and defaults that could at first be attributed to stricter requirements that went into effect more than a decade ago, and can now be credited 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, they are willing to provide ample loan availability and continue policies of less stringent underwriting policies seen for the last several years.

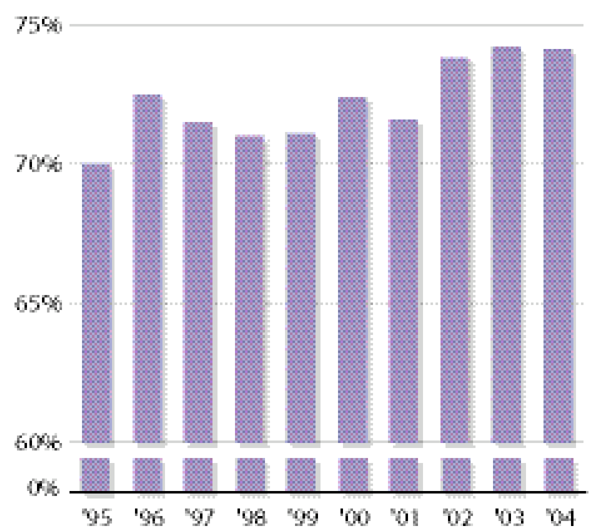
Most lenders maintained the same underwriting standards this year. Criteria for maximum loan-to-value ratios, debt service coverage, and building characteristics (such as age and condition), varied little from last year's survey. The average maximum loan-to-value ratio (LTV) – the maximum dollar amount respondents were willing to lend based on a building's value – ranged from 57.5% to 80%. The average was 74.1%, virtually identical to the prioryear's 74.2% (see graph on this page).

The debt service ratio – an investment's ability to cover mortgage payments using its net operating income – is another important lending criterion. The higher the debt service coverage requirements, the less money a lender is willing to loan given constant net income. The debt service ratio (or net operating income divided by the debt service) remained unchanged this year, with an average debt service requirement of 1.25 among all lenders. 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 2)

Other standards cited by lenders when assessing loan applications remain virtually identical to last year. Fifty-four percent of lenders stipulate that overall building maintenance is an important standard when assessing loan applications, an eight-percentage point decrease from last year'srate of 61.5%. Also considered important were the number of units in the building, which was

1995-2004 Cross-Sectional Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Remain Stable



Source: Rent Guidelines Board, annual Mortgage Surveys.

cited as an important underwriting criteria for 38.5% of lenders. Other criteria were considered less important by institutions, including the building age, owner-occupancy, and co-op conversion potential. In addition, all 26 respondents noted that their underwriting practices had not changed over the past year.

Non-Performing Loans and Foreclosures

The vast majority of lenders again reported that they had no non-performing loans or foreclosure proceedings this year. Fifteen percent of lenders reported having non-performing loans over the past year (an increase from 12% last year), but similar to last year, only one institution reported a significant number of non-performing loans (approximately 10% of their total loan volume).[7] There was also a slight increase in the number of lenders with loans in foreclosure to 11.5% from 8.0% last year, almost all attributable to the same lender. With the exception of this one lender, those few institutions reporting either non-performing loans or foreclosures identified no more than 1% of their total loan volume as failing.

Characteristics of Rent Stabilized Buildings

The average size of rent stabilized buildings in surveyed lenders' portfolios remained steady this year, with five lenders reporting average building sizes of 50 or more units and 19 reporting average sizes between 11 and 49 units. Once again, the most common building size reported this year was 20-49 units, with 42.9% of lenders reporting this size building as their average rent stabilized building, an increase from 37.0% in 2003. Another 25.0% of lenders reported that their average building contained 11-19 units. Just 14.3% reported that their average building contains 1-10 units, and 17.9% report it contains 50-99 units. Unlike last year, when 7.4% of lenders reported that the average rent stabilized building they finance contains over 100 units, no lenders reported average building sizes of that scale this year.

Vacancy and collection (V&C) losses dipped sharply this year to 3.56%, down from 4.29% last year (a decrease of more than 17%). This decrease follows two consecutive years of increases and puts V&C losses at their lowest rate since the mid-1990s when losses typically topped 5% (see graph on the following page). Even more dramatic, 61.5% of lenders reported V&C losses of 3% or less, and only 23.1% reported V&C losses of 5% or more. In last year's survey, 57.7% of lenders reported V&C losses of 5% or more and surveys from the mid-1990s showed that up to three-quarters of respondents had reported losses of at least 5%.

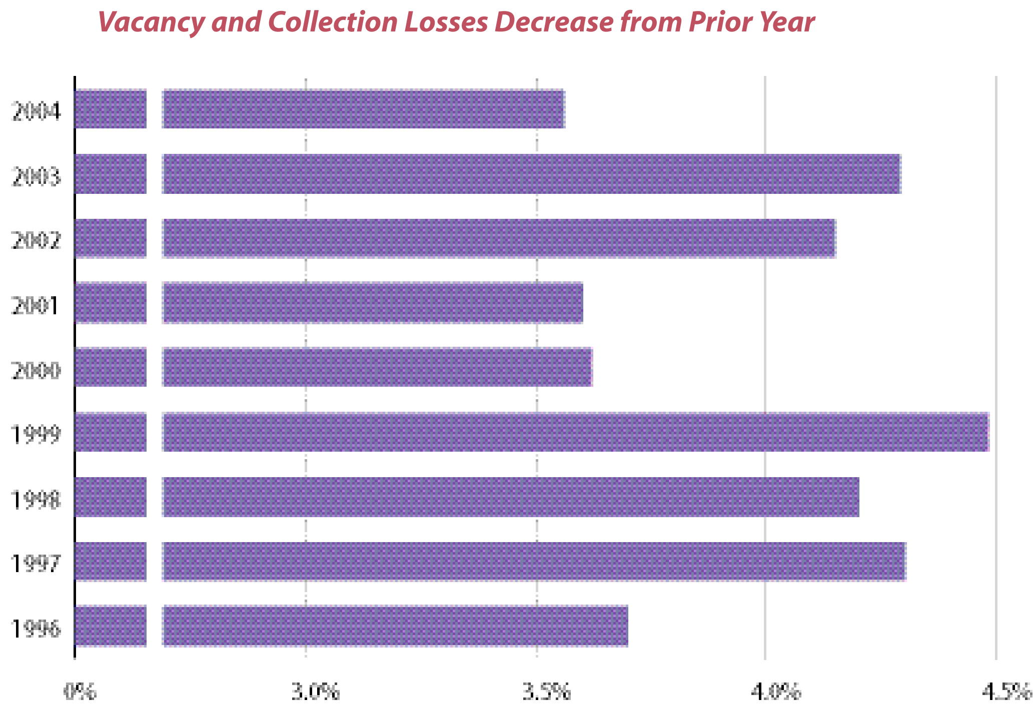
For the second year in a row, operating and maintenance (O&M) costs rose for survey respondents. After a modest increase from $357 to $359 in O&M costs per unit, per month between 2002 and 2003, costs this year jumped to $461, a 28.5% increase.[8] In addition, average rent per unit per month increased by more than 12.2% to an average of $989 per unit per month from last year's $881. (see Appendix 2). And after declining a year ago, the average O&M cost-to-rent ratio, which is the ratio of average monthly operating and maintenance costs to average monthly rents, increased six percentage points to 46.7%, a 14.5% increase. The O&M cost-to-rent ratio is one of the most important indicators of the profitability of New York's stabilized housing – the lower the ratio, the higher the profits. The RGB first started tracking the average O&M cost-to-rent ratio in 1998, since which time the rate has fluctuated between last year's low of 40.7% and 1999's high of 52.1%.

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 *2003 I&E Report*, which reported on data from the year 2001, the average O&M cost-to-rent ratio was 62.5%.[9]

In order to better gauge the lending market, the survey also asked lenders whether they retain their mortgages or sell them to secondary markets. According to the survey, most respondents (76.0%) retain all their mortgages, 8.0% sell all their mortgages, and 16.0% sell some of their mortgages to secondary markets. These results virtually mirror those of last year (the first year the question was asked on the survey). Of those institutions selling their mortgages, the most common purchaser is either Freddie Mac or Fannie Mae.

To understand sources of income other than those from residential tenants, lenders were also asked

Average Vacancy and Collection Losses, 1996-2004



Source: Rent Guidelines Board, annual Mortgage Surveys.

whether the rent stabilized buildings they mortgage contain commercial space. Eighty-five percent of institutions surveyed indicated that some of the buildings in their portfolios contain commercial space, a drop of three percentage points from last year. Of these lenders, they report that on average a quarter (24.3%) 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 simply the presence of a different pool of lenders from year to year. In this section, responses from the 21 lenders who replied to surveys both last and this year (the longitudinal group) were compared to each other as well as to the total accumulation of data from the twenty-six institutions providing usable responses in the 2004 survey (the cross-sectional group).

Financing Availability and Terms

Because 81% of respondents of this year's survey also participated last year, the longitudinal analysis provided data that is very similar to the findings of the cross-sectional group. This year's average interest rate reported by the longitudinal group was 5.81%, which represents a decrease of 5.8%, or .36 percentage points, from last year's rate of 6.17%. This decrease is slightly smaller than the change reported by the cross-sectional group (5.75% this year and 6.19% last year, a 7.2%, or .44 percentage point, decrease). (See Appendix 3)

Comparable changes were found in interest rates for refinanced loans. Both groups' average interest rate decreased from one year to the next, with the rate for the longitudinal group falling from 6.17% to 5.75%, a decrease of 6.9%. (See Appendix 4) The average rate for the cross-sectional group saw a similar, but larger decrease of 8.3%.

Average points offered by lenders fell for both new and refinanced loans this year among the longitudinal group. This sample reports an average of 0.71 points for new loans, slightly lower than last year's 0.74, while refinanced loans fell even more sharply, from 0.70 last year to 0.63 this year, a 10.1% decline.

As with the cross-sectional group of lenders, the longitudinal group saw loan volume increase substantially over last year for both new and refinanced mortgages, at a higher rate than the cross-sectional sample for new originations and at a much slower rate for refinanced loans. The average number of new loans opened by participating institutions grew by 62.1% among the longitudinal sample between this year and last, jumping from 118 to 191. The number of refinanced loans established by the longitudinal group saw a smaller but still significant increase, with an average of 156 refinanced loans this year compared to 126 the year before, a 24.0% increase.

Most lenders reported their loan volume increased over the past year, due primarily to an increase in loan applications and to a lesser extent to an increase in approvals. Of those lenders reporting an increase in volume, the longitudinal group saw an average increase of 42.9%, five percentage points higher than the 37.8% increase found among the cross-sectional sample. The average loan volume changes reported by this year's longitudinal group were twice as high as the same group of lenders in the previous year.

Lending Standards

The average maximum loan-to-value (LTV) ratio remained virtually equal to both the cross-sectional sample and last year's longitudinal sample. The average maximum LTV ratio this year among the longitudinal sample was 73.6%, slightly lower than last year's figure of 74.4%. This year's figure is also very similar to that of the cross-sectional group, whose average maximum LTV ratio was 74.1%. Lenders are similarly flexible with their rates for debt service coverage, where the average remained 1.25 for the second year in a row and is equal to that of this year's cross-sectional sample. (See Appendix 5)

Vacancy and collection (V&C) losses in the longitudinal group dropped this year, but at a slightly slower rate than this year's cross-sectional group. This year's average V&C loss was just 3.64% compared to 4.31% last year, but was also slightly higher than V&C losses found in the cross-sectional group, which saw average losses of 3.56%. The longitudinal group also saw a higher percentage of lenders with V&C losses of more than 5% (28.6% compared to 23.1% for the cross-sectional group), but experienced a marked drop in V&C losses of more than 5% from last year, when 57.1% of lenders had V&C losses above 5%.

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 significant share of non-performing loans or foreclosures during this past year. (The same lender was the only one reporting both last year, as well.[10])

Conclusion

The *2004 Mortgage Survey* results reiterate once again that the market for multifamily loans is a borrower's market. The Federal Reserve Board's policy of historically low interest rates has kept mortgage rates low, competitiveness between lenders high, and real estate investment and refinancing extremely attractive. 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 remain low and non-performing and/or foreclosure loans remain virtually non-existent, despite a weak economy. Time will tell when and by how much the Fed raises interest rates, and what impact it will have on the market for multifamily loans, but all indications are that rates will stay at, or near, this level for at least the first half of this year.[11] ❐

Endnotes

1. "Fed expected to keep rates steady at 45-year low," by Sue Kirchhoff, *USA Today*, August 10, 2003.

2. "4Q03 is Best Quarter in 3 1/2 Years," *Economic Notes*, NYC Comptroller's Office, March 2004.

3. One institution responded to the survey but indicated that they cannot specifically track loans to rent stabilized buildings. Therefore, only 26 institutions are discussed in this report.

4. FDIC data derived from the FDIC web site. World Wide Web Page <http://www.fdic.gov> (accessed March 2, 2004). Report date of September 30, 2003.

5. "Fed Again Cuts Interest Rates," by John M. Berry, *Washington Post*, June 26, 2003.

6. 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.

7. 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.

8. 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.

9. The operating and maintenance cost-to-rent ratio from the 2004 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 $781 and average audited cost was $488, reflects rents and expenses reported by owners for calendar year 2001. 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.

10. See Endnote 7.

11. "Fed Indicates Boost in Rates is Unlikely," by John M. Berry, *Washington Post*, December 10, 2003. This article cites comments by Federal Reserve Board chairman Alan Greenspan that while inflation remains low, low interest rates can be maintained for a "considerable period."

1. Interest Rates and Terms for New and Refinanced Mortgages, 2004

Instn	New Mortgages Rate (%)	Points	Term (yrs)	Type	Volume	Refinanced Mortgages Rate (%)	Points	Term (yrs)	Type	Volume
5	5.50%	0.50	5-10	Fxd	20	5.50%	0.25	5-10	Fxd	40
7	6.00%	0.50	10/30 π	Both	18	6.00%	0.50	10/30 π	Both	19
8	5.00%	0.50	5+5	Fxd	41	5.00%	0.50	5+5	Fxd	27
10	5.25%	NR	5/7	Fxd	1361	5.25%	NR	5/7	Fxd	441
11	6.00%	0.00	25/30 Adj/15 Fxd	Both	NR	6.00%	0.00	25/30 Adj/15 Fxd	Both	NR
14	4.75%	0.00	5+5	Adj	200	4.75%	0.00	5+5	Adj	450
15	NR	0.00	5/7/10	Fxd	NR	NR	0.00	5/7/10	Fxd	NR
16	5.38%	0.75	5+5/7+5/10+5	Fxd	1200	5.38%	0.75	5+5/7+5/10+5	Fxd	1000
17	6.00%	1.00	15 (5/5/5)	Adj	12	6.00%	1.00	15 (5/5/5)	Adj	5
18	5.25%	1.00	5	Fxd	75	5.25%	1.00	5	Fxd	17
23	5.50%	0.75	5	Fxd	39	5.50%	0.75	5	Fxd	41
30	6.75%	1.00	up to 30	Fxd	50	6.75%	1.00	up to 30	Fxd	20
31	4.88%	0.50	5-10	Fxd	12	4.88%	0.50	5-10	Fxd	80
32	5.50%	0.75	3-10	Fxd	2	5.50%	0.75	3-10	Fxd	1
33	6.13%	0.00	15/25 & 5	Adj	NR	5.75%	0.00	15/25 & 5	Adj	NR
35	6.25%	0.50	15	Fxd	69	6.25%	0.50	15	Fxd	28
36	5.40%	1.00	10/9.5/30	Fxd	4	5.40%	1.00	10/9.5/30	Fxd	4
37	7.65%	1.50	10	Fxd	11	7.65%	1.50	7/10 or 10	Fxd	0
41	6.94%	0.00	10-25	Both	NR	6.94%	0.00	10-25	Both	NR
50	NR	1.00	5/15	Adj	20	NR	1.00	5/15	Adj	20
107	4.75%	0.00	5	Fxd	51	4.75%	0.00	5	Fxd	937
116	5.45%	1.00	5 or 10	Fxd	NR	5.45%	1.00	5 or 10	Fxd	NR
117	5.00%	0.50	5	Fxd	150	5.00%	0.50	5	Fxd	325
208	6.00%	1.00	10	Fxd	12	6.00%	1.00	10	Fxd	6
210	7.00%	2.00	15	Fxd	10	N/A	N/A	N/A	0	N/A
252	5.60%	1.00	7, 10, 15, 20, 25, 30	Fxd	0	5.60%	1.00	7, 10, 15, 20, 25, 30	Fxd	4
AVERAGE	**5.75%**	**0.67**	**†**	**†**	**160**	**5.68%**	**0.60**	**†**	**†**	**173**

π Amortization
† No average computed
=Standard 10 yr, rate adj after 5
NR = no response to this question

Fxd = fixed rate mortgage
Adj = adjustable rate mortgage

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: 2004 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2004

Lending Institution	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Typical Monthly O&M Size	Average Monthly Cost/Unit	Average Rent/Unit
5	75.0%	1.25%	3.0%	20-49	$900	$2,000
7	75.0%	1.25%	5.0%	50-99	$650	$1,500
8	75.0%	1.25%	3.0%	20-49	$353	$875
10	0.0%	1.25%	3.0%	20-49	$350	$750
11	75.0%	1.25%	NR	1-10	NR	NR
14	75.0%	1.25%	3.0%	20-49	$350	$1,000
15	70.0%	1.25%	5.0%	20-49	$525	$925
16	75.0%	1.30%	3.0%	20-49	$388	$750
17	75.0%	1.20%	5.0%	11-19	$333	$650
18	75.0%	1.25%	3.0%	20-49	$333	$900
23	75.0%	1.25%	2.0%	50-99	$625	$1,200
30	80.0%	1.25%	3.5%	11-49	$350	$600
31	75.0%	1.25%	3.0%	20-49	$350	$750
32	75.0%	1.30%	3.0%	50-99	$450	$1,500
33	75.0%	1.25%	4.0%	11-19	$320	$600
35	65.0%	1.15%	3.0%	11-19	$400	$800
36	80.0%	1.25%	3.0%	50-99	$1,050	$2,475
37	57.5%	1.20%	0.5%	11-19	$475	$875
41	75.0%	1.20%	4.0%	1-10	$250	$900
50	75.0%	1.10%	5.0%	8-16	$675	$725
107	75.0%	1.30%	3.0%	20-49	$275	$700
116	65.0%	1.50%	3.0%	20-49	NR	NR
117	75.0%	1.30%	5.0%	50-99	$367	$800
208	75.0%	1.25%	2.0%	11-19	$490	$1,000
210	80.0%	1.20%	8.0%	1-10	$350	$600
252	80.0%	1.25%	4.0%	20-49	NR	$850
AVERAGE	**74.1%**	**1.25%**	**3.56%**	**†**	**$461**	**$989**

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: 2004 Rent Guidelines Board Mortgage Survey

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

	Interest Rates		Points		Term		Type	
Lending Inst.	2004	2003	2004	2003	2004	2003	2004	2003
5	5.50%	NR	0.50	1.0	5-10	5+10	Fxd	Fxd
7	6.00%	6.00%	0.50	0.0	10/30 amort	10	Both	Fxd
10	5.25%	6.25%	NR	0.0	5/7	5	Fxd	Fxd
11	6.00%	7.00%	0.00	0.0	25/30 Adj/15 Fxd	15	Both	Fxd
14	4.75%	5.50%	0.00	0.5	5+5	5+5	Adj	Adj
15	NR	NR	0.00	0.0	5/7/10	5/7/10	Fxd	Fxd
16	5.38%	5.69%	0.75	0.8	5+5/7+5/10+5	5+5/7+5/10+5	Fxd	Fxd
17	6.00%	6.38%	1.00	0.8	15 (5/5/5)	15/25 amort	Adj	Fxd
18	5.25%	5.25%	1.00	1.0	5	5/25 or 10/25	Fxd	Fxd
23	5.50%	6.00%	0.75	1.0	5	5	Fxd	Fxd
30	6.75%	7.00%	1.00	1.0	up to 30	up to 30 yrs	Fxd	Fxd
31	4.88%	5.25%	0.50	0.5	5-10	5-10	Fxd	Fxd
32	5.50%	5.72%	0.75	0.8	3-10	3-10	Fxd	Fxd
35	6.25%	6.75%	0.50	0.5	15	15	Fxd	Fxd
36	5.40%	5.50%	1.00	0.8	10/9.5/30	7-30	Fxd	Fxd
37	7.65%	8.25%	1.50	2.0	10	7/10 or 10	Fxd	NR
41	6.94%	6.56%	0.00	0.0	10-25	10-25	Both	Both
50	NR	6.87%	1.00	1.0	5/15	α	Adj	Adj
116	5.45%	5.17%	1.00	1.0	5 or 10	5,7, or 10	Fxd	Fxd
117	5.00%	5.13%	0.50	1.0	5	5	Fxd	Fxd
210	7.00%	7.00%	2.00	2.0	15	15	Fxd	Fxd
Avg.	**5.81%**	**6.17%**	**0.71**	**0.74**	†	†	†	†

NR indicates no response to this question. † No average computed α Standard 10 yr, rate adj after 5

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: 2003 and 2004 Rent Guidelines Board Mortgage Surveys

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

	Interest Rates		Points		Term		Type	
Lending Inst.	2004	2003	2004	2003	2004	2003	2004	2003
5	5.50%	NR	0.25	0.75	5-10	5+10	Fxd	Fxd
7	6.00%	6.00%	0.50	0.00	10/30 amort	10	Both	Fxd
10	5.25%	6.25%	NR	0.00	5/7	5	Fxd	Fxd
11	6.00%	7.00%	0.00	0.00	25/30 Adj/15 Fxd	15	Both	Fxd
14	4.75%	5.50%	0.00	0.50	5+5	5+5	Adj	Adj
15	NR	NR	0.00	0.00	5/7/10	5/7/10	Fxd	Fxd
16	5.38%	5.69%	0.75	0.75	5+5/7+5/10+5	5+5/7+5/10+5	Fxd	Fxd
17	6.00%	6.38%	1.00	0.75	15 (5/5/5)	15/25 amort	Adj	Fxd
18	5.25%	5.25%	1.00	1.00	5	5/25 or 10/25	Fxd	Fxd
23	5.50%	6.00%	0.75	1.00	5	5	Fxd	Fxd
30	6.75%	7.00%	1.00	1.00	up to 30	up to 30 yrs	Fxd	Fxd
31	4.88%	5.25%	0.50	0.50	5-10	5-10	Fxd	Fxd
32	5.50%	5.72%	0.75	0.75	3-10	3-10	Fxd	Fxd
35	6.25%	6.75%	0.50	0.50	15	15	Fxd	Fxd
36	5.40%	5.50%	1.00	0.75	10/9.5/30	7-30	Fxd	Fxd
37	7.65%	8.25%	1.50	2.00	7/10 or 10	7/10 or 10	Fxd	NR
41	6.94%	6.56%	0.00	0.00	10-25	10-25	Both	Both
50	NR	6.87%	1.00	1.00	5/15	α	Adj	Adj
116	5.45%	5.17%	1.00	1.00	5 or 10	5,7, or 10	Fxd	Fxd
117	5.00%	5.13%	0.50	1.00	5	5	Fxd	Fxd
210	N/A	7.00%	N/A	1.50	N/A	15	N/A	Fxd
Avg.	**5.75%**	**6.17%**	**0.63**	**0.70**	†	†	†	†

NR indicates no response to this question. † No average computed α Standard 10 yr, rate adj after 5

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: 2003 and 2004 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study

	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
Lending Inst.	2004	2003	2004	2003	2004	2003
5	75.0%	75.0%	1.25%	1.20%	3.0%	5.0%
7	75.0%	75.0%	1.25%	1.30%	5.0%	5.0%
10	NR	80.0%	1.25%	1.25%	3.0%	3.0%
11	75.0%	75.0%	1.25%	1.20%	NR	3.0%
14	75.0%	75.0%	1.25%	1.20%	3.0%	3.0%
15	70.0%	70.0%	1.25%	1.25%	5.0%	5.0%
16	75.0%	75.0%	1.30%	1.30%	3.0%	5.0%
17	75.0%	75.0%	1.20%	1.20%	5.0%	4.0%
18	75.0%	75.0%	1.25%	1.25%	3.0%	5.0%
23	75.0%	75.0%	1.25%	1.25%	2.0%	3.0%
30	80.0%	80.0%	1.25%	1.25%	3.5%	5.0%
31	75.0%	75.0%	1.25%	1.25%	3.0%	4.0%
32	75.0%	75.0%	1.30%	1.35%	3.0%	5.0%
35	65.0%	65.0%	1.15%	1.15%	3.0%	3.0%
36	80.0%	80.0%	1.25%	1.25%	3.0%	5.0%
37	57.5%	62.5%	1.20%	1.20%	0.5%	0.5%
41	75.0%	75.0%	1.20%	1.20%	4.0%	4.0%
50	75.0%	75.0%	1.10%	1.10%	5.0%	5.0%
116	65.0%	70.0%	1.50%	1.50%	3.0%	5.0%
117	75.0%	75.0%	1.30%	1.35%	5.0%	5.0%
210	80.0%	80.0%	1.20%	1.20%	8.0%	8.0%
Avg.	**73.6%**	**74.4%**	**1.25%**	**1.25%**	**3.64%**	**4.31%**

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: 2003 and 2004 Rent Guidelines Board Mortgage Surveys

6. 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
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
2002	7.4%	21,423 f	18,500
2003	6.7%	23,517 s	21,218 s
2004	5.8%	•	•

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 and represents a 12-month average of the preceding 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.

7. 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: Danielle Burger, (212) 385-2934 ext. 19 or
email: Danielle Burger@housingNYC.com

2004 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 return in the enclosed self-addressed envelope or fax to (212) 385-2554. 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 2003)
Points : ________
Terms : ________
Type: Fixed / Adjustable *(circle one)*
Special conditions: ____________________

1b. How many loans were made by your institution in 2003 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 2003)
Points : ________
Terms : ________
Type: Fixed / Adjustable *(circle one)*
Special conditions: ____________________ (if any)

2b. How many loans did your institution refinance in 2003 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.

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