
2009 Mortgage Survey Report

March 24, 2009

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2009 Mortgage Survey Report

What's New

- ✓ Average interest rates for new multifamily mortgages increased 0.35 percentage points, or 5.8%, to 6.46%.
- ✓ Refinancing interest rates grew by 0.39 percentage points to 6.50%.
- ✓ Average points for new loans rose 0.18 points, to 0.62 points.
- ✓ New loan volume fell 23%, while refinanced loan volume dropped 31%.
- ✓ Vacancy and collection losses increased to 4.38%, up from 3.69% the prior year.
- ✓ Average maximum loan-to-value ratios dropped to 74.3% in 2008, down from 76.7% the prior year.
- ✓ In 2008, 1,021 buildings containing rent stabilized units were sold citywide, down 31% from the prior 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 winter 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 market during the 2008 calendar year as well as the first few months of 2009.

The survey is organized into three sections: financing availability and terms for rent stabilized buildings; underwriting criteria; and additional mortgage questions, including vacancy and collection losses, operating and maintenance expenses, and portfolio performance information. In addition to the survey analysis, a section added last year, rent stabilized building sales data, is again included in this report.

Summary

The *2009 Mortgage Survey* revealed a more cautious lending market. While lending standards changed little from last year, some institutions are limited by constraints on availability of capital, while others remain relatively unaffected. Despite intensive efforts by the Federal Reserve Board to free up capital, both the average interest rate in 2008 and the current (as of February 2009) interest rate showed increases over the prior year. The lending market was minimally impacted by seven decreases in the Federal Reserve Board’s federal funds rate and eight decreases in the discount rate during 2008.¹ Furthermore, both new loan and refinanced loan volume declined in 2008. Average up-front fees, called points, increased again this year after falling two years ago to their lowest level in the history of the survey. However, despite increasing rates of defaults among private homeowners, lenders reported few non-performing loans or foreclosures among their rent stabilized portfolios. Our follow-up analysis of rent stabilized building sales data showed an overall decline in both rent stabilized building sale prices and volume citywide from 2007 to 2008, with some variation among the boroughs and building sizes.

This report will more fully detail these issues by beginning with a discussion of the characteristics of the survey respondents, followed by both a cross-sectional and longitudinal analysis of financing availability and terms, underwriting criteria, portfolio performance and an overview of lenders’ expectations and the characteristics of typical buildings in their portfolios.

Survey Respondents

Sixteen financial institutions responded to this year's survey, two fewer than last year.² The number of eligible lenders continues to decline primarily due to the merger of some previous survey respondents. In recent years, the merger of financial institutions has resulted in fewer remaining lenders that are eligible to complete the survey. The survey sample is regularly updated to include only those institutions offering loans to multiple dwelling, rent stabilized properties in New York City. This year's respondents include a variety of traditional lending institutions, such as savings and commercial banks, as well as non-traditional lenders. Among the respondents, all but one also responded to last year's survey.

Institutions holding deposits insured by the FDIC supply details about their holdings on a quarterly basis, including their multifamily real estate holdings, which

vary considerably among this year's respondents. Thirteen survey respondents report their multifamily real estate holdings to the FDIC, with values ranging between \$17.2 million and \$7.7 billion.³ Six of this year's institutions reported multifamily holdings of over one billion dollars, while three institutions had holdings of less than \$100 million. Compared with last year, the average multifamily real estate portfolio of our survey respondents decreased by 9.1%, to \$1.68 billion.

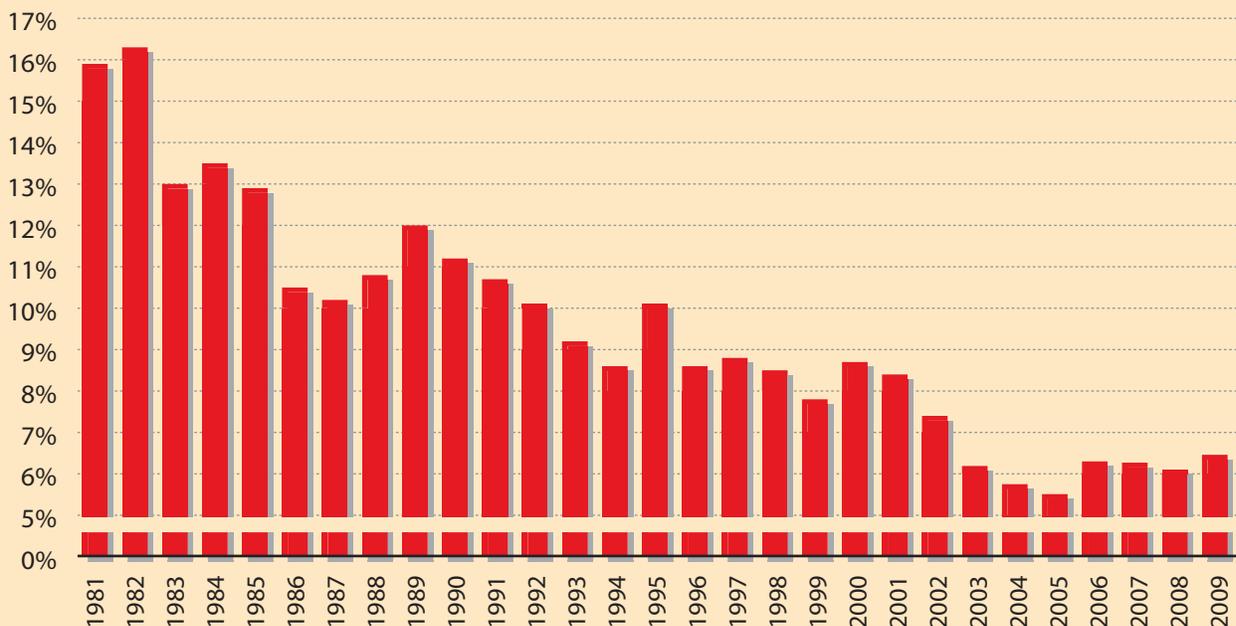
Cross-Sectional Analysis

Financing Availability and Terms

As of February 2009, this year's average interest rate of 6.46% for new multifamily mortgages increased 0.35 percentage points, or 5.8%, from the previous February (see graph on this page and Appendix 1).

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2009

Multifamily Mortgage Interest Rates Increase Over Prior Year



Note: 2008 figures have been slightly revised due to the removal of one lender. See endnote 2.
Source: Rent Guidelines Board, annual Mortgage Surveys.

Reflecting the fact that interest rates increased as the year progressed, the average rate reported for all of 2008 was 6.26%, lower than current reported rates, and a 0.21 percentage point (or 3.5%) increase from 2007.

As in prior years, a small number of large lenders provided a large share of the total volume of new and refinanced mortgages. Of all respondents, four provided 82% of the total volume of new mortgages. Adjusting for the varying share of loan volume among the responding institutions, the weighted interest rate for 2008 was 6.10% for new originations, lower than the overall average interest rate of 6.26%. The weighted interest rate takes loan volume into account, so the interest rates of larger lenders count more than those lenders with fewer loans.

Average interest rates increased during the year among the institutions surveyed despite numerous decreases in the federal funds and discount rates by the Federal Reserve Board throughout 2008. The Fed lowered the Discount Rate — the interest rate at which depository institutions borrow from the Federal Reserve Bank of New York — eight times during 2008, to reach 0.50%, and the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — seven times to a range of zero to 0.25% by the end of 2008. The Fed continued to lower rates in 2008 as a reaction to a significant slowdown in the U.S. economy, but this year's survey results seem to indicate the limited ability of the Fed to influence the economy and lending practices of institutions. The Fed began cutting both rates in the summer of 2007. By the end of 2008, with rate cuts having limited impact, the Fed announced that they would pump out vast amounts of money to businesses and consumers in an attempt to stimulate the economy.⁴

Surveying institutions regarding their refinanced mortgages found that most of them offered identical or similar terms to those for new loans. The average current rate charged for refinanced mortgages as of February 2009, 6.50%, was just 0.035 percentage points higher than the average current rate charged on new originations and 0.39 percentage points higher than last February. (See Appendix 1) At 6.30%, average 2008 refinancing rates were 0.22 percentage points higher than the prior year's refinancing rates.

Like interest rates, points (up-front service fees) that were charged for new and refinanced loans increased from the prior year. Among survey respondents, they ranged from zero to two points, with six surveyed lenders charging no points on either new or refinanced loans.

The average service fee charged on new loans by lenders was 0.62 points, a 0.18 point increase from last year's average of 0.43. Average fees reported in the survey have remained around or below one point for more than a decade (see graph on next page). Average points for refinanced mortgages were the same (0.62) as that charged on new originations.

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, 1981-2009

Service Fees Increase Over Prior Year



Note: 2008 figures have been slightly revised due to the removal of one lender. See endnote 2.

Source: Rent Guidelines Board, annual Mortgage Surveys.

Despite the ongoing economic challenges facing the banking industry, surveyed lenders, for the most part, remained flexible in the loan terms they offered their borrowers. Since survey respondents typically provide a wide range of terms rather than a single number, it is difficult to give a precise average for the range of terms offered by institutions, but they remained similar to those offered in recent years. Mortgage terms reported by respondents fell within a wide 3- to 30-year range. Seven lenders offered terms as long as 30 years, while just two offered a maximum of five years. This 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.

New loan volume decreased in 2008, the third year in a row that volume declined. An average of 46 new loans per institution were financed this past year, down 23% from 60 in 2007. While average loan volume dropped, not all lenders saw declines. In fact, while 38%

reported no change, 19% reported declines, and 44% actually reported an increase in loan volume. For those institutions that saw loan volume increase, most attribute it to an increase in loan applications, and a few to an increased rate of approvals. These lenders, each reporting no more than 60 new loans, represent just 23% of the total new loan volume this year. In addition, lenders were asked this year about the ongoing financial crisis. One large institution reportedly undergoing severe financial hardship stated that it has severely hampered their ability to make loans, while several small lenders suggested that the financial crisis has made them more competitive in the lending marketplace.

While loan volume is still greater than in the late nineties, when, for instance, the *1998 Mortgage Survey* showed an average of 37 new mortgages per lender, volume is down significantly from half a decade ago. For example, the *2004 Mortgage Survey* measured an average new loan volume of 160. As with new loans, the average number of refinanced loans decreased as well, down 31% from last year, to 51 in this year's survey. By comparison, in the 2004 Survey, the average surveyed institution refinanced 173 loans.

Underwriting Criteria

For more than a decade, there has been a prolonged period of low delinquencies and defaults, suggesting that institutions are willing to provide ample loan availability and provide less stringent underwriting policies. This year's survey reveals the implementation of tougher standards in lending practices among some surveyed institutions.

For all institutions, the typical maximum LTV ratio — the maximum dollar amount respondents were willing to lend based on a building's value — ranged

from 65% to 80%. The average was 74.3%, lower than 2007's 76.7% (see graph on this page).

Another important lending criterion is the debt service ratio — an investment's ability to cover mortgage payments using its net operating income (NOI). 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 NOI divided by the debt service) increased slightly this year, with an average debt service requirement of 1.23, up from 1.21 last year. Because the average debt service ratio changed little, 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)

Half the lenders reported that they changed their underwriting standards since last year. The most commonly cited change in underwriting practices were declines in the maximum loan-to-value ratio (LTV), reported by 38% of the lenders; an increase in monitoring requirements (31%); and higher points (25%).

In addition to changes in the aforementioned underwriting standards, lenders cited additional standards that remain similar to recent years when evaluating loan applications. The most commonly

cited standard is good building maintenance, with almost two-thirds of lenders indicating its importance. Also important is the number of units in the building, with more than a third indicating that buildings should contain a certain number of units (typically specifying five or more units).

Our survey asked lenders whether their lending standards differ for rent stabilized buildings as opposed to non-stabilized multifamily properties. Respondents were asked whether their new financing rates, refinancing rates, loan-to-value ratios, and debt service coverage requirements for rent stabilized properties were higher, lower, or the same as for other properties. The vast majority (86%) reported that standards were no different for stabilized buildings.

Non-Performing Loans & Foreclosures

More lenders reported that they had non-performing loans this year, and those with non-performers saw them make up a higher proportion in their portfolios. Five lenders reported having non-performing loans over the past year (up from three in 2007).

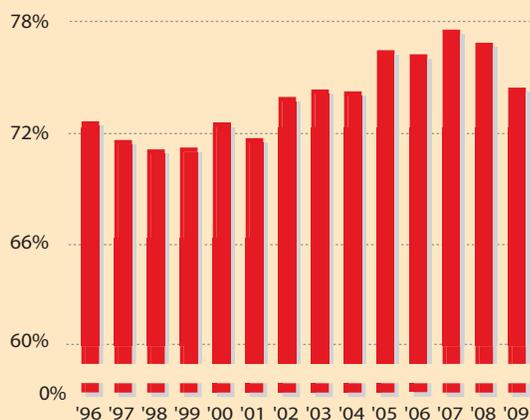
Similarly, more institutions reported that they had foreclosures in 2008, though as a percentage of their portfolios, that number remained the same. Four lenders reported that they had foreclosures this year, and among those institutions, one half of one percent of their portfolios were in foreclosure, the same percentage as the prior year. Of the lenders with non-performing loans, two reported default rates as high as 3%.

Characteristics of Rent Stabilized Buildings

Lenders surveyed about the average size of rent stabilized buildings in their portfolios reported that the most common building size is 20-49 units, with five lenders reporting this as typical. The second most common sized building is 50-99 units (four lenders); while buildings with fewer than ten units or 11-19 unit buildings each represented the most commonly sized buildings for three lenders each in 2008. This year's findings were similar to last year.

1996-2009 Cross-Sectional Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Fall

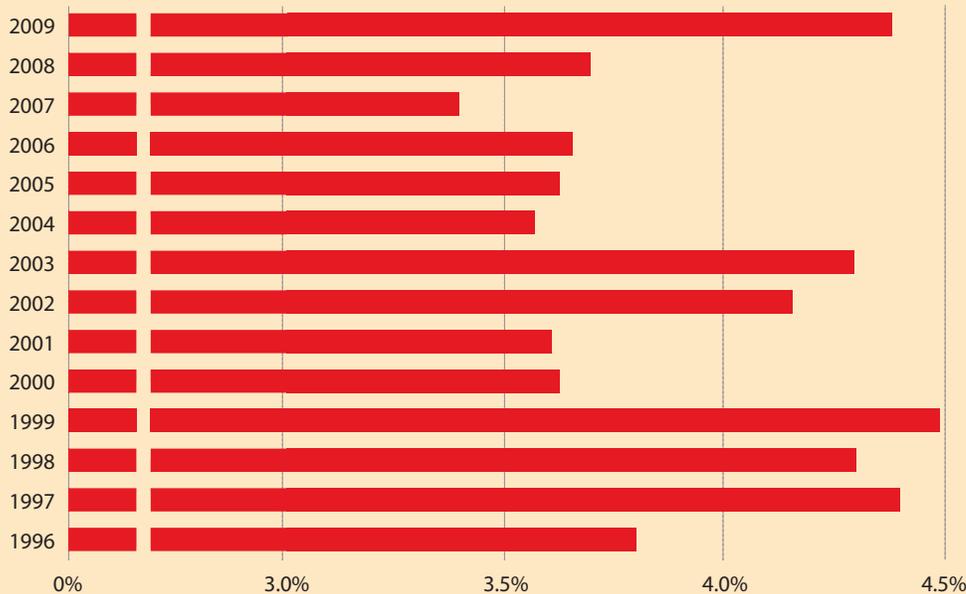


Note: 2008 figures have been slightly revised due to the removal of one lender. See endnote 2.

Source: Rent Guidelines Board, annual Mortgage Surveys.

Average Vacancy and Collection Losses, 1996-2009

Vacancy and Collection Losses Increased From Prior Year



Note: 2008 figures have been slightly revised due to the removal of one lender. See endnote 2.

Source: Rent Guidelines Board, annual Mortgage Surveys.

Vacancy and collection (V&C) losses increased in 2008, up to 4.38%, from 3.69% the prior year, and the highest since 1999. (See graph on this page.) A similar proportion of lenders, 44%, reported losses of 5% or more both this year and last.

Average operating and maintenance (O&M) expenses decreased 1.2%, to \$537 per unit per month. Meanwhile, average rents, as reported by this year's lenders, increased 5.2%, to \$995. (See Appendix 2) Because average rents rose while average expenses fell, the average O&M cost-to-rent ratio decreased to 54.0%, down from 57.4% in the prior year.⁵

The Rent Guidelines Board, in our annual *Income and Expense (I&E) Study*, also examines the average O&M cost-to-rent ratio. However, its findings should *not* be compared to the cost-to-rent ratio reported in this Mortgage Survey because both the sources and sample sizes are very different and the data studied in each report are from different time periods. In the 2008 *I&E Study*, which reported on data from the year 2006, the average O&M cost-to-rent ratio was 76.7%.⁶

The survey also asks lenders whether they retain their mortgages or sell them to secondary markets. Among the lenders, more than two-thirds of respondents (68.8%) retain all their mortgages, 18.8% sell all their mortgages, and 12.5% sell some of their mortgages to secondary markets. These results are similar to that found in previous year. Of those institutions that sell their mortgages, Freddie Mac and Fannie Mae are the most commonly cited purchasers.

Lenders are asked whether the rent stabilized buildings which are offered mortgage financing contain commercial space. This is helpful so as to understand the extent of income for owners from sources other than residential tenants. Like the prior year, all the lenders in this year's survey report that buildings in their portfolio contain commercial space, though the average amount varies depending on the lender. Among the lenders, buildings containing commercial space represent, on average, 23% of their lending portfolio, up from 21% in the prior survey.

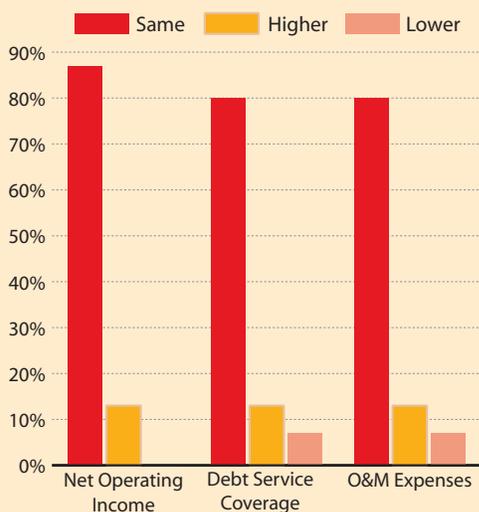
Loan Expectations

The survey asks lenders about their portfolio's performance, compared with expectations at the time of initial loan origination, with regard to net operating income (NOI), debt service coverage, and O&M expenses. This year, the vast majority of lenders (80%) felt that expectations in all three areas had been met for their rent stabilized portfolio, while 13% felt that some expectations were exceeded and 7% reported at least one expectation was not met in 2008.

In particular, 87% of lenders who responded to the NOI question felt that the income of their rent stabilized portfolio performed to expectations at the time of initial loan origination, while 13% felt it outperformed expectations, and none felt it fell short. Responses for debt service coverage and O&M expenses were similar to the NOI findings. (See graph on this page).

2009 Performance of Rent Stabilized Loans as Compared to Expectations

Lenders Report that Loans Meet or Exceed Most Expectations



Source: Rent Guidelines Board, annual Mortgage Surveys.

Longitudinal Analysis

Information regarding rent stabilized buildings can be analyzed longitudinally to more accurately measure

changes in the lending market, since a number of respondents reply to the Mortgage Survey in at least two consecutive years. This longitudinal comparison helps to ascertain whether changes highlighted in the cross-sectional analysis reflect genuine fluctuations in the lending market or simply the presence of a different group of lenders from year to year. In this section, responses from the fifteen lenders who replied to surveys both last and this year (the longitudinal group) were compared to underscore changes between 2008 and 2009.

Financing Availability and Terms

This year's longitudinal analysis reveals data that is very similar to this year's cross-sectional sample.⁷ This year's average interest rate among the longitudinal group for new financing, as of February 2009, was 6.42%, up from last year's longitudinal group, which had an average interest rate of 6.11%. The average refinancing rate was likewise very close to that found among the cross-sectional group, at 6.46% as of February 2009, an increase from 6.11% a year earlier. (See Appendices 3 and 4)

Among the longitudinal group, average points offered by lenders changed little for both new and refinanced loans. This sample reports an average of 0.52 points for new loans, up from last year's 0.50. Points on refinanced loans rose a little more, up from last year's 0.46 to this year's 0.52.

Like the cross-sectional group of lenders, the longitudinal group saw loan volume decrease, falling 19.5% from last year. Likewise, there was a 27.4% drop in refinanced loan volume.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio fell to 74.8% among the longitudinal group, down from last year's 76.5%. The average debt service ratio increased, up to 1.24 from 1.20 the prior year. (See Appendix 5) Like the cross-sectional group, vacancy and collection (V&C) losses in the longitudinal group increased, going from 4.00% last year to 4.40% this year.

Selected 2009 Cross-Sectional Data Compared to 2009 Longitudinal Data

Changes in Average Interest Rates, Loan Volume, Points, Loan-to-Value Ratios, Debt Service Coverage, and Vacancy & Collection Losses

(Averages)	NF Interest Rate	RF Interest Rate	NF Loan Volume	RF Loan Volume	NF Points	RF Points	Max LTV Ratio	Debt Service	V&C Losses
2009 Cross-Sectional Data	6.46%	6.50%	46	51	.62	.62	74.3%	1.23	4.38%
2009 Longitudinal Data	6.42%	6.46%	50	55	.52	.52	74.8%	1.24	4.40%

NF= New Financing

RF= Refinancing

LTV=Loan-to-Value

V&C=Vacancy and Collection

Source: Rent Guidelines Board, 2009 Mortgage Survey

Examining the rate of delinquencies among the longitudinal group, an uptick in non-performing loans was reported, while foreclosure remained about the same. For additional comparisons between the cross-sectional and longitudinal groups, see table on this page.

Sales Data Analysis

In 2007, the NYC Department of Finance made available to the public easily accessible property sales information for the five boroughs going back several years. Using this data, an analysis of rent stabilized building sales was contained in last year's mortgage report. This year, we follow-up with a look at the data from 2008, and compare it to 2007.

Building Sales Prices

In 2008, 1,021 buildings containing rent stabilized units were sold in New York City. The median, citywide sales price was \$1,951,000, with the highest median sales price in Manhattan at \$3,850,000 followed by the Bronx (\$2,435,000), Queens (\$1,626,304), and Brooklyn (\$977,500). [Staten Island was not included in this analysis because there were too few rent stabilized building sales.]⁸

In order to compare sales prices from one year to the next, staff examined sales by building size as well as borough. This analysis attempts to control for location and size of the building that was sold. It does not take into account the condition of the building being sold, an important factor that cannot be studied using this data set. However, this analysis does reveal the general trends in building sale prices citywide and throughout the boroughs from 2007 to 2008.

Among the smallest building size, 6-10 units, median sales prices changed moderately. Citywide, in Brooklyn and in the Bronx, prices among the smallest-sized buildings increased as much as 9%, while prices fell 4% in Queens and 3% in Manhattan from 2007 to 2008. Among 11-19 unit buildings, price changes were mostly negative, down 10% citywide and as much as 18% in Manhattan. Only the Bronx saw an increase in its sales price, up 7.5%.

Among 20-49 unit buildings, from 2007 to 2008, price changes ranged from as much as a 24% decline in Manhattan to a 1% decline in the Bronx, with an overall 19% decline in prices citywide. Looking at 50-99 unit buildings, prices rose 15% citywide, and in each of the boroughs, rose in the Bronx (16%), Manhattan (14%) and Queens (13%) but fell 21% in Brooklyn. Because of the small number of 100+ unit buildings sold each year, we did not analyze the sales

data for these buildings. See Appendix 8 for the median sales prices in each borough as well as the change from the prior year among different sized buildings.

Building Sales Volume

In 2008, 1,021 rent stabilized buildings were sold citywide, down 31% from 1,474 sold in 2007. In Manhattan, the number of sales fell the greatest percentage, down 48%, followed closely by the Bronx, down 46%. Sales fell 18% in Brooklyn. Meanwhile, only in Queens was there an increase in the number of buildings sold, up 10% from 2007. It is interesting to note that a substantial proportion of building sales are reported by those institutions responding to our mortgage survey. In total, 1,021 buildings were sold in 2008, while the mortgage survey respondents reported a total of 599 new loans, representing at least 59% of buildings sold. A few surveyed lenders were unable to provide the number of loans made to rent stabilized buildings, so our survey actually captures an indeterminable number of additional sales. Appendix 8 shows the number of buildings sold citywide, by borough and by building size for 2007 and 2008.

In light of the current financial crisis that accelerated throughout 2008, and the tightening of the

lending market revealed in our 2009 Mortgage Survey, we compared sales data from the fourth quarter of 2007 to the same quarter of 2008. When analyzing rent stabilized building sales in the fourth quarters of 2007 and 2008, the number of buildings sold fell universally, down 50% citywide; 76% in the Bronx; 69% in Manhattan; 27% in Brooklyn; and 24% in Queens.⁹ See table on this page.

Conclusion

The year 2008 saw a significant upheaval in the national economy. Though borrowers continue to see generally favorable lending terms, some financially unstable lenders are finding themselves limited in their ability to make loans, while other, more stable and usually smaller institutions maintain their lending volume. Both new and refinance loan volume decreased, interest rates and points increased, and underwriting standards toughened. The decrease in loan volume was reflected in the 31% decline in the number of rent stabilized buildings sold in 2008.

Endnotes

1. Federal Reserve websites:
<http://www.federalreserve.gov/fomc/fundsrate.htm> and
<http://www.frbdiscountwindow.org>
2. Note that the total number of respondents and some figures originally derived from the 2008 Mortgage Survey differ from what was previously reported because one lender was removed. This lender is a city agency that offered mortgages at lending terms significantly different from the marketplace.
3. Most recent data derived from the FDIC website. World Wide Web Page <<http://www.fdic.gov>> (accessed March 10, 2009).
4. "Fed Cuts Key Rate to a Record Low," by Edmund L. Andrews and Jackie Calmes, New York Times. December 17, 2008.
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 O&M cost-to-rent ratio from the 2009 Mortgage Survey reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2009. The average ratio is calculated from just 16 respondents. The latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was \$907 and average unaudited cost was \$695, reflects rents and expenses reported by owners for calendar year 2006. Average monthly costs per unit in the Mortgage Survey this year are lower than those reported in the I&E. This may be due to

Comparison of Building Sales in 4th Quarter of 2007 vs. 2008

Sales Fall in the Fourth Quarter of 2008

	2007	2008	Change
Bronx	50	12	-76%
Brooklyn	77	56	-27%
Manhattan	67	21	-69%
Queens	29	22	-24%
Citywide	223	111	-50%

Note: Citywide figures exclude Staten Island

Source: NYC Department of Finance

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 \$40,000 and eleven or more units, while the Mortgage Survey does not exclude these buildings).

7. The cross-sectional and longitudinal groups are very similar because all but one lender responded both years.
8. The data reflects sales prices for buildings that are registered with DHCR as containing rent stabilized units. It excludes those buildings where the sales price was listed as less than \$1000. It also excludes those buildings listed as co-ops. Further, Staten Island is excluded from all analysis due to the small number of buildings sold.
9. Due to the small number of buildings sold in the fourth quarter of 2008, we were unable to compare sale price data from 2007 to 2008.

Appendices

1. Interest Rates and Terms for New and Refinanced Mortgages, 2009

New Mortgages						Refinanced Mortgages				
Institution	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
7	6.00%	0	5 to 10 yr; 15 to 30 yr §	fixed	13	6.00%	0	5 to 10 yr; 15 to 30 yr	fixed	10
8	6.13%	0.5	5 to 7 yrs w/ 5 yr option, up to 30 yr §	adj	60	6.13%	0.5	5 to 7 yrs w/ 5 yr option, up to 30 yr §	adj	NR
14	6.00%	0	5 & 5	adj	NR	6.00%	0	5 & 5	adj	285
15	NR	1.5	5/7/10/15/20/25/30	fixed	NR	NR	1.5	5/7/10/15/20/25/30	fixed	NR
16	6.38%	0	5+5/30	adj	96	6.38%	0	5+5/30	adj	96
18	NR	NR	NR	NR	NR	NA	NA	NA	NA	NA
28	6.25%	1	10	fixed	225	6.25%	1	10	fixed	100
30	6.25%	1	Up to 30 yrs	fixed	25	6.25%	1	Up to 30 yrs	fixed	10
33	6.38%	0	3 or 5 yr *	fixed	25	6.56%	0	3 or 5 yr *	fixed	10
35	7.75%	0.5	15 yr	fixed	23	7.75%	0.5	15 yr	fixed	15
36	6.25%	0.75	10 yr term/30 yr §	fixed	12	6.25%	0.75	10 yr term/30 yr §	fixed	12
37	7.60%	1.5	120/180/240	NR	6	7.90%	1.5	120/180/240	NR	2
40	7.00%	2	15 yr or 10/25 *	fixed	2	7.00%	2	15 yr or 10/25 *	fixed	4
117	6.00%	0	5 yrs	fixed	108	6.00%	0	5 yrs	fixed	110
208	6.50%	0	5 yrs, 30 yr §	fixed	1	6.50%	0	5 yrs, 30 yr §	fixed	2
301	6.00%	0.5	5/25	fixed	3	6.00%	0.5	5/25	fixed	2
AVERAGE						6.46%	0.62	†	†	46
AVERAGE						6.50%	0.62	†	†	51

§ Amortization Adj = adjustable rate mortgage † No average computed NR = no response to this question * Balloon
 NA = Lender did not offer refinancing in 2008

Note: The average for interest rates and points is calculated by using the midpoint when a range of values is given by the lending institution.

Source: 2009 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2009

Lending Institution	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Typical Building Size	Average Monthly O&M Cost/Unit	Average Monthly Rent/Unit
7	75%	1.30	5.0%	50-99	\$899	\$1,200
8	75%	1.25	3.0%	20-49	\$450	\$850
14	75%	1.20	3.0%	20-49	\$0	\$0
15	80%	1.25	5.0%	50-99	\$750	\$1,450
16	80%	1.20	8.0%	20-49	NR	\$725
18	NR	NR	8.0%	20-49	NR	\$950
28	75%	1.25	6.0%	100+	NR	\$1,200
30	80%	1.25	3.0%	11-19	\$450	\$800
33	73%	1.25	5.0%	11-19	NR	NR
35	65%	1.15	3.0%	1-10	\$500	\$1,400
36	80%	1.25	4.0%	50-99	NR	\$950
37	70%	1.20	2.0%	1-10	\$250	\$500
40	68%	1.20	4.0%	1-10	\$395	\$975
117	75%	1.25	5.0%	50-99	NR	\$950
208	75%	1.25	3.0%	11-19	\$0	\$0
301	70%	1.25	3.0%	20-49	\$600	\$980
AVERAGE						
74.3%						
1.23						
4.38%						
†						
\$537						
\$995						

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: 2009 Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2008-2009

Lending Inst.	Interest Rates		Points		Term		Type	
	2009	2008	2009	2008	2009	2008	2009	2008
7	6.00%	6.00%	0.0	0.5	5 to 10 yr; 15 to 30 yr §	5 to 10 yrs; 15 to 20 yrs §	fixed	fixed
8	6.13%	5.63%	0.5	0.5	5 to 7 yrs w/ 5 yr option, up to 30 yr §	5-15 yrs; 15-30 §	adj	adj
14	6.00%	5.63%	0.0	0.0	5 & 5	5 & 5	adj	adj
15	NR	NR	1.5	0.5	5/7/10/15/20/25/30	5/7/10/15/20/25/30	fixed	both
16	6.38%	5.75%	0.0	0.0	5+5/30	5+5/30	adj	adj
18	NR	5.85%	NR	0.0	NR	5 yr fixed/30 yr *	NR	fixed
28	6.25%	5.75%	1.0	1.0	10	10 yrs	fixed	fixed
30	6.25%	6.25%	1.0	1.0	Up to 30 yrs	30 yr	fixed	fixed
33	6.38%	6.00%	0.0	0.0	3 or 5 yr *	5	fixed	fixed
35	7.75%	6.50%	0.5	0.5	15 yr	15 yrs	fixed	fixed
36	6.25%	6.02%	0.8	1.0	10 yr term/30 yr §	10/9.5/30	fixed	fixed
37	7.60%	8.00%	1.5	1.0	120/180/240	120/180/240	NR	fixed
117	6.00%	6.00%	0.0	NR	5 yrs	5	fixed	fixed
208	6.50%	NR	0.0	NR	5 yrs, 30 yr §	NR	fixed	NR
301	6.00%	6.00%	0.5	0.5	5/25	10 yr	fixed	fixed
AVERAGE	6.42%	6.11%	0.52	0.50	†	†	†	†

NR indicates no response to this question.

† No average computed

§ Amortization

* Balloon

Adj = adjustable rate mortgage

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: 2008 and 2009 Rent Guidelines Board Mortgage Surveys

4. Interest Rates and Terms for Refinanced Loans, Longitudinal Study, 2008-2009

Lending Inst.	Interest Rates		Points		Term		Type	
	2009	2008	2009	2008	2009	2008	2009	2008
7	6.00%	6.25%	0.0	0.0	5 to 10 yr; 15 to 30 yr	5 to 10 yrs; 15 to 20 yrs §	fixed	fixed
8	6.13%	5.63%	0.5	0.5	5 to 7 yrs w/ 5 yr option, up to 30 yr §	5-15 yrs; 15-30 §	adj	adj
14	6.00%	5.63%	0.0	0.0	5 & 5	5 & 5	adj	adj
15	0.00%	0.00%	1.5	0.5	5/7/10/15/20/25/30	5/7/10/15/20/25/30	fixed	both
16	6.38%	5.75%	0.0	0.0	5+5/30	5+5/30	adj	adj
18	NA	5.85%	NA	0.0	NA	5 yr fixed/30 yr *	NA	fixed
28	6.25%	5.75%	1.0	1.0	10	10 years	fixed	fixed
30	6.25%	6.25%	1.0	1.0	Up to 30 yrs	30 yr	fixed	fixed
33	6.56%	6.00%	0.0	0.0	3 or 5 yr *	5	fixed	fixed
35	7.75%	6.50%	0.5	0.5	15 yr	15 yrs	fixed	fixed
36	6.25%	6.02%	0.8	1.0	10 yr term/30 yr §	10/9.5/30	fixed	fixed
37	7.90%	7.75%	1.5	1.0	120/180/240	120/180/240	NR	fixed
117	6.00%	6.00%	0.0	NR	5 yrs	5 yrs	fixed	fixed
208	6.50%	0.00%	0.0	NR	5 yrs, 30 yr §	NR	fixed	NR
301	6.00%	6.00%	0.5	0.5	5/25	10 yrs	fixed	fixed
AVERAGE	6.46%	6.11%	0.52	0.46	†	†	†	†

NR indicates no response to this question.

† No average computed

§ Amortization

* Balloon

NA = Lender did not offer refinancing in 2008

Adj = adjustable rate mortgage

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: 2008 and 2009 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study, 2008-2009

Lending Inst.	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
	2009	2008	2009	2008	2009	2008
7	75%	75%	1.30	1.25	5.0%	5.0%
8	75%	NR	1.25	NR	3.0%	2.0%
14	75%	80%	1.20	1.15	3.0%	3.0%
15	80%	80%	1.25	1.20	5.0%	5.0%
16	80%	80%	1.20	1.20	8.0%	5.0%
18	0%	75%	0.00	1.20	8.0%	5.0%
28	75%	80%	1.25	1.20	6.0%	4.0%
30	80%	80%	1.25	1.25	3.0%	5.0%
33	73%	75%	1.25	1.25	5.0%	5.0%
35	65%	65%	1.15	1.15	3.0%	4.0%
36	80%	80%	1.25	1.15	4.0%	5.0%
37	70%	70%	1.20	1.20	2.0%	2.0%
117	75%	75%	1.25	1.20	5.0%	4.0%
208	75%	NR	1.25	NR	3.0%	0.0%
301	70%	80%	1.25	1.15	3.0%	2.0%
AVERAGE	74.8%	76.5%	1.24	1.20	4.4%	4.0%

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: 2008 and 2009 Rent Guidelines Board Mortgage Surveys

6. Retrospective of New York City's Housing Market, 1982-2009

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	16,856
2002	7.4%	21,423	18,500
2003	6.2%	23,778	21,218
2004	5.8%	27,695	25,208
2005	5.5%	33,606	31,599
2006	6.3%	32,609	30,927
2007	6.3%	34,514	31,902
2008	6.1%*	34,260 Ø	33,911 Ø
2009	6.5%	.	.

b Prior to 1984, Bergen Co., NJ permit figures are included. Ø Figures are preliminary.

* The 2008 figure has been revised from the prior year due to the exclusion of one government lender

Notes: Interest rate data was collected in January-February 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. 2009 Survey of Mortgage Financing for Multifamily Properties

I. Financing Availability and Terms for Multifamily Buildings	
<p>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?</p> <p><input type="checkbox"/> Yes. (Indicate typical terms and conditions at right.)</p> <p><input type="checkbox"/> No.</p>	<p>Interest rate: _____ % _____ % (current) (12 mo. average for 2008)</p> <p>Points: _____</p> <p>Terms: _____</p> <p>Type: Fixed / Adjustable (circle one)</p> <p>Special conditions: _____</p>
<p>1b. How many loans were made by your institution in 2008 for new permanent financing of rent stabilized buildings?</p>	<p>Number of loans: _____</p>
<p>2a. Do you currently offer refinancing of mortgages on rent stabilized buildings?</p> <p><input type="checkbox"/> Yes. (Indicate typical terms and conditions at right.)</p> <p><input type="checkbox"/> No. (Skip to question 4a if you do not offer refinancing.)</p>	<p>Interest rate: _____ % _____ % (current) (12 mo. average for 2008)</p> <p>Points: _____</p> <p>Terms: _____</p> <p>Type: Fixed / Adjustable (circle one)</p> <p>Special conditions: _____ (if any)</p>
<p>2b. How many loans did your institution refinance in 2008 for rent stabilized buildings?</p>	<p>Number of loans: _____</p>
<p>3a. In the past year, has the total volume of new and refinanced loans underwritten by your institution changed significantly (by at least 5%)?</p>	<p><input type="checkbox"/> Yes, we have experienced a significant _____ of about _____ %. (increase / decrease)</p> <p><input type="checkbox"/> No, it is about the same. (Please skip Question 3b).</p>
<p>3b. If loan volume has changed significantly, is the change attributable to:</p> <p>(Please check and fill in all applicable choices.)</p>	<p><input type="checkbox"/> A significant _____ in the volume of loan applications of about _____ %. (increase / decrease)</p> <p><input type="checkbox"/> A significant _____ in the rate of application approvals of about _____ %. (increase / decrease)</p>
<p>Are there any trends related to financing availability and terms on which you wish to comment?</p> <p>_____</p> <p>_____</p> <p>_____</p>	
<p>CONFIDENTIAL 1</p>	

II. Underwriting Criteria for Rent Stabilized Buildings	
<p>4a. What standards does your institution employ when assessing loan applications for rent stabilized buildings?</p> <p>(Provide the maximum criteria.)</p>	<p>Loan-to-Value Ratio: _____ <input type="checkbox"/> N/A</p> <p>Debt Service Coverage: _____ <input type="checkbox"/></p> <p>Appraised Value of Building: _____ <input type="checkbox"/></p>
<p>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.</p> <p>(Indicate an average, minimum, or maximum criteria.)</p>	<p>Number of Units in Building: _____ <input type="checkbox"/> N/A</p> <p>Building Age: _____ <input type="checkbox"/></p> <p>Borrower Lives in Building: _____ <input type="checkbox"/></p> <p>Overall Building Maintenance: _____ <input type="checkbox"/></p> <p>Co-op / Condo Conversion Potential: _____ <input type="checkbox"/></p> <p>Other (Please Specify): _____ <input type="checkbox"/></p>
<p>5. Did your institution change its underwriting practices for financing or refinancing rent stabilized buildings over the past year?</p>	<p><input type="checkbox"/> Yes.</p> <p><input type="checkbox"/> No. (If no, please skip to Question 7).</p>
<p>6. Yes, we changed our underwriting practices for rent stabilized buildings to:</p> <p>(Please check and fill in all applicable choices.)</p>	<p><input type="checkbox"/> Use _____ stringent approvals. (more / less)</p> <p><input type="checkbox"/> Require _____ fees (i.e., points or fees). (higher / lower)</p> <p><input type="checkbox"/> _____ loan-to-value ratio. (Increase / Decrease)</p> <p><input type="checkbox"/> _____ monitoring requirements. (Increase / Decrease)</p> <p><input type="checkbox"/> _____ lending to rent stabilized buildings. (Discontinue / Reduce / Expand)</p> <p><input type="checkbox"/> Other: _____</p>
III. Additional Mortgage Questions	
<p>7. How many dwelling units are contained in the average rent stabilized building financed by your institution?</p> <p>(Please check only one.)</p>	<p><input type="checkbox"/> 1 - 10 <input type="checkbox"/> 11 - 19 <input type="checkbox"/> 20 - 49</p> <p><input type="checkbox"/> 50 - 99 <input type="checkbox"/> 100 or more</p>
<p>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.)</p>	<p><input type="checkbox"/> < 1% <input type="checkbox"/> 1% <input type="checkbox"/> 2%</p> <p><input type="checkbox"/> 3% <input type="checkbox"/> 4% <input type="checkbox"/> 5%</p> <p><input type="checkbox"/> 6% <input type="checkbox"/> 7% <input type="checkbox"/> > 7%</p>
<p>9. Approximately what percentage of your loans to rent stabilized buildings are currently non-performing?</p>	<p><input type="checkbox"/> None</p> <p><input type="checkbox"/> Approximately _____ %</p>
<p>CONFIDENTIAL 2</p>	

<p>10. Approximately what percentage of your loans to rent stabilized buildings are currently in foreclosure?</p>	<p><input type="checkbox"/> None</p> <p><input type="checkbox"/> Approximately _____ %.</p>
<p>11a. Does your institution retain the mortgages you offer or do you sell any to secondary markets?</p>	<p><input type="checkbox"/> We retain all the mortgages sold. (If so, please skip to question 12.)</p> <p><input type="checkbox"/> We sell all our mortgages to secondary markets.</p> <p><input type="checkbox"/> We sell _____ % of our mortgages to secondary markets.</p>
<p>11b. To whom do you sell your mortgages?</p> <p>(Please check and fill in all applicable choices.)</p>	<p><input type="checkbox"/> Fannie Mae</p> <p><input type="checkbox"/> Freddie Mac</p> <p><input type="checkbox"/> Other: _____</p>
<p>12. In your sector, who are your major competitors in multi-family lending?</p>	<p>_____</p> <p>_____</p>
<p>13. Do the mortgages offered to rent stabilized buildings include any commercial space?</p>	<p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes. Approximately what percentage of buildings in your portfolio have commercial space? _____ %</p>
<p>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?</p> <p>(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.)</p>	<p>\$ _____ per unit per month</p>
<p>15. What is your best estimate of average rent per unit per month in the rent stabilized buildings financed by your institution?</p>	<p>\$ _____ per unit per month</p>
<p>16. Do any of your lending or underwriting standards differ for rent stabilized buildings as opposed to non-stabilized multifamily properties?</p> <p>(Please check all that apply)</p>	<p>New Financing Rates: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p> <p>Refinancing Rates: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p> <p>Loan-to-Value Ratio: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p> <p>Debt Service Coverage: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p>
<p>17. On average, how does your portfolio of rent stabilized buildings perform as compared with expectations at the time of the initial loan originations?</p> <p>(Please check all that apply)</p>	<p>Net Operating Income: <input type="checkbox"/> Better <input type="checkbox"/> Worse <input type="checkbox"/> Same</p> <p>Debt Service Coverage: <input type="checkbox"/> Better <input type="checkbox"/> Worse <input type="checkbox"/> Same</p> <p>O&M Expenses: <input type="checkbox"/> Better <input type="checkbox"/> Worse <input type="checkbox"/> Same</p>
<p>CONFIDENTIAL 3</p>	

<p>18. Please estimate, on average, what percentage of Net Operating Income goes towards payment of debt service?</p> <p>_____ %</p>	
<p>19. Please estimate the average mortgage loan payment per unit per month for a typical building in your portfolio:</p> <p>_____</p>	
<p>20. Has the nationwide mortgage-related credit crunch impacted your rent stabilized mortgage lending in any way? If so, how? 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?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	
<p>Thank you for taking the time to complete the survey.</p> <p>CONFIDENTIAL 4</p>	

8. Rent Stabilized Building Median Sales Price and Sales Volume, by Borough and Building Size, and Percent Change, 2007-2008

	<u>2007 Median Sale Price</u>	<u>2008 Median Sale Price</u>	<u>Percent Change from 2007-08</u>	<u>2007 # of Sales</u>	<u>2008 # of Sales</u>	<u>Percent Change from 2007-08</u>
Citywide						
All buildings*	\$2,255,000	\$1,951,000	-	1,474	1,021	-30.7%
6-10 units	\$800,000	\$828,500	3.6%	612	416	-32.0%
11-19 units	\$2,090,000	\$1,875,000	-10.3%	223	141	-36.8%
20-49 units	\$3,550,000	\$2,874,411	-19.0%	409	294	-28.1%
50-99 units	\$6,000,000	\$6,875,000	14.6%	176	134	-23.9%
Bronx						
All buildings*	\$2,400,000	\$2,435,000	-	319	171	-46.4%
6-10 units	\$700,000	\$750,000	7.1%	45	31	-31.1%
11-19 units	\$1,005,000	\$1,080,000	7.5%	55	20	-63.6%
20-49 units	\$2,392,500	\$2,370,000	-0.9%	130	70	-46.2%
50-99 units	\$5,182,325	\$6,000,000	15.8%	80	47	-41.3%
Brooklyn						
All buildings*	\$882,500	\$977,500	-	520	426	-18.1%
6-10 units	\$700,000	\$765,000	9.3%	350	253	-27.7%
11-19 units	\$1,606,250	\$1,350,000	-16.0%	50	37	-26.0%
20-49 units	\$3,292,500	\$3,000,000	-8.9%	68	89	30.9%
50-99 units	\$7,000,000	\$5,546,386	-20.8%	41	38	-7.3%
Manhattan						
All buildings*	\$4,508,653	\$3,850,000	-	470	243	-48.3%
6-10 units	\$3,500,000	\$3,390,552	-3.1%	119	63	-47.1%
11-19 units	\$3,942,500	\$3,250,000	-17.6%	104	57	-45.2%
20-49 units	\$5,036,300	\$3,820,000	-24.2%	192	81	-57.8%
50-99 units	\$10,509,000	\$11,925,000	13.5%	36	21	-41.7%
Queens						
All buildings*	\$1,070,000	\$1,626,304	-	165	181	9.7%
6-10 units	\$834,000	\$800,000	-4.1%	98	69	-29.6%
11-19 units	\$2,030,000	\$1,875,000	-7.6%	19	27	42.1%
20-49 units	\$3,600,000	\$3,105,000	-13.8%	19	54	184.2%
50-99 units	\$8,500,000	\$9,620,000	13.2%	19	28	47.4%

Notes: The percent change in median sales price citywide and by borough were not calculated due to the variation in the median building size from year to year. Staten Island data, as well as 100+ unit buildings, are excluded due to the small number of buildings sold.

* "All buildings" totals include buildings with 100 or more units. Therefore, these figures do not equal the sum of their subsets. In addition, citywide figures do not contain Staten Island building sales.

Source: NYC Department of Finance