

2010 Mortgage Survey Report

March 23, 2010

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2010 Mortgage Survey Report

What's New

- ✓ New loan volume declined 52%, while refinanced loan volume dropped 75%.
- ✓ Vacancy and collection losses increased to 4.92%, up from 4.38% the prior year.
- ✓ In 2009, 521 buildings containing rent stabilized units were sold citywide, down 49% from the prior year.
- ✓ Average interest rates for new multifamily mortgages decreased 0.19 percentage points, or 2.9%, to 6.28%.
- ✓ Refinancing interest rates fell by 0.21 percentage points, to 6.28%.
- ✓ Average service fees for new loans rose 0.18 points, to 0.79 points.
- ✓ Average maximum loan-to-value ratios dropped to 73.6% in 2009, down from 74.3% 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 2009 calendar year as well as the first few months of 2010.

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, rent stabilized building sales data, a section added two years ago, is again included in this report.

Summary

The *2010 Mortgage Survey* illustrated a lending market with more constraints than in recent years. While lending standards didn’t change significantly from the prior year, the volume of lending reached a nadir not seen since this survey began over a decade ago. Despite benchmark rates set by the Federal Reserve Board that remained unchanged throughout 2009 and at historic lows, lending volume was at a minimum among institutions in our survey.¹ Average interest rates actually charged by surveyed lenders declined, while up-front fees, called points, increased for the third consecutive year after falling to historic lows. Furthermore, vacancy and collection losses and non-performing loans increased, though foreclosures remained rare. Additionally, our analysis of rent stabilized building sales data showed an overall decline in both rent stabilized building sale prices and volume citywide from 2008 to 2009, with little variation between 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. Finally, the report will look at rent stabilized building sales data.

Survey Respondents

Fifteen financial institutions responded to this year’s survey, one fewer than last year. The number of eligible lenders declined from last year due to at

least two lenders who cited that they were not offering mortgages to multifamily properties in 2009. In prior years, participation has been adversely impacted primarily by mergers among lending institutions. 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 Federal Deposit Insurance Corporation (FDIC) supply details about their holdings on a quarterly basis, including their multifamily real estate holdings, which vary considerably among this year's respondents. Twelve survey respondents report their multifamily real estate holdings to the FDIC, with values ranging between

\$19.0 million and \$7.4 billion.² Seven 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 increased by 8.7%, to \$1.83 billion.

Cross-Sectional Analysis

Financing Availability and Terms

In February 2010, the average interest rate for new multifamily mortgages was 6.28%, a decrease of 0.19 percentage points, or 2.9%, from the previous February (see graph on this page and Appendix 1).

Likewise, the average interest rate reported by lenders for the 2009 calendar year was 6.18%, just 0.10 percentage points lower than reported February 2010 rates, and a 0.08 percentage point (or 1.4%)

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2010

Multifamily Mortgage Interest Rates Decrease Over Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

decrease from calendar year 2008. As in prior years, a small number of large lenders provided the vast majority of the total volume of new and refinanced mortgages. Of all respondents, five provided 86.9% of the total volume of new mortgages.

Average interest rates increased slightly during the year among the institutions surveyed, despite the fact that the federal funds and discount rates set by the Federal Reserve Board remained constant throughout 2009. Only in February 2010, too late to have any impact on interest rates charged by institutions in our survey, did the Fed raise the Discount Rate — the interest rate at which depository institutions borrow from the Federal Reserve Bank of New York — by one quarter of one percent to reach 0.75%, but left the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — unchanged, at 0.25%. The Fed maintained its low rates throughout the year as the U.S. economy attempted to grow itself out of a sizeable recession and significant job losses.³

Surveying institutions regarding their refinanced mortgages found that virtually all of them offered identical or similar terms to those for new loans. The average current rate charged for refinanced mortgages as of February 2010, 6.28%, was the same as the average current rate charged on new originations and 0.21 percentage points lower than last February. (See Appendix 1) In addition, at 6.17%, average 2009 refinancing rates were 0.14 percentage points lower than the prior year's refinancing rates.

Unlike 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 four surveyed lenders charging no points on either new or refinanced loans.

The average service fee charged on new loans by lenders was 0.79 points, a 0.18 percentage point increase from last year's average of 0.62. Average fees reported in the survey have remained around or below one point since the late 1990's (see graph on next page). Average points for refinanced mortgages were almost the same (0.83) as that charged on new originations.

Lenders surveyed, 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 a challenge 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 5- to 30-year range. Five lenders offered terms as long as 30 years, while just one 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.

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

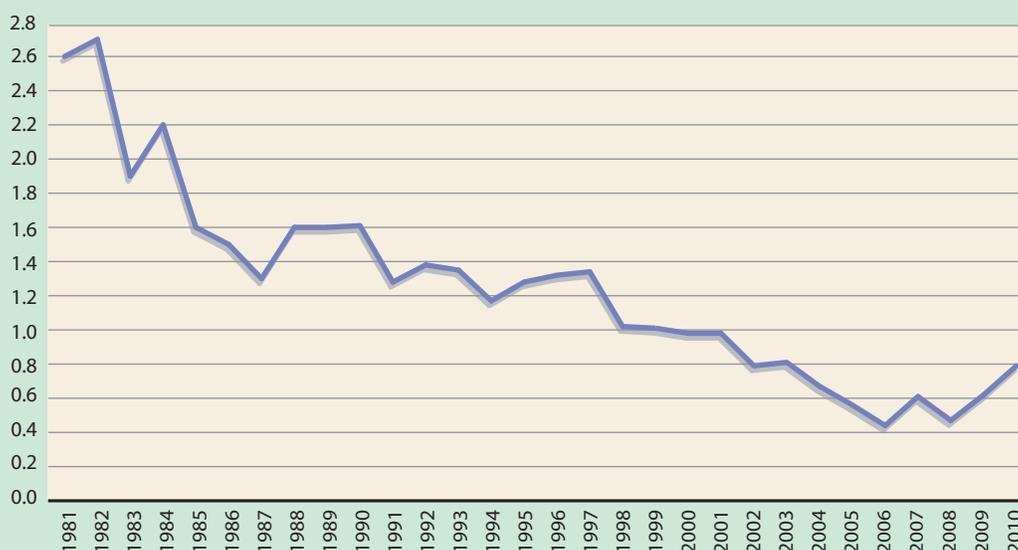
Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

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, 1981-2010

Service Fees Increase Over Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

New loan volume decreased in 2009, the fourth consecutive year that volume declined. An average of 22 new loans per institution were financed this past year, down 52% from 46 in 2008. With average loan volume dropping, most lenders saw declines, while only a couple saw volume increase. Among surveyed institutions, 60% saw a decline in loan volume, 27% saw no change, and only 13% realized an increase in loan volume. Among those institutions that saw loan volume decrease, most attribute it to an decrease in loan applications, and only a couple to a decreased rate of approvals.⁴

With loan volume of just 22 new loans per institution surveyed, average loan volume declined to its lowest level since this question was first asked in 1998, and dropped significantly from the lending volume peak reported in the *2004 Mortgage Survey*, when lenders reported an average new loan volume of 160. Even more significant than new loan volume, the average number of refinanced loans decreased to just 12 per lender, a 75% decline from last year's average of 51. By comparison, refinanced lending peaked at 173 loans per surveyed institution, also in 2004.

Underwriting Criteria

For over a decade, there has been a protracted duration of low delinquencies and defaults, meaning institutions have been willing to provide ample loan availability and less stringent underwriting policies. However, this year our survey found tougher standards in lending practices among some 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 60% to 80%. The average was 73.6%, lower than 2008's 74.3% (see graph on next 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 this year, with an average debt service requirement of 1.26, up from 1.23 in 2008. Because the average debt service ratio increased, lenders have reduced the amount of money they are willing to lend in relation to the net

operating income of buildings. (See Appendix 2)

Roughly half of all lenders reported that they changed their underwriting standards since last year. The most commonly cited change was more stringent approval criteria, reported by 54% of the lenders. The second most common change was in the maximum loan-to-value ratio (LTV), reported by 38% of the lenders; followed by a change in monitoring requirements and/or a change in lending to rent stabilized buildings (each 31%).

In addition to modifications in select underwriting criteria, lenders noted additional standards that remain similar to recent years when evaluating loan applications. The most commonly cited standard is good building maintenance, with 69% of lenders indicating its importance. Also important is the number of units in the building, with 31% citing that buildings should contain a certain number of units.

Our survey also 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. Most lenders (92%) reported that standards were no different for stabilized buildings.

1996-2010 Cross-Sectional Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Fall



Source: Rent Guidelines Board, annual Mortgage Surveys.

Non-Performing Loans & Foreclosures

A higher proportion of 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. Forty-two percent of lenders reported having non-performing loans over the past year, up from 33% in 2008. Of those lenders with non-performers, they represented on average 3.8% of their lending portfolio, up from 1.7% the prior year.

However, the proportion of institutions reporting foreclosures was the same in each of the last two years, though they represent a higher percentage of their portfolios in 2009. A third of lenders reported that they had foreclosures, this year, and among those institutions, one percent of their portfolios were in foreclosure, up from one-half of one percent the prior year. Of the lenders with non-performing loans, one reported a default rate as high as 2%.

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 six lenders reporting this as typical. A smaller number of lenders reported that buildings with fewer than 10 units were most common (3 lenders); followed by 50-99 units and 100+ units (2 lenders each).

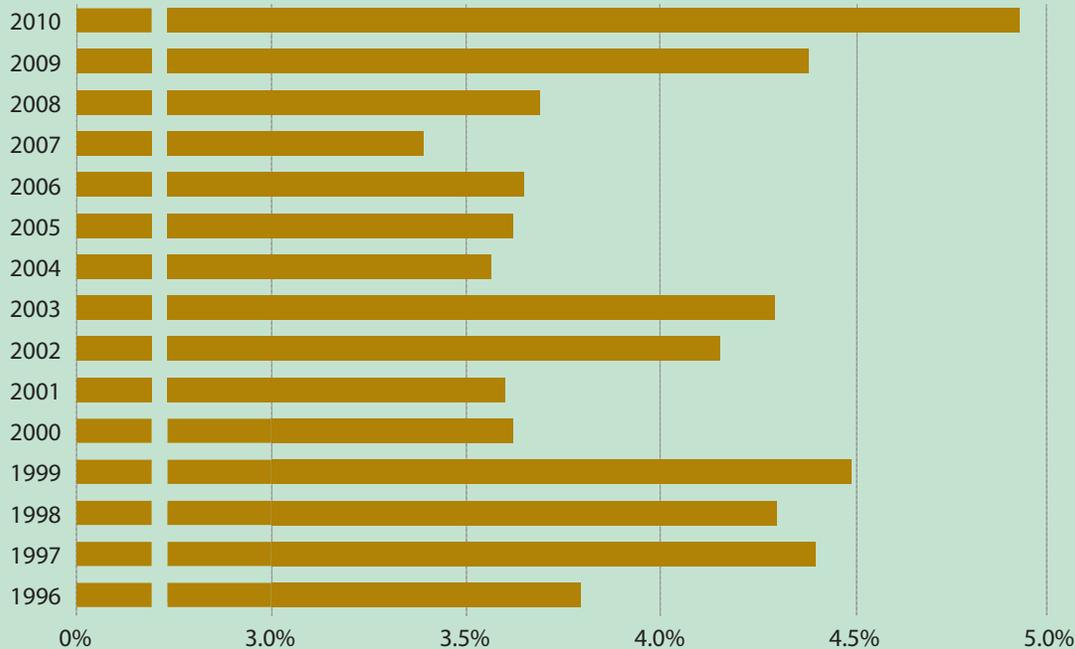
Vacancy and collection (V&C) losses increased in 2009, up to 4.92%, from 4.38% in 2008, and the highest since this question began to be asked in the mid-1990's. (See graph on next page.) A higher proportion of lenders, 71%, reported losses of 5% or more this year, compared to 44% in 2008.

Average operating and maintenance (O&M) expenses increased 7.0%, to \$574 per unit per month. In addition, average rents, as reported by this year's lenders, also increased, up 9.4%, to \$1,088. (See Appendix 2) Because average rents rose faster than average expenses, the average O&M cost-to-rent ratio decreased to 52.8%, down from 54.0% 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

Average Vacancy and Collection Losses, 1996-2010

Vacancy and Collection Losses Increased From Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

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 2009 *I&E Study*, which reported on data from the year 2007, the average O&M cost-to-rent ratio was 75.8%.⁶

The survey also asks lenders whether they retain their mortgages or sell them to secondary markets. Among the lenders, 67% of respondents retain all their mortgages, 20% sell all their mortgages, and 13% 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. As in prior surveys, 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, 26% of their lending portfolio, up from 23% in 2008.

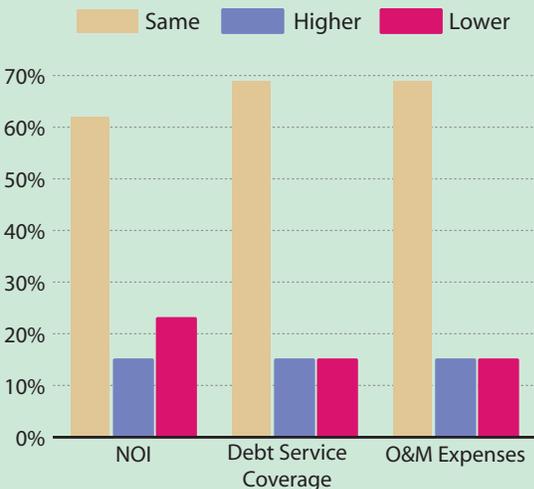
Loan Expectations

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 majority of lenders (62%) felt that expectations had been met in all three areas for their rent stabilized portfolio, while 15% felt that some expectations were exceeded and 23% reported at least one expectation was not met in 2009.

In particular, 62% 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 15% felt it

2010 Performance of Rent Stabilized Loans as Compared to Expectations

Most Lenders Report that Loans Meet Expectations



Source: Rent Guidelines Board, annual Mortgage Surveys.

outperformed expectations, and 23% felt it fell short. Responses for debt service coverage and O&M expenses were slightly better than the NOI findings, with 69% finding their expectations met, 15% finding their expectations were surpassed and another 15% found results worse than expected. (See graph on this page).

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 fourteen lenders who replied to surveys both last and this year (the longitudinal group) were compared to underscore changes between the two years.

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 both new financing and refinancing, as of February 2010, was 6.28%, the same as the cross-sectional group, and down from last year's longitudinal group, which had an average interest rate of 6.50% for new loans and 6.52% for refinanced loans. (See Appendices 3 and 4)

Among the longitudinal group, average points offered by lenders changed for both new and refinanced loans. This sample reports an average of 0.79 points for new loans, up from last year's 0.67. Points on refinanced loans similarly rose, up to 0.83 this year, from 0.67 last year.

Like the cross-sectional group of lenders, the longitudinal group saw loan volume decrease, falling 52% from last year. More significantly, refinanced loan volume fell 77% from the prior year.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio fell to 73.5% among the longitudinal group, down from last year's 74.4%. The average debt service ratio was virtually unchanged, at 1.24 this year versus 1.23 last year. (See Appendix 5) Like the cross-sectional group, vacancy and collection (V&C) losses in the longitudinal group increased, rising from 4.43% last year to 4.64% this year.

Looking at the rate of delinquencies among the longitudinal group, non-performing loans increased, up to an average of 3.82% among five lenders reporting them, while foreclosure rates also increased, to 1.0%, up from 0.5%, among the four lenders reporting foreclosures among their portfolios. For additional comparisons between the cross-sectional and longitudinal groups, see table on next page.

Selected 2010 Cross-Sectional Data Compared to 2010 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 Ratio	V&C Losses
2010 Cross-Sectional Data	6.28%	6.28%	22	12	.79	.83	73.6%	1.26	4.92%
2010 Longitudinal Data	6.28%	6.28%	22	12	.79	.83	73.5%	1.24	4.64%

NF= New Financing

RF= Refinancing

LTV=Loan-to-Value

V&C=Vacancy and Collection

Source: Rent Guidelines Board, Annual Mortgage Surveys

Sales Data Analysis

Three years ago, the NYC Department of Finance began offering online public property sales information. Using this data, an analysis of rent stabilized building sales was contained in each of the last two *Mortgage Survey Reports*. This year, we follow-up with a look at the data from 2009, and compare it to 2008.

Building Sales Prices

The median, citywide sales price was \$1,350,000. The highest median sales price was in Manhattan, at \$3,658,356, followed by the Bronx (\$1,904,253), Brooklyn (\$880,000) and Queens (\$852,500). 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 the 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 2008 to 2009.⁹

Among the smallest building size, 6-10 units, median sales prices fell throughout the city, declining 8.9%. Median prices fell the most in Brooklyn and

Manhattan, down 15.0% and 14.5%, respectively. The Bronx and Queens also saw declines, falling 13.3% in the Bronx and 12.5% in Queens.

Similarly, prices fell citywide among 11-19 unit buildings, declining 10.7%. Manhattan saw a small decrease, down 1.5%, while Brooklyn's prices actually rose by 8.1%.

Among 20-99 unit buildings, from 2008 to 2009, prices declined citywide and in all the boroughs except Manhattan, which saw a 0.8% increase. However, Brooklyn and the Bronx saw significant declines in median prices, falling 27.5% and 28.2%, respectively.

Building Sales Volume

In 2009, 521 buildings containing rent stabilized units were sold in New York City, 49% fewer than in 2008. Sales fell the most in Queens, down 58.0%, and in Brooklyn, down 53.3%. Sales also fell in Manhattan, falling 39.9%, and in the Bronx, down 41.5%. See the table on the next page for a numerical breakdown in the change in the number of buildings sold in each borough and citywide.

Among the smallest-sized rent stabilized buildings sold in 2009, 6-10 unit buildings, sales volume was down 43.3% citywide. Sales fell the most in Brooklyn and the Bronx, down 51.8% and 51.6%, respectively. Queens and Manhattan also saw sizeable drops, falling 29.0% in Queens and 25.4% in Manhattan.

Comparison of Building Sales in 2008 vs. 2009

Sales Volume Fell Throughout the City from the Prior Year

	2008	2009	Change
Bronx	171	100	-41.5%
Brooklyn	426	199	-53.3%
Manhattan	243	146	-39.9%
Queens	181	76	-58.0%
Citywide	1,021	521	-49.0%

Note: Citywide figures exclude Staten Island
Source: NYC Department of Finance

Likewise, sales fell universally among 11-19 unit buildings, falling by two-thirds in Queens, 60.0% in the Bronx, 42.1% in Manhattan and 40.5% in Brooklyn. Citywide, sales volume among these buildings fell 48.9% from 2008 to 2009.

Among 20-99 unit buildings, from 2008 to 2009, the decline in the number of buildings sold varied more significantly between the boroughs. Queens saw the largest fall in sales, declining 84.1%, and Brooklyn fell 60.6%. Meanwhile, the Bronx witnessed a 35.0% decline, and Manhattan sales volume fell 38.2%.

Because of the small number of buildings sold each year, we did not analyze the sales data for buildings with 100+ units, nor could we break down the 20-99 unit building grouping into 20-49 units and 50-99 unit categories, as was done in last year's report. However, buildings falling into these categories are included in the borough and citywide totals. 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 data shows that for the period from 2003 to the present, sales reached their peak in 2005, but by 2009, sales were at their lowest level in the seven year period. See the graph on this page and Appendix 9 for annual sales volume since 2003.

Conclusion

The past year witnessed a U.S. and local economy suffering through the worst recession since the 1930's, which concurrently impacted the lending market.¹⁰ While interest rates decreased, points charged by lenders increased, and vacancy and collection losses grew. Though borrowers continue to see highly favorable lending terms, many lenders report that demand for loans is minimal, resulting in loan volume levels never found to be so low since the Mortgage Survey began recording them over a decade ago. The sizable decrease in loan volume was reflected in the 49% decline in the number of rent stabilized buildings sold in 2009. □

Rent Stabilized Building Sales, 2003-2009

Building Sales Throughout the City Have Fallen



Source: NYC Dept. of Finance
Note: Figures exclude Staten Island

Endnotes

1. Federal Reserve Bank of New York website:
<http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html>
2. Federal Deposit Insurance Corporation (FDIC) website:
<http://www3.fdic.gov/sdi/main.asp>
3. "Fed Aims to Hold Down Interest Rates," by Louis Uchitelle, *New York Times*. July 21, 2009.
4. While average building volume declined overall among all surveyed institutions, volume change at individual institutions varied widely.
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 2010 Mortgage Survey reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2010. The average ratio is calculated from just 14 respondents. The latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was \$974 and average unaudited cost was \$738, reflects rents and expenses reported by owners for calendar year 2007. 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 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 the New York State Division of Housing and Community Renewal (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. Furthermore, all Staten Island is excluded from all analysis due to the small number of buildings sold.
9. In the building sales prices analysis, Bronx and Queens 11-19 unit buildings; Queens 20-99 unit buildings; and all 100+ unit buildings citywide are excluded due to the small number of buildings sold in their respective categories.
10. "Fed May Hint at How Long Rates Will Stay at Lows," by Jeannine Aversa, *Associated Press*. March 14, 2010.

Appendices

1. Interest Rates and Terms for New and Refinanced Mortgages, 2010

New Mortgages						Refinanced Mortgages				
Institution	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
7	6.00%	0.0	5 to 10 yrs, 15 to 30 yrs	§ fixed	36	6.00%	0.0	5 to 10 yrs, 15 to 30 yrs	§ fixed	3
11	NR	NR	NR	both	NR	NR	NR	NR	both	NR
14	5.50%	0.0	5 & 5 yrs	adj	NR	5.50%	0.0	5 & 5 yrs	adj	NR
15	NR	1.5	5/7/10/15/20/30 yrs	fixed	NR	NR	1.5	5/7/10/15/20/30 yrs	fixed	NR
16	NR	NR	NR	NR	6	NA	NA	NA	NA	NA
18	NR	NR	NR	NR	NR	NA	NA	NA	NA	NA
28	5.50%	1.0	5-30 yrs	both	25	5.50%	1.4	5-30 yrs	both	15
30	6.00%	1.5	30 yrs	fixed	30	6.00%	1.5	30 yrs	fixed	15
35	6.50%	0.5	15 yrs	fixed	32	6.50%	0.5	15 yr	fixed	26
36	5.88%	1.0	+	fixed	4	5.88%	1.0	+	fixed	4
37	8.15%	1.5	120/180/240 yrs	fixed	2	8.25%	1.5	120/180/240 yrs	fixed	2
40	8.38%	2.0	15 yrs or 10/25 yrs *	fixed	5	8.38%	2.0	15 yrs or 10/25 yrs *	fixed	2
117	5.50%	0.0	5 yrs	fixed	90	5.50%	0.0	5 yrs	fixed	50
208	5.88%	0.0	5 + 5 yrs	fixed	10	5.88%	0.0	5 + 5 yrs	fixed	3
301	5.75%	0.5	5, 7 over 25 yrs	adj	5	5.75%	0.5	5, 7 over 25 yrs	adj	3
AVERAGE	6.28%	0.79	†	†	22	6.28%	0.83	†	†	12

§ Amortization Adj = adjustable rate mortgage † No average computed NR = no response to this question * Balloon
 NA = Lender did not offer refinancing in 2009 + 10 yr term/9.5 yrs yield maint, 30 yr §

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: 2010 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2010

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%	50-99	\$1,026	\$1,175
11	75%	1.50	NR	1-10	NR	NR
14	75%	1.20	5%	20-49	\$1,000	\$1,000
15	80%	1.20	5%	20-49	\$750	\$1,450
16	75%	1.20	8%	20-49	\$400	\$850
18	NR	NR	8%	20-49	\$500	\$825
28	80%	1.25	5%	100+	\$500	\$1,100
30	80%	1.25	3%	20-49	\$600	\$800
35	65%	1.15	3%	11-19	\$295	\$950
36	78%	1.25	5%	100+	\$775	\$1,500
37	70%	1.20	NR	NR	\$250	\$500
40	60%	1.30	4%	1-10	\$380	\$995
117	75%	1.25	5%	50-99	\$550	\$900
208	73%	1.30	3%	1-10	\$365	\$890
301	70%	1.25	5%	20-49	\$650	\$2,300
AVERAGE	73.6%	1.26	4.92%	†	\$574	\$1,088

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: 2010 Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2009-2010

Lending Inst.	Interest Rates		Points		Term		Type	
	2010	2009	2010	2009	2010	2009	2010	2009
7	6.00%	6.00%	0.0	0.0	5 to 10 yr, 15 to 30 yr §	5 to 10 yr; 15 to 30 yr §	fixed	fixed
14	5.50%	6.00%	0.0	0.0	5 & 5 yrs	5 & 5 yrs	adj	adj
15	NR	NR	1.5	1.5	5/7/10/15/20/30 yrs	5/7/10/15/20/25/30 yrs	fixed	fixed
16	NR	6.38%	NR	0.0	NR	5+5/30	NR	adj
18	NR	NR	NR	NR	NR	NR	NR	NR
28	5.50%	6.25%	1.0	1.0	5-30 yrs	10 yrs	both	fixed
30	6.00%	6.25%	1.5	1.0	30 yrs	Up to 30 yrs	fixed	fixed
35	6.50%	7.75%	0.5	0.5	15 yrs	15 yrs	fixed	fixed
36	5.88%	6.25%	1.0	0.8	+	10 yr term/30 yr §	fixed	fixed
37	8.15%	7.60%	1.5	1.5	120/180/240 yrs	120/180/240	fixed	NR
40	8.38%	7.00%	2.0	2.0	15 yr or 10/25 yrs *	15 yr or 10/25 yrs *	fixed	fixed
117	5.50%	6.00%	0.0	0.0	5 yrs	5 yrs	fixed	fixed
208	5.88%	6.50%	0.0	0.0	5 + 5 yrs	5 yrs, 30 yrs §	fixed	fixed
301	5.75%	6.00%	0.5	0.5	5, 7 over 25 yrs	5/25 yrs	adj	fixed
AVERAGE	6.28%	6.50%	0.79	0.67	†	†	†	†

NR indicates no response to this question † No average computed § Amortization * Balloon
Adj = adjustable rate mortgage + 10 yr term/9.5 yrs yield maint, 30 yr §

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: 2009 and 2010 Rent Guidelines Board Mortgage Surveys

4. Interest Rates and Terms for Refinanced Loans, Longitudinal Study, 2009-2010

Lending Inst.	Interest Rates		Points		Term		Type	
	2010	2009	2010	2009	2010	2009	2010	2009
7	6.00%	6.00%	0.0	0.0	5 to 10 yr, 15 to 30 yr §	5 to 10 yr; 15 to 30 yr §	fixed	fixed
14	5.50%	6.00%	0.0	0.0	5 & 5 yrs	5 & 5	adj	adj
15	NR	NR	1.5	1.5	5/7/10/15/20/30 yrs	5/7/10/15/20/25/30 yrs	fixed	fixed
16	NA	6.38%	NA	0.0	NA	5+5/30	NA	adj
18	NA	NA	NA	NA	NA	NA	NA	NA
28	5.50%	6.25%	1.4	1.0	5-30 yrs	10 yrs	both	fixed
30	6.00%	6.25%	1.5	1.0	30 yrs	Up to 30 yrs	fixed	fixed
35	6.50%	7.75%	0.5	0.5	15 yrs	15 yrs	fixed	fixed
36	5.88%	6.25%	1.0	0.75	+	10 yr term/30 yr §	fixed	fixed
37	8.25%	7.90%	1.5	1.5	120/180/240 yrs	120/180/240	fixed	NR
40	8.38%	7.00%	2.0	2.0	15 yrs or 10/25 yrs*	15 yr or 10/25 yrs*	fixed	fixed
117	5.50%	6.00%	0.0	0.0	5 yrs	5 yrs	fixed	fixed
208	5.88%	6.50%	0.0	0.0	5 + 5 yrs	5 yrs, 30 yr §	fixed	fixed
301	5.75%	6.00%	0.5	0.5	5, 7 over 25 yrs	5/25 yrs	adj	fixed
AVERAGE	6.28%	6.52%	0.83	0.67	†	†	†	†

NR indicates no response to this question † No average computed § Amortization * Balloon
NA = Lender did not offer refinancing Adj = adjustable rate mortgage + 10 yr term/9.5 yrs yield maint, 30 yr §

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: 2009 and 2010 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study, 2009-2010

Lending Inst.	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
	2010	2009	2010	2009	2010	2009
7	75%	75%	1.30	1.30	5%	5%
14	75%	75%	1.20	1.20	5%	3%
15	80%	80%	1.20	1.25	5%	5%
16	75%	80%	1.20	1.20	8%	8%
18	NR	NR	NR	NR	8%	8%
28	80%	75%	1.25	1.25	5%	6%
30	80%	80%	1.25	1.25	3%	3%
35	65%	65%	1.15	1.15	3%	3%
36	78%	80%	1.25	1.25	5%	4%
37	70%	70%	1.20	1.20	2%	2%
40	60%	68%	1.30	1.20	3%	4%
117	75%	75%	1.25	1.25	5%	5%
208	73%	75%	1.30	1.25	3%	3%
301	70%	70%	1.25	1.25	5%	3%
AVERAGE	73.5%	74.4%	1.24	1.23	4.64%	4.43%

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: 2009 and 2010 Rent Guidelines Board Mortgage Surveys

6. Retrospective of New York City's Housing Market, 1982-2010

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%*	34,715	33,911
2009	6.5%	6,662 \emptyset	6,057 \emptyset
2010	6.3%	.	.

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

\emptyset Figures are preliminary.

* The 2008 figure has been revised from that which was originally published 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. 2010 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 2009)</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 2009 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 2009)</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 2009 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: (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? (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. (Indicate an average, minimum, or maximum criteria.)</p>	<p>N.A.</p> <p>Number of Units in Building: _____ <input type="checkbox"/></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: (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? (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? (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>_____</p> <p>_____</p>
<p>12. In your sector, who are your major competitors in multi-family lending?</p>	<p>_____</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? (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? (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? (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. 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>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, 2008-2009

	2008 Median Sale Price	2009 Median Sale Price	Percent Change from 2008-09	2008 # of Sales	2009 # of Sales	Percent Change from 2008-09
Citywide						
All buildings*	\$1,951,000	\$1,350,000	-	1,021	521	-49.0%
6-10 units	\$828,500	\$755,000	-8.9%	416	236	-43.3%
11-19 units	\$1,875,000	\$1,674,114	-10.7%	141	72	-48.9%
20-99 units	\$3,825,094	\$2,800,000	-26.8%	428	202	-52.8%
Bronx						
All buildings*	\$2,435,000	\$1,904,253	-	171	100	-41.5%
6-10 units	\$750,000	\$650,000	-13.3%	31	15	-51.6%
11-19 units	\$1,080,000	-	-	20	8	-60.0%
20-99 units	\$3,444,000	\$2,473,750	-28.2%	117	76	-35.0%
Brooklyn						
All buildings*	\$977,500	\$880,000	-	426	199	-53.3%
6-10 units	\$765,000	\$650,000	-15.0%	253	122	-51.8%
11-19 units	\$1,350,000	\$1,460,000	8.1%	37	22	-40.5%
20-99 units	\$3,500,000	\$2,537,500	-27.5%	127	50	-60.6%
Manhattan						
All buildings*	\$3,850,000	\$3,658,356	-	243	146	-39.9%
6-10 units	\$3,390,552	\$2,900,000	-14.5%	63	47	-25.4%
11-19 units	\$3,250,000	\$3,200,000	-1.5%	57	33	-42.1%
20-99 units	\$4,511,925	\$4,550,000	0.8%	102	63	-38.2%
Queens						
All buildings*	\$1,626,304	\$852,500	-	181	76	-58.0%
6-10 units	\$800,000	\$700,000	-12.5%	69	49	-29.0%
11-19 units	\$1,875,000	-	-	27	9	-66.7%
20-99 units	\$5,062,500	-	-	82	13	-84.1%

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 buildings; Bronx and Queens 11-19 unit buildings; Queens 20-99 unit buildings; as well as all 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 may not equal the sum of their subsets. In addition, citywide figures do not contain Staten Island building sales.

Source: NYC Department of Finance

9. Rent Stabilized Building Sales Volume, Citywide and by Borough, and Percent Change, 2003-2009

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Citywide	1,481	1,728	1,816	1,433	1,474	1,021	521
<i>% Change from Prior Yr</i>	-	16.7%	5.1%	-21.1%	2.9%	-30.7%	-49.0%
Bronx	203	269	264	224	319	171	100
<i>% Change from Prior Yr</i>	-	32.5%	-1.9%	-15.2%	42.4%	-46.4%	-41.5%
Brooklyn	678	730	750	593	520	426	199
<i>% Change from Prior Yr</i>	-	7.7%	2.7%	-20.9%	-12.3%	-18.1%	-53.3%
Manhattan	418	480	598	403	470	243	146
<i>% Change from Prior Yr</i>	-	14.8%	24.6%	-32.6%	16.6%	-48.3%	-39.9%
Queens	182	249	204	213	165	181	76
<i>% Change from Prior Yr</i>	-	36.8%	-18.1%	4.4%	-22.5%	9.7%	-58.0%

Note: Staten Island buildings are excluded due to the small number of buildings sold.

Source: NYC Department of Finance