NYC Rent Guidelines Board

2005 Mortgage Survey

March 29, 2005

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

2005 Mortgage Survey

what's new

- ✔ Average interest rates for new multifamily mortgages fell .24 percentage points, or 4.1%, to 5.51%, the lowest ever recorded in this survey.
- ✔ Refinancing interest rates fell to 5.48%, a 3.4% and .19 percentage point decline from last year.
- ✔ Average points (fees) for new loans decreased to a record survey-low of .56 points, a 17.2% drop.
- ✔ Vacancy and collection losses increased slightly to 3.62%.
- ✔ Average new origination loan volume decreased 23.5% and refinanced loan volume decreased by 15.7%.
- ✔ More than 86% of lenders provide rent stabilized buildings with the same new financing rates, refinancing rates, maximum LTV ratios, and debt service coverage requirements as other multifamily properties.
- ✔ Approximately 70% of lenders report that their rent stabilized portfolio meets or exceeds their expectations of income, expenses, and debt service coverage at the time of initial loan origination.

Introduction

Section 26-510 (b)(iii) of the Rent Stabilization Law requires the Rent Guidelines Board to consider the "costs and availability of financing (including effective rates of interest)" in its deliberations. To assist the Board in meeting this obligation, each January the RGB research staff surveys lending institutions that underwrite mortgages for multifamily rent stabilized properties in New York City. (See Appendix 7 for a reproduction of the survey) The survey provides details about New York City's multifamily lending during the 2004 calendar year. 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.

Summary

Despite five separate quarter point increases in the Federal Reserve Board's federal funds and discount rate during 2004,[1] respondents to the *2005 Mortgage Survey* reinforced the image of the borrower's market of the past few years, sustained by Federal Reserve rates at relative lows and high competitiveness between lending institutions despite the continuing trend of mergers and acquisitions. The 12-month average and current interest rates offered to rent stabilized buildings declined slightly from the 2004 Survey, while the average number of loans per lender decreased by approximately 20%. Lenders responding to the survey report that competition is still very high, and rates are very low. Interest rates for both new and refinanced mortgages declined for the fifth year in a row, lending terms remained flexible, and the number of non-performing loans and foreclosures remained virtually nonexistent. This report begins by describing general characteristics of the 25 survey respondents, and then moves on to discuss findings from a cross-sectional study of all respondents to the *2005 Mortgage Survey*, followed by an analysis of a group of 21 respondents who participated in each of the past two years.

Survey Respondents

Twenty-five financial institutions responded to this year's survey, one less than last year's response. The survey sample is updated each year to include only those institutions offering loans to multiple-dwelling, rent stabilized properties in New York City. Surveyed institutions are both added and deleted each year, primarily through research in trade journals, directories, internet search engines and lists compiled by the Federal Deposit Insurance Corporation (FDIC). The 25 respondents include a variety of traditional lending institutions, such as savings and commercial banks, as well as non-traditional lenders, including a government agency and a non-profit housing services program.[2] Twenty-one of the 25 respondents also responded to last year's survey.

Institutions holding deposits insured by the FDIC report details about their holdings on a quarterly basis, including their multifamily real estate holdings, which vary considerably among this year's respondents. Twenty-one of the 25 survey respondents report their multifamily real estate holdings to the FDIC, with values ranging from a low of $15 million to a high of more than $9 billion.[3] Down one from last year, seven of this year's institutions had multifamily holdings worth over one billion dollars, and the number with holdings of less than $100 million decreased from five to three. The average multifamily real estate portfolio increased sharply to $1.44 billion, a 32.9% increase from last year's $1.08 billion. Of note, one particular lender increased their holdings from $5 billion to more than $9 billion over the year,[4] and another had holdings increase by more than 800%.[5]

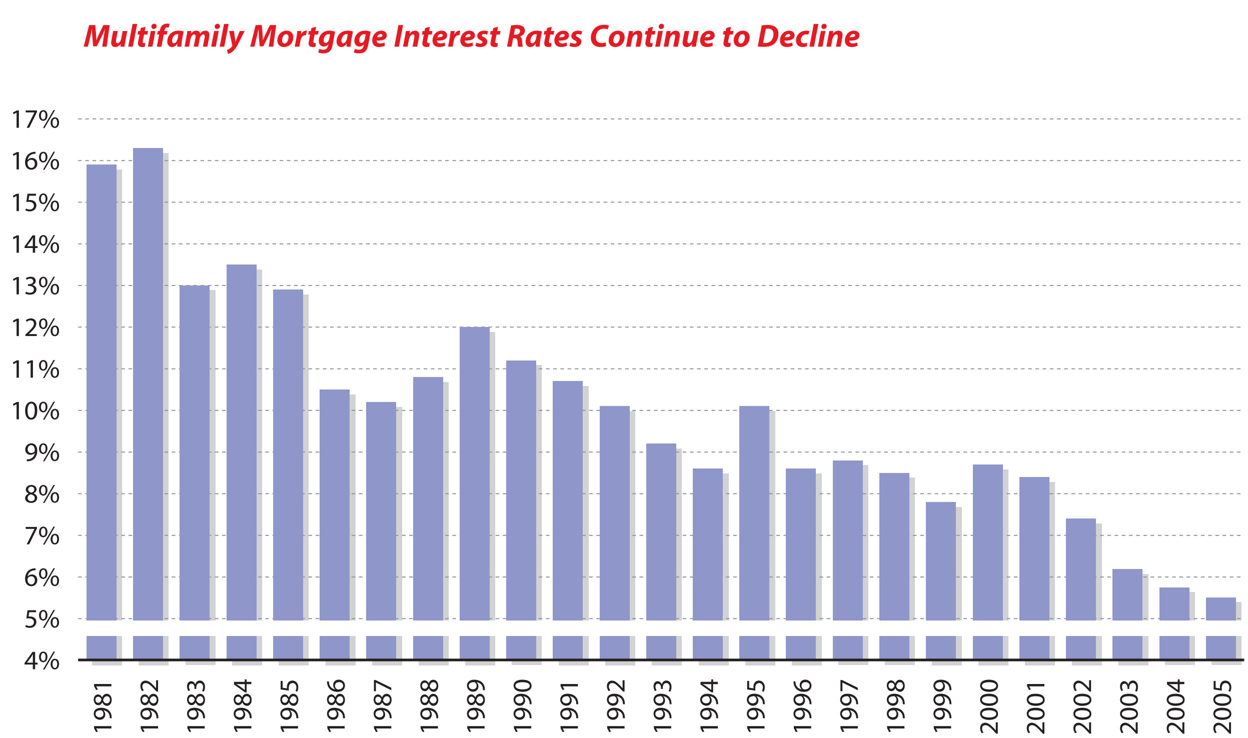
As in previous years, a small number of large lenders provided most of the total volume of new and refinanced mortgages. Of all respondents, three provided 66.4% of the total volume of new mortgages (at an average rate of 5.08%), while four lenders provided 77.3% of the total volume of refinanced loans (at an average rate of 5.11%). For both new and refinanced loans, while a few lenders still dominated the total volume of loans, their share was significantly lower than in the previous year, signaling loans are spread more diversely among the financing marketplace.

Cross-Sectional Analysis

Financing Availability and Terms

For the seventh time in eight years, average interest rates declined from the prior year. This year's average January interest rate of 5.51% for new multifamily mortgages was a decrease of .24 percentage points, or 4.1%, from the previous January (see graph below and Appendix 1). And at 5.46%, average rates reported for all of 2004 were just slightly lower than current reported rates, and fell .35 percentage points and 6% from the prior year.

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2005



Source: Rent Guidelines Board, annual Mortgage Surveys.

Average interest rates dropped among the institutions surveyed despite five separate quarter point increases in the federal funds and discount rates by the Federal Reserve Board during 2004. The Fed raised both the Discount Rate — the interest rate at which depository institutions borrow from the Federal Reserve Bank of New York — and the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions —five times between June 30 and December 14, each time raising it a quarter of a percentage point.

After holding steady at 1% between June 2003 and June 2004, the federal funds rate inched up to 2.25% by the end of 2004, still far lower the 6.5% it was in January 2001, just preceding 13 consecutive decreases. The Federal Reserve opted to raise the rates another quarter point at its first meeting of 2005, and analysts expect similar small moves at any of the remaining seven scheduled 2005 meetings.[6]

Institutions were also surveyed about their rates on refinanced mortgages, with all of the institutions offering identical or similar terms to those for new originations. The average current rate charged for refinanced mortgages, 5.48%, was just .03 percentage points lower than the average current rate charged on new originations and was .19 percentage points (and 3.4%) lower than last January. (See Appendix 1) At 5.42%, average 2004 refinancing rates were only .06 percentage points lower than current rates, reflecting a drop of .32 percentage points and 5.5% from the prior year.

Points, or up-front service fees, charged for new and refinanced loans ranged from 0 to 2 percent, with all but two lenders falling at or below 1 point. The average service fee charged on new loans by lenders was .56 points, a significant 17.2%

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

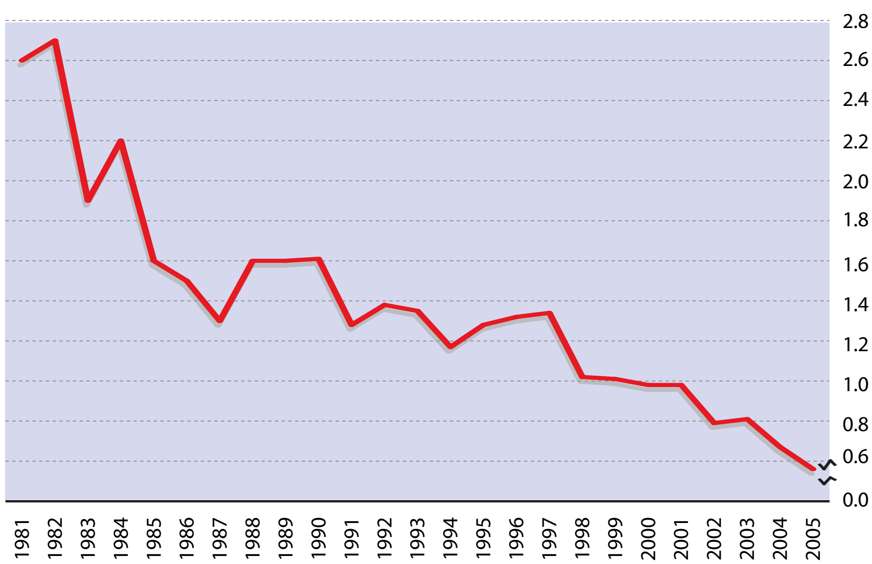
Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

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, 1981-2005

Historically Low Service Fees Fall to All-Time Low



Source: Rent Guidelines Board, annual Mortgage Surveys.

decrease from last year's average rate of .67. Average fees reported in the survey have remained around or below one point for the past eight years (see graph on previous page), but are now at their lowest rate since the RGB began the Mortgage Survey in 1981. Points for refinanced mortgages were the same as those of new originations, an 8.1% decrease from last year's .60.

Lenders remained flexible this year in the loan terms they offered, which was comparable to the results from recent mortgage surveys. While somewhat complicated to analyze (survey respondents normally provide a wide range of terms rather than a single number), the range of terms offered by institutions remained similar to those offered in the prior year. Mortgage terms reported by respondents fell within a wide 3- to 30-year range, with most lenders offering between five and 15 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.

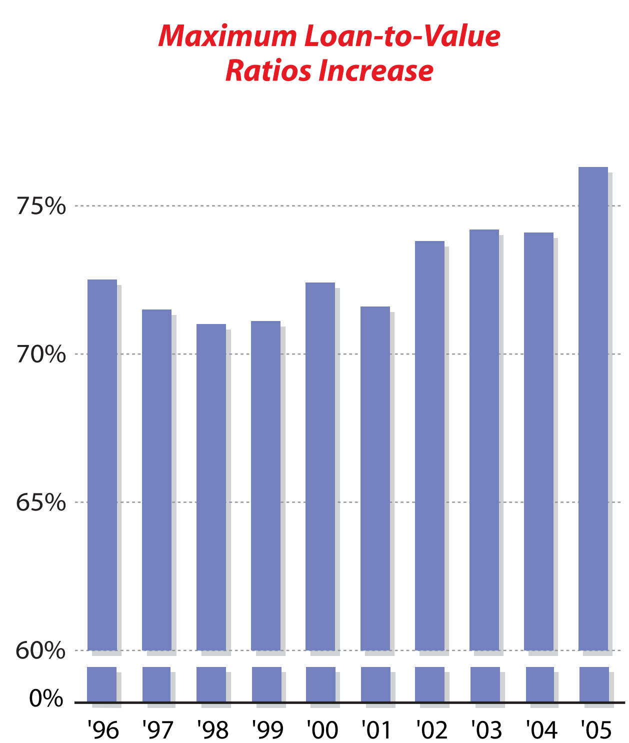
While interest rates remained low, and lending terms remained flexible, loan volume decreased for the first time since the 2001 Survey. An average of 122 new loans per institution were financed this past year, a decrease of 23.5% from last year's 160. While lower than the prior year, the average number of new loans per lender in the survey is still up significantly from recent years. For instance, the *1998 Mortgage Survey* showed an average of just 37 new mortgages per lender, and just three years ago the average was only 71. The average number of refinanced loans also decreased during the past year, down 15.7% to 146 in this year's survey, from a record high of 173 last year. Fewer lenders than last year noted that the number of loan applications they have received this past year had increased, with 24% of lenders reporting an increase in applications versus 42.3% in the prior year.

For the first time, this year's report 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, LTV ratios, and debt service coverage requirements for rent stabilized properties were higher, lower, or the same as for other properties. Nineteen of the 22 institutions who answered the question (86.4%) responded that all criteria were exactly the same for rent stabilized versus non-stabilized properties. One lender noted that both their new and refinanced rates were higher for stabilized properties, two lenders reported that LTV ratios were lower for stabilized buildings, two required higher debt service ratios, and one allowed lower debt service ratios. Two respondents did not answer the question, while one respondent lends solely to rent stabilized buildings, making the question non-applicable.

Underwriting Criteria

As seen in past years, there was little change in the lending practices of institutions this year. This trend reflects a sustained period of low delinquencies and defaults that could at first be attributed to stricter requirements that went into effect during the early 1990s, and can now be credited to the endurance of a strong real estate market. As recent surveys have reiterated, this

1996-2005 Cross-Sectional Average Loan-to-Value Standards



Source: Rent Guidelines Board, annual Mortgage Surveys.

year's findings provide additional evidence that while lenders are always cautious, they are willing to provide ample loan availability and continue the less stringent underwriting policies of the last several years.

All but one lender maintained the same underwriting standards this year, while criteria for maximum loan-to-value ratios, debt service coverage, and building characteristics (such as age and condition), varied little from last year's survey. The average maximum loan-to-value ratio (LTV) — the maximum dollar amount respondents were willing to lend based on a building's value — ranged from 60% to 80%.[7] The average was 76.3%, 2.2 percentage points higher than the prior year's 74.1% (see graph on facing page).

The debt service ratio — an investment's ability to cover mortgage payments using its net operating income — is another important lending criterion. The higher the debt service coverage requirements, the less money a lender is willing to loan given constant net income. The debt service ratio (or net operating income divided by the debt service) remained virtually unchanged this year, with an average debt service requirement of 1.24 among all lenders versus 1.25 in the previous two years. Because the average debt service ratio remained constant from last year, most lenders have not changed the amount of money they are willing to lend in relation to the net operating income of buildings. (See Appendix 2)

Other standards cited by lenders when assessing loan applications remain similar to last year. Sixty percent of lenders stipulate that overall building maintenance is an important standard when assessing loan applications, a six percentage point increase from last year's rate of 53.8%. Twenty-eight percent of lenders cited the number of units in the building as an important underwriting criterion, the second most important lending standard. Other criteria were considered less important by institutions, including building age, owner-occupancy, and co-op conversion potential. Only one lender noted that their underwriting practices had changed during 2004, with approvals criteria becoming less stringent from the previous year.

Non-Performing Loans and Foreclosures

The vast majority of lenders again reported that they had no non-performing loans or foreclosure proceedings this year. Sixteen percent of lenders reported having non-performing loans over the past year (an increase from 15% last year), but all four institutions reported that no more than 2% of their loans were non-performing. There was also a slight increase in the number of lenders with loans in foreclosure, to 16% from 11.5% last year, but as with non-performing loans, lenders reported that at most 1% of their loans were in foreclosure. Two of the four lenders with failing loans are focused solely on financing affordable housing, a riskier investment on average than the typical lender's portfolio.

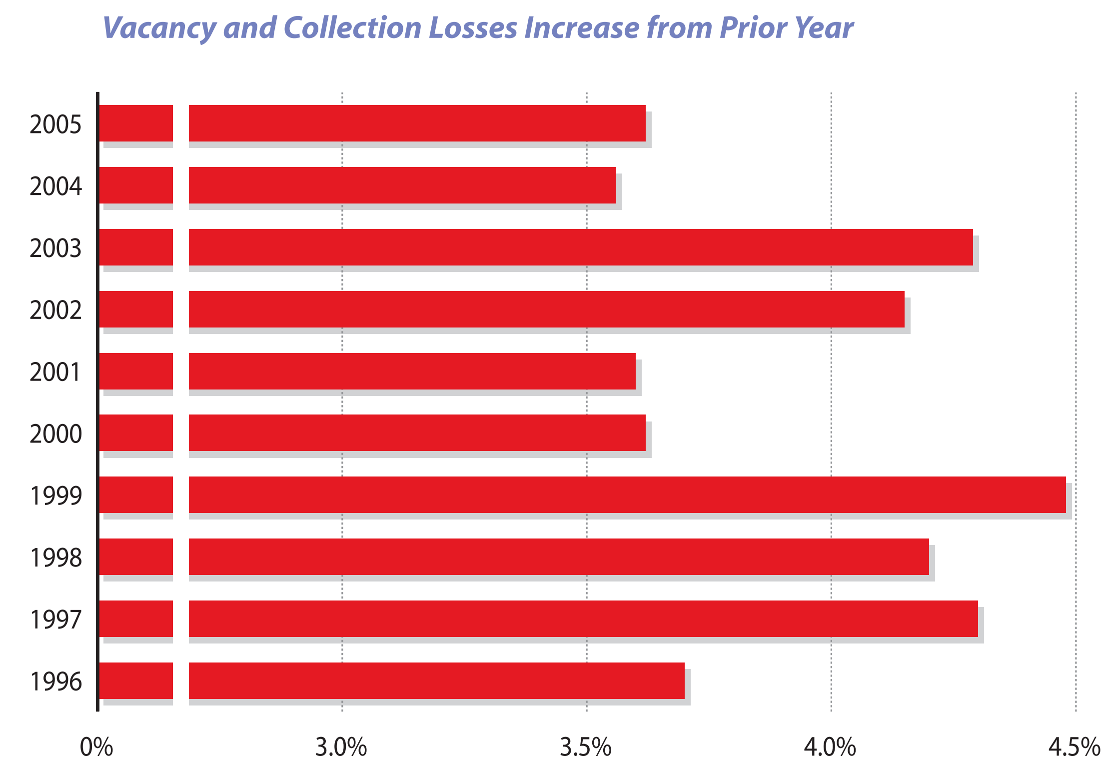
Characteristics of Rent Stabilized Buildings

The average size of rent stabilized buildings in surveyed lenders' portfolios remained similar to results from last year, with six lenders reporting average building sizes of 50 or more units and 16 reporting average sizes between 11 and 49 units. The most common building size reported this year was 20-49 units, with 34.6% of lenders reporting this size building as their average rent stabilized building, a decrease from 42.9% in 2004. Another 26.9% of lenders reported that their average building contained 11-19 units. Just 15.4% reported that their average building contains 1-10 units, and 23.1% report it contains 50-99 units. For the second consecutive year, no lenders had rent stabilized buildings that averaged 100 units or more.

Vacancy and collection (V&C) losses edged up this year to 3.62%, up slightly from 3.56% last year, an increase of almost 2%. This increase follows a sharp decline of 17.1% in the prior year, as shown in the graph on the following page. Fifty-six percent of lenders reported V&C losses of 3% or less, while 40% reported V&C losses of 5% or more. In last year's survey, only 23.1% of lenders reported V&C losses of 5% or more, but surveys from the mid-1990s showed that up to three-quarters of respondents had reported losses of that magnitude.

Unlike last year's double digit increases in both operating and maintenance (O&M) costs and average rent, both statistics dropped this year, by 3.6% and 3.1% respectively. After hovering in the mid-$300s in the beginning of the decade, O&M costs per unit, per month

Average Vacancy and Collection Losses, 1996-2005



Source: Rent Guidelines Board, annual Mortgage Surveys.

rose 28.5% last year to reach $461, and have now fallen to $445 this year.[8] And after rising more than 12.2% to an average of $989 per unit per month last year, average rent fell to $958 this year. (See Appendix 2) The average O&M cost-to-rent ratio, which is the ratio of average monthly operating and maintenance costs to average monthly rents, remained virtually the same at 46.4%, a modest 0.3 percentage point decrease, following an increase of six percentage points last year. The RGB first started tracking the average O&M cost-to-rent ratio in 1998, since which time the rate has fluctuated between 2003's low of 40.7% and 1999's high of 52.1%.

The RGB also examines the average O&M cost-to-rent ratio in the Income and Expense (I&E) Study, though it cannot be compared to the cost-to-rent ratio reported in the Mortgage Survey, because data in the I&E Study is over one year old, and the sources and sample sizes are very different. In the *2004 I&E Study*, which reported on data from the year 2002, the average O&M cost-to-rent ratio was 63.7%.[9]

In order to better gauge the lending market, the survey also asked lenders whether they retain their mortgages or sell them to secondary markets. According to the survey, most respondents (70.8%) retain all their mortgages, 8.3% sell all their mortgages, and 20.8% sell some of their mortgages to secondary markets. These results are fairly consistent with those found since this question was first asked of lenders two years ago. Of those institutions selling their mortgages, the most common purchaser is either Freddie Mac or Fannie Mae.

To understand sources of income other than that from residential tenants, lenders were also asked whether the rent stabilized buildings they mortgage contain commercial space. Eighty-eight percent of institutions surveyed this year indicated that they initiated loans to buildings containing commercial space, an increase of three percentage points from last year. Among these lenders, buildings containing commercial space are an average of approximately one quarter (27.7%) of their lending portfolio.

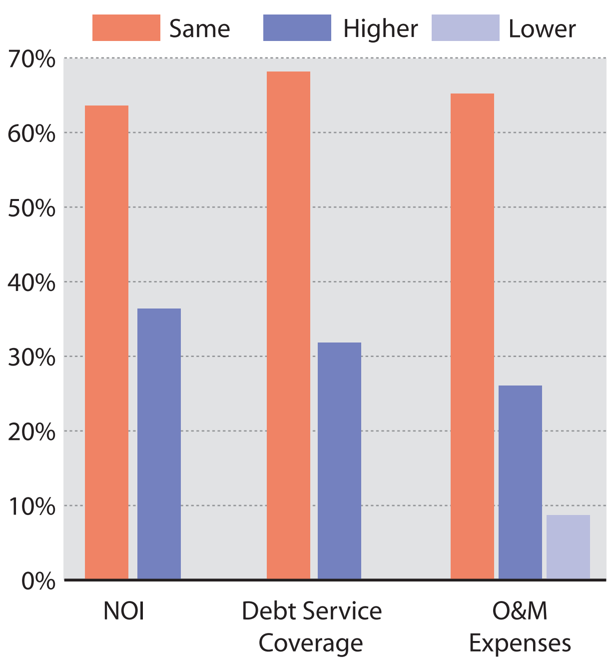
Loan Expectations

A new question in this year's survey asked respondents how their portfolio of rent stabilized buildings performed as compared with expectations at the time of initial loan origination with regard to net operating income, debt service coverage, and operating and maintenance expenses. A majority (approximately 70%) of lenders felt that expectations in all three areas had been met or exceeded for their rent stabilized portfolio. Just over half of lenders responded that loans had performed the same as expectations in all three areas, and just three lenders responded that expectations had been exceeded in all three areas (see graph on this page).

More specifically, 14 of the 22 (63.6%) 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 eight felt it outperformed expectations, and none felt it fell short of expectations. Three lenders did not answer the question. Responses for debt service coverage were similar, with 15 lenders replying that expectations had been met, and seven responding that debt service coverage was higher than expected, and none believing that it was lower than expectations. Finally, O&M expenses had the most variation — 15 respondents felt they met with original expectations, while six responded expenses were higher than expectations, and two found expenses to be lower than what was originally anticipated.

2005 Performance of Rent Stabilized Loans as Compared to Expectations

Most Respondents Report that Loans Perform as Expected



Source: Rent Guidelines Board, annual Mortgage Surveys.

Longitudinal Analysis

Since a number of respondents reply to the Mortgage Survey in at least two consecutive years, information regarding rent stabilized buildings can be analyzed longitudinally to more accurately measure changes in the lending market. This longitudinal comparison helps to determine whether changes highlighted in the cross-sectional analysis reflect actual fluctuations in the lending market or simply the presence of a different pool of lenders from year to year. In this section, responses from the 21 lenders who replied to surveys both last and this year (the longitudinal group) were compared to highlight changes between 2004 and 2005.

Financing Availability and Terms

Because 84% of respondents to this year's survey also participated last year, the longitudinal analysis provided data that is very similar to the findings of the cross-sectional group. This year's average interest rate for new financing reported by the longitudinal group was 5.67%, virtually equal to last year's longitudinal group, which had an average interest rate of 5.69%. (See Appendix 3) The same results were found in interest rates for refinanced loans, where the interest rate remained stable at 5.67% between 2004 and 2005. (See Appendix 4)

Average points offered by lenders fell slightly for both new and refinanced loans this year among the longitudinal group. This sample reports an average of 0.51 points for new loans, slightly lower than last year's 0.54, while refinanced loans fell by roughly the same amount, from 0.53 last year to 0.51 this year, a 3.6% decline.

As with the cross-sectional group of lenders, the

Selected 2005 Cross-Sectional Data Compared to 2005 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
2005 Cross-Sectional Data	5.51%	5.48%	122	146	.56	.56	76.3%	1.24%	3.6%
2005 Longitudinal Data	5.67%	5.67%	143	175	.51	.51	75.5%	1.24%	3.5%

NF= New Financing
RF= Refinancing
Source: Rent Guidelines Board, Annual Mortgage Surveys

longitudinal group saw loan volume decrease substantially over last year for both new and refinanced mortgages, at a much higher rate for new originations than for refinanced loans. The average number of new loans opened by participating institutions fell by 26.8% among the longitudinal sample between this year and last, declining from 195 to 143. The number of refinanced loans established by the longitudinal group saw a smaller but still significant decrease, with an average of 175 refinanced loans this year compared to 202 the year before, a 13.5% decrease.

While 65% of lenders in last year's longitudinal group reported that their loan volume had increased over the past year, only 28.6% of this year's reported the same, with almost all lenders attributing the growth to an increase in applications, as opposed to approvals. Only one lender in this year's longitudinal group attributed their volume change to an increase in approvals, while one lender attributed their volume decrease to a decrease in approvals. All other lenders attributed the change directly to the volume of loan applications.

Lending Standards

The average maximum loan-to-value (LTV) ratio increased by 1.6 percentage points between 2004 and 2005 for the longitudinal group, rising from 73.9% to 75.5%. Rates for debt service coverage remained virtually unchanged, falling .01 percentage points to 1.24 from 1.25 last year. (See Appendix 5)

As in the cross-sectional group, vacancy and collection (V&C) losses in the longitudinal group rose this year, increasing from 3.36% to 3.45%, a 2.8% increase. In addition, while last year only 19% of institutions reported V&C losses of 5% or higher, this year 33.3% has losses of that magnitude.

Non-performing and Delinquent Loans

Examining non-performing or delinquent loans among the longitudinal group over the last two years, little difference was found among responding institutions. Delinquencies continue to be insignificant, with no lenders in the longitudinal group reporting any significant share of non-performing loans or foreclosures during this past year.

Conclusion

The *2005 Mortgage Survey* results reiterate once again that the market for multifamily loans is a borrower's market, but is slowing down as many borrowers have already taken advantage of low interest rates and flexible financing terms. The Federal Reserve Board's policy of historically low interest rates has kept mortgage rates low and competitiveness between lenders high. As in recent years, the lending market remained stable and accessible. Interest rates for both new and refinanced mortgages declined, and lending terms remained similarly flexible. V&C losses increased, but still remain low, and non-performing and/or foreclosure loans remain virtually non-existent. Time will tell when and by how much the Fed raises interest rates (which were raised a quarter point at the first Federal Reserve meeting of the year), and what impact it will have on the market for multifamily loans. Many economists believe rates will increase gradually through the entire year, reaching 4% by early next year.[10] ❐

Endnotes

1. Federal Reserve Board website: http://www.federalreserve.gov/fomc/fundsrate.htm.

2. To determine the frequency of which non-primary lenders finance rent stabilized buildings, a random sample of 229 separate rent stabilized buildings was researched using the NYC Department of Finance's Automated City Register Information System. Among the sample, no instances of lending by non-primary lenders were found, suggesting that rent stabilized buildings owners mainly rely on primary lending institutions when financing or refinancing their buildings.

3. FDIC data derived from the FDIC website. World Wide Web Page <http://www.fdic.gov> (accessed March 2, 2005). Report date of September 30, 2004.

4. Approximately $1.5 billion of the increase can be attributed to a merger with another bank that was completed on October 31, 2003.

5. Almost all of the 800% increase in multifamily real estate holdings between September 30, 2003 and September 30, 2004 can be attributed to a merger with another bank that was completed on September 1, 2004.

6. "Survey: Economists forecast steady growth in 2005," by Sue Kirchhoff and Barbara Hansen, *USA Today*, February 1, 2005.

7. One lender did report a maximum LTV ratio of 100%. That lender is a government agency that primarily makes loans for rehabilitation of affordable housing properties, and therefore had different lending standards than the typical lender in the survey.

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

9. The operating and maintenance cost-to-rent ratio from the *2005 Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately January 2005. The average ratio is calculated from just 25 responses. The latest available O&M cost-to-rent ratio from the Income and Expense Study (I&E), in which average rent was $821 and average audited cost was $523, reflects rents and expenses reported by owners for calendar year 2002. Average monthly costs per unit in the Mortgage Survey are consistently lower than those reported in the I&E. This may be due to differences in the two data sources — lenders' estimated average of buildings in an institution's portfolio vs. a weighted average of a large sample of owner-reported data; the large variance between the two sample sizes; and, the difference between the buildings studied in each analysis — buildings required to file Real Property Income and Expense (RPIE) forms must have an assessed value greater than $80,000 and eleven or more units, while the Mortgage Survey Report does not exclude these buildings.

10. See Endnote 6.

1. *Interest Rates and Terms for New and Refinanced Mortgages, 2005*

	New Mortgages					Refinanced Mortgages				
Instn	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
5	5.50%	1.00	up to 10	Fxd	186	5.50%	1.00	up to 10	Fxd	65
7	6.00%	0.50	10/30 π	Both	9	6.00%	0.50	10/30 π	Both	11
8	5.50%	0.50	5/7Adj, 10 Fxd	Both	70	5.50%	0.50	5/7Adj, 10 Fxd	Both	45
10	5.00%	0.00	5	Fxd	1,341	5.00%	0.00	5	Fxd	430
11	5.75%	0.00	30	Adj	NR	5.75%	0.00	30	Adj	NR
14	5.00%	0.00	5+5	Adj	200	5.00%	0.00	5+5	Adj	400
15	NR	0.50	5/7/10/15/20/25/30	Both	NR	NR	0.50	5/7/10/15/20/25/30	Both	NR
16	5.19%	0.50	5+5/7+5 (25 π)	Adj	90	5.19%	0.50	5+5/7+5 (25 π)	Adj	810
17	6.00%	1.00	10/15	Fxd	4	6.00%	1.00	10/15	Fxd	4
18	5.50%	0.00	10	Both	100	5.50%	0.00	10	Both	75
23	5.75%	1.00	NR	Fxd	15	5.75%	1.00	5/25	Fxd	20
28	5.25%	0.75	10/30	Both	15	5.25%	0.75	10/30	Both	15
30	6.15%	1.00	up to 30	Both	60	6.15%	1.00	up to 30	Both	36
31	5.00%	0.50	5-10	Fxd	60	5.00%	0.50	5-10	Fxd	90
32	5.50%	0.38	3-10	Fxd	1	5.50%	0.38	3-10	Fxd	0
33	6.00%	0.50	15/25 or 3 or 5	Adj	26	6.00%	0.50	15/25 or 3 or 5	Adj	20
35	6.25%	0.50	15	Fxd	41	6.25%	0.50	15	Fxd	39
36	5.14%	1.00	10/30	Fxd	5	5.14%	1.00	10/30	Fxd	5
37	7.45%	1.50	10/15	Fxd	15	7.45%	1.50	10/15	Fxd	0
41	6.38%	0.00	10-30	Both	NR	6.38%	0.00	10-30	Both	NR
45	5.94%	2.00	15 or 10/25/balloon	Fxd	5	6.25%	2.00	15 or 10/25/balloon	Fxd	11
106	2.00%	0.00	25-30	Fxd	90	1.00%	0.00	30	Fxd	25
107	5.25%	0.00	5/5	Fxd	245	5.25%	0.00	5/5	Fxd	845
117	5.00%	0.25	5.0	Fxd	100	5.00%	0.25	5	Fxd	250
209	5.75%	0.50	5+5	Adj	11	5.75%	0.50	5+5	Adj	17
AVERAGE	**5.51%**	**0.56**	**†**	**†**	**122**	**5.48%**	**0.56**	**†**	**†**	**146**

π Amortization
† No average computed
NR = no response to this question

Fxd = fixed rate mortgage
Adj = adjustable rate mortgage

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: 2005 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2005

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
5	80.0%	1.25%	3.0%	20-49	$550	$1,500
7	75.0%	1.25%	5.0%	50-99	$650	$1,500
8	75.0%	1.25%	2.0%	20-49	$300	$725
10	80.0%	1.25%	3.0%	20-49	$350	$750
11	75.0%	1.25%	1.0%	1-10	NR	NR
14	75.0%	1.25%	3.0%	20-49	$400	$1,100
15	80.0%	1.25%	5.0%	20-49	$500	$1,100
16	80.0%	1.30%	3.0%	20-49	$400	$840
17	80.0%	1.15%	5.0%	11-19	$458	$900
18	75.0%	1.25%	5.0%	20-49	$400	$800
23	75.0%	1.25%	3.0%	1-10	$398	$1,031
28	80.0%	1.25%	3.0%	20-100	$450	$875
30	80.0%	1.25%	3.0%	11-19	$325	$800
31	75.0%	1.30%	3.0%	20-49	$400	$850
32	75.0%	1.25%	3.0%	50-99	$500	$1,500
33	75.0%	1.25%	3.0%	11-19	$267	$600
35	65.0%	1.15%	4.0%	11-19	$400	$800
36	80.0%	1.25%	5.0%	50-99	$550	$1,600
37	60.0%	1.20%	<1%	11-19	$475	$875
41	75.0%	1.25%	5.0%	1-10	$600	$900
45	67.5%	1.20%	5.0%	1-10	$315	$800
106	100.0%	1.15%	5.0%	11-19	$433	$550
107	75.0%	1.20%	5.0%	50-99	$400	$650
117	75.0%	1.30%	3.0%	50-99	$350	$750
209	75.0%	1.25%	5.0%	11-19	$800	$1,200
AVERAGE	**76.3%**	**1.24%**	**3.6%**	**†**	**$445**	**$958**

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: 2005 Rent Guidelines Board Mortgage Survey

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

Lending Inst.	Interest Rates 2005	Interest Rates 2004	Points 2005	Points 2004	Term 2005	Term 2004	Type 2005	Type 2004
5	5.50%	5.50%	1.00	0.50	up to 10	5-10	Fxd	Fxd
7	6.00%	6.00%	0.50	0.50	10/30 π	10 years/30 π	Both	Both
8	5.50%	5.00%	0.50	0.50	5/7Adj, 10 Fxd	5+5	Both	Fxd
10	5.00%	5.25%	0.00	NR	5	5/7	Fxd	Fxd
11	5.75%	6.00%	0.00	0.00	30	25/30 Adj/15 Fxd	Adj	Both
14	5.00%	4.75%	0.00	0.00	5+5	5+5	Adj	Adj
15	NR	NR	0.50	0.00	5/7/10/15/20/25/30	5/7/10	Both	Fxd
16	5.19%	5.38%	0.50	0.75	5+5/7+5 (25 π)	5+5/7+5/10+5	Adj	Fxd
17	6.00%	6.00%	1.00	1.00	10/15	15 (5/5/5)	Fxd	Adj
18	5.50%	5.25%	0.00	1.00	10	5	Both	Fxd
23	5.75%	5.50%	1.00	0.75	NR	5	Fxd	Fxd
30	6.15%	6.75%	1.00	1.00	up to 30	up to 30	Both	Fxd
31	5.00%	4.88%	0.50	0.50	5-10	5-10	Fxd	Fxd
32	5.50%	5.50%	0.38	0.75	3-10	3-10	Fxd	Fxd
33	6.00%	6.13%	0.50	0.00	15/25 or 3 or 5	15/25 & 5	Adj	Adj
35	6.25%	6.25%	0.50	0.50	15	15	Fxd	Fxd
36	5.14%	5.40%	1.00	1.00	10/30	10/9.5/30	Fxd	Fxd
37	7.45%	7.65%	1.50	1.50	10/15	10	Fxd	Fxd
41	6.38%	6.94%	0.00	0.00	10-30	10-25	Both	Both
107	5.25%	4.75%	0.00	0.00	5/5	5	Fxd	Fxd
117	5.00%	5.00%	0.25	0.50	5.0	5	Fxd	Fxd
Avg.	**5.67%**	**5.69%**	**0.51**	**0.54**	**†**	**†**	**†**	**†**

NR indicates no response to this question. † No average computed π Amortization

Note: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution.
Source: 2004 and 2005 Rent Guidelines Board Mortgage Surveys

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

Lending Inst.	Interest Rates 2005	Interest Rates 2004	Points 2005	Points 2004	Term 2005	Term 2004	Type 2005	Type 2004
5	5.50%	5.50%	1.00	0.25	up to 10	5-10	Fxd	Fxd
7	6.00%	6.00%	0.50	0.50	10/30 π	10 years/30 π	Both	Both
8	5.50%	5.00%	0.50	0.50	5/7Adj, 10 Fxd	5+5	Both	Fxd
10	5.00%	5.25%	0.00	NR	5	5/7	Fxd	Fxd
11	5.75%	6.00%	0.00	0.00	30	25/30 Adj/15 Fxd	Adj	Both
14	5.00%	4.75%	0.00	0.00	5+5	5+5	Adj	Adj
15	NR	NR	0.50	0.00	5/7/10/15/20/25/30	5/7/10	Both	Fxd
16	5.19%	5.38%	0.50	0.75	5+5/7+5 (25 π)	5+5/7+5/10+5	Adj	Fxd
17	6.00%	6.00%	1.00	1.00	10/15	15 (5/5/5)	Fxd	Adj
18	5.50%	5.25%	0.00	1.00	10	5	Both	Fxd
23	5.75%	5.50%	1.00	0.75	5/25	5	Fxd	Fxd
30	6.15%	6.75%	1.00	1.00	up to 30	up to 30	Both	Fxd
31	5.00%	4.88%	0.50	0.50	5-10	5-10	Fxd	Fxd
32	5.50%	5.50%	0.38	0.75	3-10	3-10	Fxd	Fxd
33	6.00%	5.75%	0.50	0.00	15/25 or 3 or 5	15/25 & 5	Adj	Adj
35	6.25%	6.25%	0.50	0.50	15	15	Fxd	Fxd
36	5.14%	5.40%	1.00	1.00	10/30	10/9.5/30	Fxd	Fxd
37	7.45%	7.65%	1.50	1.50	10/15	7/10 or 10	Fxd	Fxd
41	6.38%	6.94%	0.00	0.00	10-30	10-25	Both	Both
107	5.25%	4.75%	0.00	0.00	5/5	5	Fxd	Fxd
117	5.00%	5.00%	0.25	0.50	5.0	5	Fxd	Fxd
Avg.	**5.67%**	**5.67%**	**0.51**	**0.53**	**†**	**†**	**†**	**†**

NR indicates no response to this question. † No average computed π Amortization

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: 2004 and 2005 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study

Lending Inst.	Max Loan-to-Value 2005	Max Loan-to-Value 2004	Debt Service Coverage 2005	Debt Service Coverage 2004	V&C Losses 2005	V&C Losses 2004
5	80.0%	75.0%	1.25%	1.25%	3.0%	3.0%
7	75.0%	75.0%	1.25%	1.25%	5.0%	5.0%
8	75.0%	75.0%	1.25%	1.25%	2.0%	3.0%
10	80.0%	0.0%	1.25%	1.25%	3.0%	3.0%
11	75.0%	75.0%	1.25%	1.25%	1.0%	NR
14	75.0%	75.0%	1.25%	1.25%	3.0%	3.0%
15	80.0%	70.0%	1.25%	1.25%	5.0%	5.0%
16	80.0%	75.0%	1.30%	1.30%	3.0%	3.0%
17	80.0%	75.0%	1.15%	1.20%	5.0%	5.0%
18	75.0%	75.0%	1.25%	1.25%	5.0%	3.0%
23	75.0%	75.0%	1.25%	1.25%	3.0%	2.0%
30	80.0%	80.0%	1.25%	1.25%	3.0%	3.5%
31	75.0%	75.0%	1.30%	1.25%	3.0%	3.0%
32	75.0%	75.0%	1.25%	1.30%	3.0%	3.0%
33	75.0%	75.0%	1.25%	1.25%	3.0%	4.0%
35	65.0%	65.0%	1.15%	1.15%	4.0%	3.0%
36	80.0%	80.0%	1.25%	1.25%	5.0%	3.0%
37	60.0%	57.5%	1.20%	1.20%	<1%	0.5%
41	75.0%	75.0%	1.25%	1.20%	5.0%	4.0%
107	75.0%	75.0%	1.20%	1.30%	5.0%	3.0%
117	75.0%	75.0%	1.30%	1.30%	3.0%	5.0%
Avg.	**75.5%**	**73.9%**	**1.24%**	**1.25%**	**3.5%**	**3.4%**

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: 2004 and 2005 Rent Guidelines Board Mortgage Surveys

6. Retrospective of New York City's Housing Market

Year	Interest Rates for New Mortgages	Permits for New Housing Units in NYC and northern suburbs	Permits for New Housing Units in NYC only
1981	15.9%	12,601 b	11.060
1982	16.3%	11,598 b	7,649
1983	13.0%	17,249 b	11,795
1984	13.5%	15,961	11,566
1985	12.9%	25,504	20,332
1986	10.5%	15,298	9,782
1987	10.2%	18,659	13,764
1988	10.8%	13,486	9,897
1989	12.0%	13,896	11,546
1990	11.2%	9,076	6,858
1991	10.7%	6,406	4,699
1992	10.1%	5,694	3,882
1993	9.2%	7,314	5,173
1994	8.6%	6,553	4,010
1995	10.1%	7,296	5,135
1996	8.6%	11,457	8,652
1997	8.8%	11,619	8,987
1998	8.5%	13,532	10,387
1999	7.8%	15,326	12,421
2000	8.7%	18,077	15,050
2001	8.4%	19,636	16,856
2002	7.4%	21,423	18,500
2003	6.7%	23,778	21,218
2004	5.8%	27,695	25,208
2005	5.5%	•	•

b Prior to 1984, Bergen Co., NJ permit figures are included.
Notes: Interest rate data was collected in January and represents a 12-month average of the preceding year. Permit data is for the entire 12-month period of the shown year. The northern suburbs include Putnam, Rockland, and Westchester counties.
Sources: Rent Guidelines Board, Annual Mortgage Surveys; U.S. Bureau of the Census, Manufacturing & Construction Division, Residential Construction Branch.

7. 2005 Survey of Mortgage Financing for Multifamily Properties

I. Financing Availability and Terms for Multifamily Buildings

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

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

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

Interest rate : ___________ % (current) ___________ % (12 mo. average for 2004)

Points : _________

Terms : _________

Type: Fixed / Adjustable (*circle one*)

Special conditions: ______________________

1b. How many loans were made by your institution in 2004 for new permanent financing of *rent stabilized buildings*?

Number of loans: ____________________

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

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

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

Interest rate : ___________ % (current) ___________ % (12 mo. average for 2004)

Points : ___________

Terms : ___________

Type: Fixed / Adjustable (*circle one*)

Special conditions: ______________________ (if any)

2b. How many loans did your institution refinance in 2004 for *rent stabilized buildings*?

Number of loans: ____________________

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

❑ Yes, we have experienced a significant _____________ (increase / decrease) of about ________ %.

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

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

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

❑ A significant ________________ (increase / decrease) in the volume of loan **applications** of about _______ %.

❑ A significant ________________ (increase / decrease) in the rate of application **approvals** of about _______ %.

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

____

____

____

____

CONFIDENTIAL 1

II. Underwriting Criteria for Rent Stabilized Buildings

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

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

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

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

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

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

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

❑ Yes.

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

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

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

❑ Use __________ (more / less) stringent approvals.

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

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

❑ ________________ (Increase / Decrease) monitoring requirements.

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

❑ Other : ________________________________

III. Additional Mortgage Questions

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

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

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

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

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

❑ None
❑ Approximately ________ %.

CONFIDENTIAL 2

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

❑ None
❑ Approximately ________ %.

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

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

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

❑ Fannie Mae
❑ Freddie Mac
❑ Other: ________________________________

____

____

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

____

____

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

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

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

$ ________________ ***per unit per month***

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

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

$ ________________ ***per unit per month***

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*)

New Financing Rates:	❑ Higher	❑ Lower	❑ Same
Refinancing Rates:	❑ Higher	❑ Lower	❑ Same
Loan-to-Value Ratio:	❑ Higher	❑ Lower	❑ Same
Debt Service Coverage:	❑ Higher	❑ Lower	❑ Same

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*)

Net Operating Income:	❑ Higher	❑ Lower	❑ Same
Debt Service Coverage:	❑ Higher	❑ Lower	❑ Same
O&M Expenses:	❑ Higher	❑ Lower	❑ Same

CONFIDENTIAL 3

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

____

____

____

____

Thank you for taking the time to complete the survey.

CONFIDENTIAL 4