
2011 Mortgage Survey Report

March 15, 2011

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2011 Mortgage Survey Report

What's New

- ✓ New and refinanced loan volumes doubled from last year, up 102% for new loans and 100% among refinanced loans.
- ✓ Average interest rates for new multifamily mortgages decreased 0.46 percentage points, or 7.4%, to 5.81%.
- ✓ Refinancing interest rates fell by 0.56 percentage points, to 5.73%.
- ✓ Average service fees for new loans fell 0.18 points, to 0.61 points.
- ✓ Vacancy and collection losses fell from 4.92% last year to 4.25% this year.
- ✓ Average maximum loan-to-value ratios rose from 73.6% last year to 74.6% this year.
- ✓ In 2010, 541 buildings containing rent stabilized units were sold citywide, up 3.8% from the prior year.

Introduction

Section 26-510 (b)(iii) of the Rent Stabilization Law requires the Rent Guidelines Board to consider the “costs and availability of financing (including effective rates of interest)” in its deliberations. To assist the Board in meeting this obligation, each winter the RGB research staff surveys lending institutions that underwrite mortgages for multifamily rent stabilized properties in New York City. (See Appendix 7 for a reproduction of the survey.) The survey provides details about New York City’s multifamily lending market during the 2010 calendar year as well as the first few months of 2011.

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 three years ago, is once again included in this report.

Summary

This year’s *Mortgage Survey* illustrates a slightly improved lending market, best exemplified by the surge in loan volume. While lending standards didn’t change significantly, the decline in interest rates and points charged helped elevate the volume of lending this past year. This follows from last year, when the lowest volume was seen since this survey began over a decade ago. Average interest rates charged by surveyed lenders declined, and up-front fees, called points, decreased for the first time in three years. Furthermore, both vacancy and collection losses and non-performing loans declined, and foreclosures remained rare. Additionally, our analysis of rent stabilized building sales data showed an overall increase in rent stabilized building sales volume Citywide from 2009 to 2010, while changes in sales prices varied depending on building size and location.

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, then examine rent stabilized building sales data.

Survey Respondents

Thirteen financial institutions responded to this year’s survey, two 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 2010. 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 two 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, and they vary considerably among the respondents. Ten surveyed lenders report their multifamily real estate holdings to the FDIC, with values ranging between \$21.3 million and \$4.9 billion.¹ Three of this year's institutions reported multifamily holdings of over one billion dollars, while another three institutions had holdings of less than \$100 million. Compared with last year, the average multifamily real estate portfolio of our survey respondents decreased by 44.4%, to \$1.016 billion.²

Cross-Sectional Analysis

Financing Availability and Terms

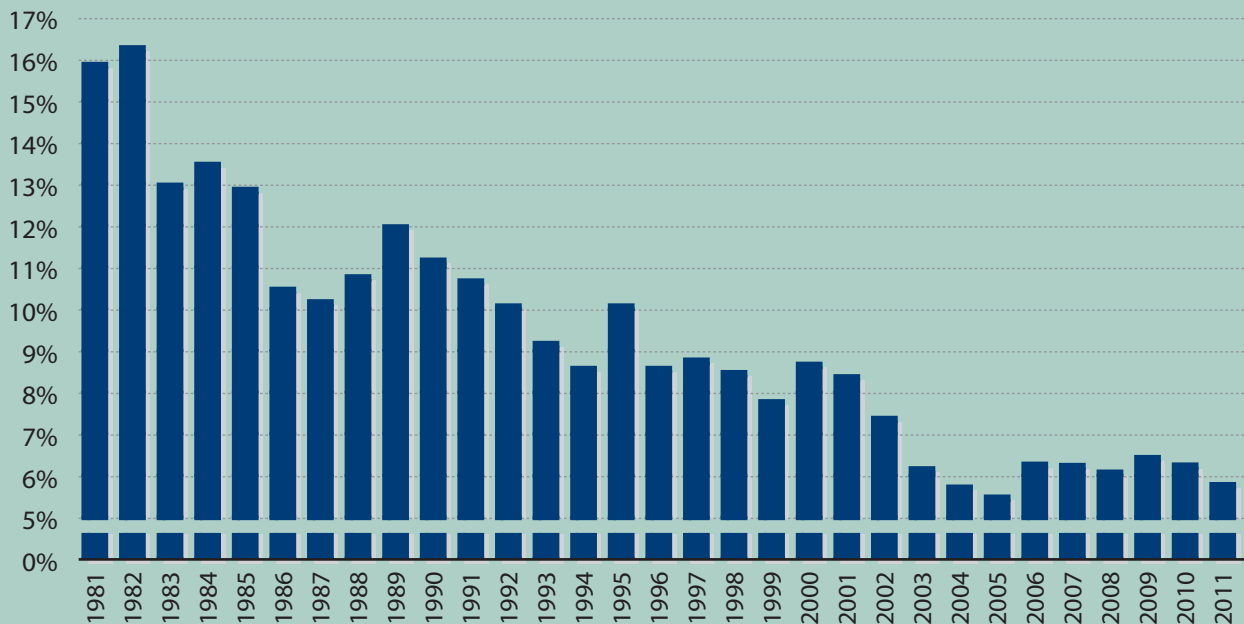
In February 2011, the average interest rate for new multifamily mortgages was 5.81%, a decrease of 0.46 percentage points, or 7.4%, from the previous February (see graph on this page and Appendix 1).

Likewise, the average interest rate reported by lenders for the 2010 calendar year was 5.96%, a 0.22 percentage point (or 3.5%) decrease from calendar year 2009 (but 0.14 percentage points higher than reported February 2011 rates). 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, just three provided 80.9% of the total volume of new mortgages.

Average interest rates decreased slightly during the year among the institutions surveyed, which is partly due to the fact that the Discount Rate — the interest

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2011

Multifamily Mortgage Interest Rates Decrease Over Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

rate at which depository institutions borrow from the Federal Reserve Bank of New York — hasn't increased since February, 2010, and the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — hasn't increased since December, 2008.³ The Fed maintained its low rates as the U.S. economy struggled to grow out of recession.⁴

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 2011, 5.73%, was similar to the average current rate charged on new originations, 5.81%, and 0.56 percentage points lower than last February. (See Appendix 1) In addition, at 5.90%, average 2010 refinancing rates were 0.27 percentage points lower than the prior year's refinancing rates.

Like interest rates, points (up-front service fees) that were charged for new and refinanced loans decreased from the prior year. Among survey respondents, they ranged from zero to 2.5 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 0.61 points, a 0.18 percentage point decrease from last year's average of 0.79. Average fees reported in the survey have remained around or below one point since the late 1990s (see graph on next page). Average points for refinanced mortgages were the same (0.61) 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 3- to 30-year range. Four 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.

After four consecutive years of decline, new loan volume increased in 2010. An average of 48 new loans per institution were financed this past year, a doubling from the average of 24 from 2009. While loan volume among all lenders on average increased, the change in volume among each lender varied greatly. Among surveyed institutions, 42% reported that they saw no change in volume; 33% reported a decline; and 25% reported an increase from the prior year.

While loan volume of 48 new loans per institution surveyed was an increase from the prior year, average loan volume remained lower than that found since lending volume peaked in the *2004 Mortgage Survey*,

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

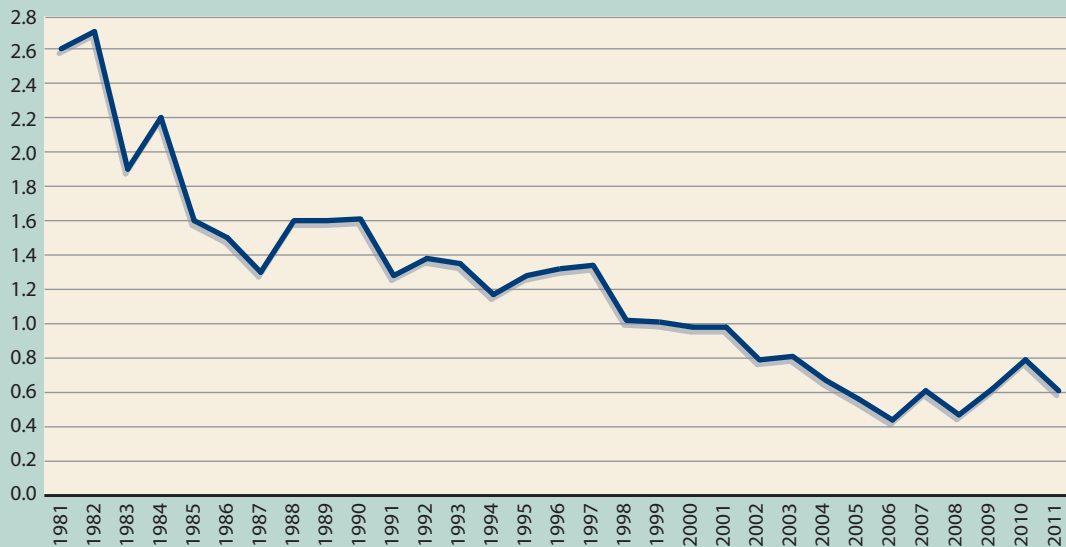
Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

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, 1981-2011

Service Fees Decrease Over Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

when lenders reported an average new loan volume of 160. Similar to new loan volume, the average number of refinanced loans also doubled, from 12 last year to 25 per institution this year. However, by comparison, refinanced lending remains well below its average peak of 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. In last year's Mortgage Survey, lenders reported tougher standards in lending practices among some institutions. This year, lending standards changed little from the prior year.

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 85%. The average was 74.6%, slightly higher than 2009's 73.6% (see graph on next page).

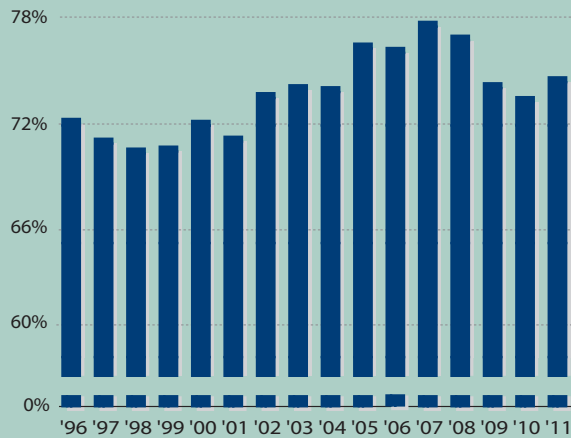
Another important lending criterion is the debt service ratio — an investment's ability to cover mortgage payments using its net operating income (NOI). The higher the debt service coverage requirements, the less money a lender is willing to loan given constant net income. The debt service ratio (or NOI divided by the debt service) decreased slightly this year, with an average debt service requirement of 1.25, little changed from 1.26 in 2009. Because the average debt service ratio fell slightly, lenders have incrementally increased the amount of money they are willing to lend in relation to the net operating income of buildings. (See Appendix 2) Overall, all but two lenders (82%) reported that they made no change in their underwriting standards since last year.

Lenders also noted additional standards remained similar to recent years when evaluating loan applications. The most commonly cited standard is good building maintenance, with 69% of lenders indicating its importance.

Our survey also asked lenders whether their lending standards differ for rent stabilized buildings as opposed to non-stabilized multifamily properties.

1996-2011 Cross-Sectional Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Increase



Source: Rent Guidelines Board, annual Mortgage Surveys.

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 (90%) reported that standards were no different for rent stabilized buildings.

Non-Performing Loans & Foreclosures

While a slightly higher proportion of lenders reported that they had non-performing loans this year, those with non-performers saw them make up a lower proportion in their portfolios. Forty-five percent of lenders reported having non-performing loans over the past year, up from 42% in 2009. Of those lenders with non-performers, they represented on average 1.6% of their lending portfolio, down from 3.8% the prior year.

However, the proportion of institutions reporting foreclosures fell slightly this year, and those that did said the foreclosures were a small proportion of their total loan volume. Thirty percent of lenders reported that they had foreclosures this year, slightly fewer than the third who reported them in the prior year, and among those institutions, 0.8% of their portfolios were in foreclosure, down from 1.0% the prior year.

Characteristics of Rent Stabilized Buildings

The majority of lenders surveyed about the average size of rent stabilized buildings in their portfolios reported that the most common building size is under 50 units, with nine lenders reporting this as typical. Specifically, four reported that the average building contains 20-49 units; three reported that the average was under 11 units; and two said their average building contained 11-19 units. Among larger buildings, two lenders had average buildings of 100+ units and one said their average building was 50-99 units.

Vacancy and collection (V&C) losses decreased in 2010, down to 4.25%, from 4.92% in 2009, following an increase found in last year's *Mortgage Survey Report*. (See graph on next page.) A lower proportion of lenders, 58%, reported losses of 5% or more this year, compared to 64% in 2009.

Average operating and maintenance (O&M) expenses decreased slightly this year, to \$567 per unit per month, down 1.2%. In addition, average rents, as reported by this year's lenders, also decreased, down 2.4%, to \$1,062. (See Appendix 2) Because average rents fell at a greater rate than average expenses, the average O&M cost-to-rent ratio increased to 53.4%, up from 52.8% in the prior year.⁵

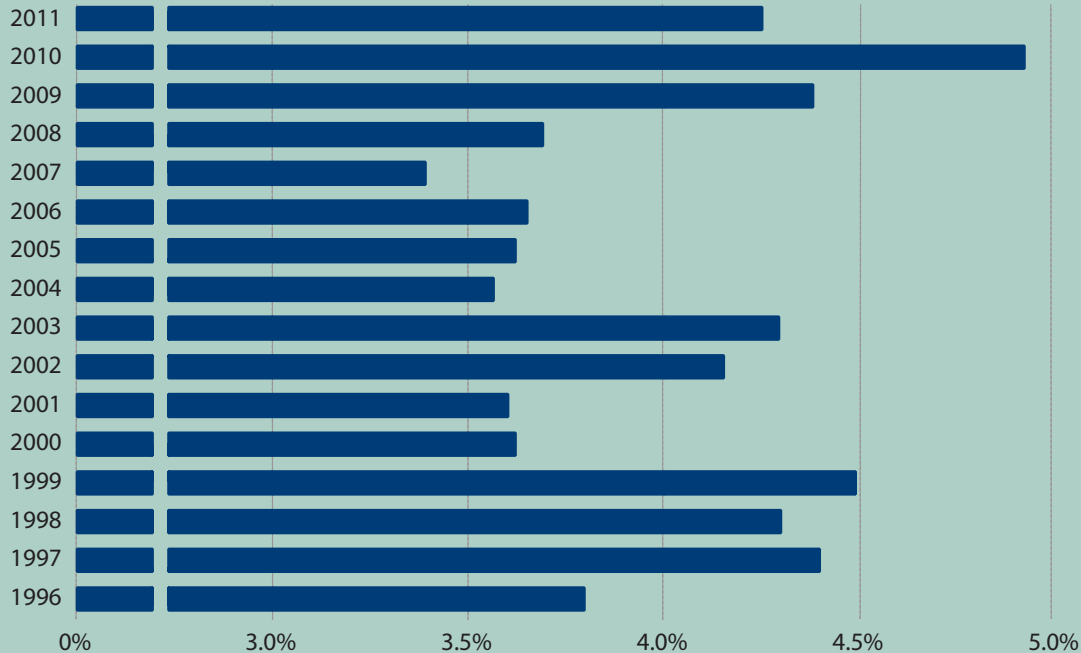
The Rent Guidelines Board, in our annual *Income and Expense (I&E) Study*, also examines the average O&M cost-to-rent ratio. However, its findings should not be compared to the cost-to-rent ratio reported in this Mortgage Survey because both the sources and sample sizes are very different and the data studied in each report are from different time periods. In the 2010 *I&E Study*, which reported on data from the year 2008, the average O&M cost-to-rent ratio was 78.1%.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, 25% sell all their mortgages, and 8% sell some of their mortgages to secondary markets. These results are similar to those found in the 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

Average Vacancy and Collection Losses, 1996-2011

Vacancy and Collection Losses Decreased From Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

contain commercial space. This is helpful so as to understand the extent of income for owners from sources other than residential tenants. Similar to prior years, all but one lender reported 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, 21% of their lending portfolio, down from 26% in 2009.

Loan Expectations

The survey asks lenders about their portfolio's performance, compared with expectations at the time of initial loan origination, with regard to net operating income (NOI), debt service coverage, and O&M expenses. This year, the vast majority of lenders (89%) felt that expectations had been met or exceeded in all three areas for their rent stabilized portfolio, while 11% felt that their expectations were not met in 2010.

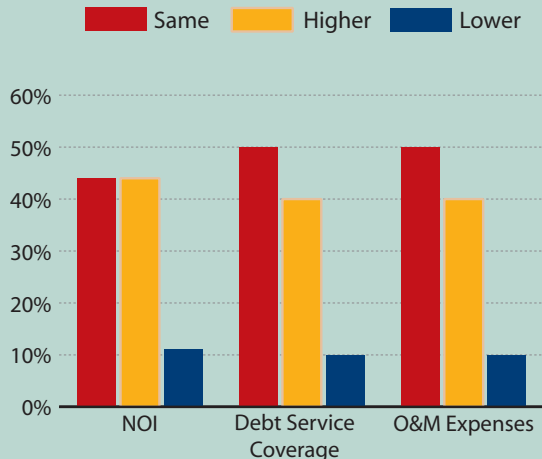
Specifically, 50% of lenders who responded to the question reported that their expectations were equalled; while 40% said the performance of their portfolios did better than expected. (See graph on next page for a breakdown of performance in each of the three surveyed categories.)

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 eleven lenders who replied to surveys both last and this year (the longitudinal group)

2011 Performance of Rent Stabilized Loans as Compared to Expectations

Most Lenders Report that Loans Exceed or Meet Expectations



Source: Rent Guidelines Board, annual Mortgage Surveys.

were compared to underscore changes between the two years.

Financing Availability and Terms

This year's longitudinal analysis reveals data that is similar to this year's cross-sectional sample.⁷ The average interest rate among the longitudinal group for

new financing, as of February 2011, was 6.04%, down 0.29 percentage points from last year's longitudinal group, which had an average interest rate of 6.33% for new loans. Likewise, the refinancing rate fell from 6.34% last year to 5.93% this year, a 0.41 percentage point decline (See Appendices 3 and 4)

Among the longitudinal group, average points offered by lenders fell for both new and refinanced loans. This sample reports an average of 0.69 points for new loans, down from last year's 0.82. Points on refinanced loans similarly fell, down from 0.85 to 0.69.

Like the cross-sectional group of lenders, the longitudinal group saw loan volume increase, up 131% for new loans and 133% for refinanced loans.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio rose to 75.3% among the longitudinal group, up from last year's 73.6%. The average debt service ratio was virtually unchanged, at 1.25 this year versus 1.24 last year. (See Appendix 5) Like the cross-sectional group, vacancy and collection (V&C) losses in the longitudinal group fell, declining from 4.30% last year to 4.20% this year.

Looking at the rate of delinquencies among the longitudinal group, non-performing loans changed little, down to an average of 1.75% among four lenders reporting them (versus 1.78% last year), while

Selected 2011 Cross-Sectional Data Compared to 2011 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
2011 Cross-Sectional Data	5.81%	5.73%	48	25	.61	.61	74.6%	1.25	4.25%
2011 Longitudinal Data	6.04%	5.93%	60	31	.69	.69	75.3%	1.25	4.20%

NF= New Financing

RF= Refinancing

LTV=Loan-to-Value

V&C=Vacancy and Collection

Source: Rent Guidelines Board, Annual Mortgage Surveys

foreclosure rates increased, to 0.75%, up from 0.67%, among the two lenders reporting foreclosures among their portfolios. For additional comparisons between the cross-sectional and longitudinal groups, see table on previous page.

Sales Data Analysis

Four 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 three *Mortgage Survey Reports*. This year, we once again follow-up with a look at the data from 2010, and compare it to 2009.

Building Sales Volume

In 2010, 541 buildings containing rent stabilized units were sold in New York City, 3.8% more than in the prior year. Sales volume increased the most in the Bronx, up 31.0%, and also rose in Queens, up 6.6%. Meanwhile, building sales volume fell in Brooklyn, down 7.0%, and in Manhattan, down 1.4%. Staten Island was not included in this analysis because there were too few rent stabilized building sales.⁸ (See the table on this page for a numerical breakdown in the change in the number of buildings sold in each borough and Citywide.)

Among the smallest rent stabilized buildings sold in 2010 (6-10 unit buildings), sales volume was down 0.8% Citywide. By borough, sales fell in Manhattan, down 17.0%, while rising in the other boroughs, up 26.7% in the Bronx, 8.2% in Queens and 0.8% in Brooklyn.

The change in sales volume also varied among 11-19 unit buildings, up 9.7% Citywide and up 4.5% in Brooklyn. However, sales volume fell 6.1% in Manhattan from 2009 to 2010.⁹

Among 20-99 unit buildings, sales volume rose Citywide by 2.0%. In the Bronx, sales volume rose 14.5%. By contrast, sales fell 26.0% in Brooklyn and remained unchanged in Manhattan from 2009 to 2010.

Comparison of Building Sales in 2009 vs. 2010

Sales Volume Change Varied by Borough from the Prior Year

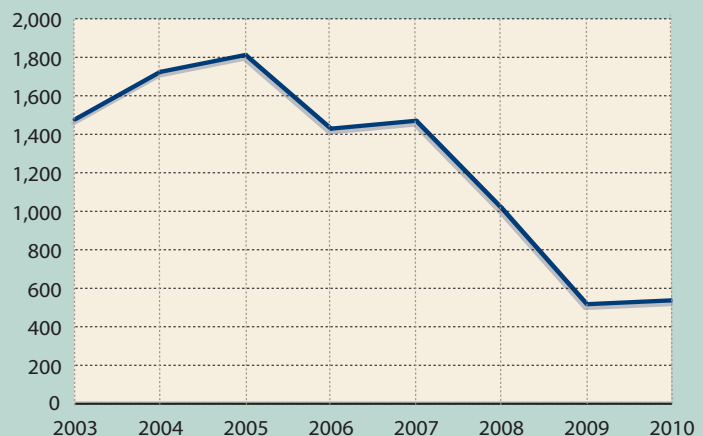
	2009	2010	Change
Bronx	100	131	31.0%
Brooklyn	199	185	-7.0%
Manhattan	146	144	-1.4%
Queens	76	81	6.6%
Citywide	521	541	3.8%

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

Because of the small number of buildings sold each year, we were not able to analyze the sales data for buildings with 100 or more units. However, buildings falling into these categories are included in the borough and Citywide totals.

Rent Stabilized Building Sales, 2003-2010

Building Sales Citywide Up Slightly from Prior Year



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

Building sales data shows that for the period from 2003 to the present, sales reached their peak in 2005, and by 2009, sales were at their lowest level in the eight-year period. Since 2009, sales volume Citywide has increased, though not in every borough. See the graph on previous page and Appendix 8 for annual sales volume Citywide since 2003.

Building Sales Prices

The median Citywide sales price was \$1,579,000 in 2010. The highest median sales price was in Manhattan (\$3,175,000), followed by the Bronx (\$2,740,000), Brooklyn (\$830,000) and Queens (\$850,000).

In order to compare sales prices from one year to the next, staff examined sales by building size as well as by borough. This analysis attempts to account for the location and size of the building that was sold. It does not take into consideration 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 2009 to 2010.⁹

Looking at the smallest buildings, those containing 6-10 residential units, median sales prices fell Citywide, declining 2.0%. Examining the change in sales prices by borough, median prices fell only in Manhattan, down 13.8%, while prices rose 3.2% in the Bronx. Prices in Brooklyn and Queens remained unchanged.

Among 11-19 unit buildings, the change in prices varied significantly by borough. Prices fell Citywide among 11-19 unit buildings by 10.4%. Brooklyn saw the largest decrease, down 21.2%, and Manhattan prices fell by almost as much, 20.3%.

Among 20-99 unit buildings, prices rose Citywide, up 27.1%, and were also up in each of the boroughs except Manhattan, which saw a 12.1% decrease. By contrast, the Bronx saw a 35.0% increase and Brooklyn rose 13.3%. See Appendix 9 for the median sales prices in each borough as well as the change from the prior year among different sized buildings.

Conclusion

The year 2010 represented a period in which the U.S. economy attempted to dig itself out of recession, with only modest results.¹⁰ However, this year's Mortgage Survey revealed that new and refinanced loan volume increased, partly due to falling interest rates and points. In addition, vacancy and collection losses; non-performing loans; and foreclosures fell. The doubling of loan volume this year was from a record low last year, and still remains well below the peak seen several years ago. □

Endnotes

1. Federal Deposit Insurance Corporation (FDIC) website: <http://www3.fdic.gov/sdi/main.asp>
2. The primary reason for the 44% drop is due to the lack of participation in this year's survey by the largest lender who responded to last year's survey.
3. Federal Reserve Bank of New York website: <http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html>
4. "Fed Will Buy \$600 Billion in Debt, Hoping to Spur Growth," by Sewell Chan and David E. Sanger, *New York Times*. November 3, 2010.
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 2011 Mortgage Survey reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2011. The average ratio is calculated from just nine respondents. By comparison, the latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was \$1,012 and average unaudited cost was \$790, reflects rents and expenses reported by owners for calendar year 2008. 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 two lenders responded both years.

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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. 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. However, while these categories are not discussed, these buildings are included in the overall analysis.
 10. "U.S. 4th-Quarter Growth Figure Is Lowered, Dimming Hopes for Jobs," by Catherine Rampell, *New York Times*. February 25, 2011.

Appendices

1. Interest Rates and Terms for New and Refinanced Mortgages, 2011

New Mortgages						Refinanced Mortgages				
Institution	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
7	NR	NR	NR	NR	NR	5.00%	NR	5, 7, 10, 30 yr	adj	NR
8	4.88%	0.00	5 yrs w/ 5 yr ext	fixed	20	4.88%	0.00	5 yrs w/ 5 yr ext	fixed	5
14	5.00%	0.00	5 & 5	adj	NR	5.00%	0.00	5 & 5	adj	NR
15	NR	NR	5/7/10/15/20/30 yrs	fixed	NR	NR	NR	5/7/10/15/20/30 yrs	fixed	NR
28	5.75%	0.00	10 yrs	fixed	75	5.75%	0.00	10 yrs	fixed	75
30	5.75%	1.00	30 yrs	both	100	5.75%	1.00	30 yrs	both	NR
33	4.75%	0.50	3-10 yrs	adj	6	4.50%	0.50	3-10 yrs	adj	6
35	6.25%	0.50	15 yrs	fixed	31	6.25%	0.50	15 yrs, 10/20 *	fixed	9
36	5.58%	1.00	10/9.5/30 yrs	fixed	2	5.58%	1.00	10/9.5/30 yrs	fixed	NR
37	7.75%	1.00	10 yrs	fixed	NR	7.75%	1.00	10 yrs	fixed	4
40	8.38%	2.50	15 yr or 10/25 *	fixed	NR	8.38%	2.50	15 yr or 10/25 *	fixed	1
117	4.63%	0.00	5 yrs	fixed	138	4.63%	0.00	5 yrs	fixed	92
208	5.25%	0.25	5 yrs + 5 yrs, 30 §	fixed	15	5.25%	0.25	5 yrs + 5 yrs, 30 §	fixed	5
AVERAGE	5.81%	0.61	†	†	48	5.73%	0.61	†	†	25

§ Amortization Adj = adjustable rate mortgage † No average computed NR = no response to this question * Balloon

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: 2011 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2011

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	NR	NR	NR	NR	NR	NR
8	73%	1.30	5%	20-49	\$450	\$1,200
14	75%	1.20	5%	20-49	\$1,000	\$1,000
15	80%	1.25	5%	20-49	NR	\$1,750
28	80%	1.25	3%	100+	\$600	\$1,200
30	80%	1.25	5%	20-49	\$500	\$800
33	70%	1.30	4%	11-19	\$600	\$1,200
35	65%	1.15	3%	1-10	\$350	\$900
36	78%	1.25	5%	100+	\$775	NR
37	85%	1.20	3%	1-10	\$350	\$750
40	60%	1.40	5%	1-10	\$488	\$1,190
117	75%	1.25	5%	50-99	\$560	\$890
208	75%	1.25	3%	11-19	NR	\$800
AVERAGE	74.6%	1.25	4.25%	†	\$567	\$1,062

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: 2011 Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2010-2011

Lending Inst.	Interest Rates		Points		Term		Type	
	2011	2010	2011	2010	2011	2010	2011	2010
7	NR	6.00%	NR	0.0	NR	5 to 10 yr, 15 to 30 yr §	NR	fixed
14	5.00%	5.50%	0.0	0.0	5&5	5 & 5 yrs	adj	adj
15	NR	NR	NR	1.5	5/7/10/15/20/30 yrs	5/7/10/15/20/30 yrs	fixed	fixed
28	5.75%	5.50%	0.0	1.0	10 yrs	5-30 yrs	fixed	both
30	5.75%	6.00%	1.0	1.5	30 yrs	30 yrs	both	fixed
35	6.25%	6.50%	0.5	0.5	15 yrs	15 yrs	fixed	fixed
36	5.58%	5.88%	1.0	1.0	10/9.5/30	+	fixed	fixed
37	7.75%	8.15%	1.0	1.5	10 yrs	120/180/240 yrs	fixed	fixed
40	8.38%	8.38%	2.5	2.0	15 yr or 10/25 *	15 yrs or 10/25 yrs *	fixed	fixed
117	4.63%	5.50%	0.0	0.0	5 yrs	5 yrs	fixed	fixed
208	5.25%	5.88%	0.3	0.0	5 yrs + 5 yrs, 30 §	5 + 5 yrs	fixed	fixed
AVERAGE	6.04%	6.33%	0.69	0.82	†	†	†	†

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: 2010 and 2011 Rent Guidelines Board Mortgage Surveys

4. Interest Rates and Terms for Refinanced Loans, Longitudinal Study, 2010-2011

Lending Inst.	Interest Rates		Points		Term		Type	
	2011	2010	2011	2010	2011	2010	2011	2010
7	5.00%	6.00%	NR	0.0	5, 7, 10, 30 yr	5 to 10 yr, 15 to 30 yr §	adj	fixed
14	5.00%	5.50%	0.0	0.0	5&5	5 & 5 yrs	adj	adj
15	NR	NR	NR	1.5	5/7/10/15/20/30 yrs	5/7/10/15/20/30 yrs	fixed	fixed
28	5.75%	5.50%	0.0	1.4	10 yrs	5-30 yrs	fixed	both
30	5.75%	6.00%	1.0	1.5	30 yrs	30 yrs	both	fixed
35	6.25%	6.50%	0.5	0.5	15 yrs, 10/20 *	15 yr	fixed	fixed
36	5.58%	5.88%	1.0	1.0	10/9.5/30	+	fixed	fixed
37	7.75%	8.25%	1.0	1.5	10 yrs	120/180/240 yrs	fixed	fixed
40	8.38%	8.38%	2.5	2.0	15 yr or 10/25 *	15 yrs or 10/25 yrs *	fixed	fixed
117	4.63%	5.50%	0.0	0.0	5 yrs	5 yrs	fixed	fixed
208	5.25%	5.88%	0.3	0.0	5 yrs + 5 yrs, 30 §	5 + 5 yrs	fixed	fixed
AVERAGE	5.93%	6.34%	0.69	0.85	†	†	†	†

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 were given by the lending institution.

Source: 2010 and 2011 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study, 2010-2011

Lending Inst.	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
	2011	2010	2011	2010	2011	2010
7	NR	75%	NR	1.30	NR	5%
14	75%	75%	1.20	1.20	5%	5%
15	80%	80%	1.25	1.20	5%	5%
28	80%	80%	1.25	1.25	3%	5%
30	80%	80%	1.25	1.25	5%	3%
35	65%	65%	1.15	1.15	3%	3%
36	78%	78%	1.25	1.25	5%	5%
37	85%	70%	1.20	1.20	3%	NR
40	60%	60%	1.40	1.30	5%	4%
117	75%	75%	1.25	1.25	5%	5%
208	75%	73%	1.25	1.30	3%	3%
AVERAGE	75.3%	73.6%	1.25	1.24	4.2%	4.3%

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: 2010 and 2011 Rent Guidelines Board Mortgage Surveys

6. Retrospective of New York City's Housing Market, 1982-2011

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%	6,665	6,057
2010	6.3%	7,404 ^Ø	6,727 ^Ø
2011	5.8%	.	.

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

^Ø 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. 2011 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 2010)</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 2010 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 2010)</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 2010 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>Number of Units in Building: _____ <input type="checkbox"/> N/A</p> <p>Building Age: _____ <input type="checkbox"/></p> <p>Borrower Lives in Building: _____ <input type="checkbox"/></p> <p>Overall Building Maintenance: _____ <input type="checkbox"/></p> <p>Co-op / Condo Conversion Potential: _____ <input type="checkbox"/></p> <p>Other (Please Specify): _____ <input type="checkbox"/></p>
<p>5. Did your institution change its underwriting practices for financing or refinancing rent stabilized buildings over the past year?</p>	<p><input type="checkbox"/> Yes.</p> <p><input type="checkbox"/> No. (If no, please skip to Question 7).</p>
<p>6. Yes, we changed our underwriting practices for rent stabilized buildings to: (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 (Discontinue / Reduce / Expand) buildings.</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. Summary findings will be published in our 2011 Mortgage Survey Report, which will be released in late March.</p> <p>CONFIDENTIAL 4</p>	

8. Rent Stabilized Building Sales Volume, Citywide and by Borough, and Percent Change, 2003-2010

	2003	2004	2005	2006	2007	2008	2009	2010
Citywide	1,481	1,728	1,816	1,433	1,474	1,021	521	541
% Change from Prior Yr	-	16.7%	5.1%	-21.1%	2.9%	-30.7%	-49.0%	3.8%
Bronx	203	269	264	224	319	171	100	131
% Change from Prior Yr	-	32.5%	-1.9%	-15.2%	42.4%	-46.4%	-41.5%	31.0%
Brooklyn	678	730	750	593	520	426	199	185
% Change from Prior Yr	-	7.7%	2.7%	-20.9%	-12.3%	-18.1%	-53.3%	-7.0%
Manhattan	418	480	598	403	470	243	146	144
% Change from Prior Yr	-	14.8%	24.6%	-32.6%	16.6%	-48.3%	-39.9%	-1.4%
Queens	182	249	204	213	165	181	76	81
% Change from Prior Yr	-	36.8%	-18.1%	4.4%	-22.5%	9.7%	-58.0%	6.6%

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

Source: NYC Department of Finance

9. Rent Stabilized Building Median Sales Price and Sales Volume, by Borough and Building Size, and Percent Change, 2009-2010

	2009 Median Sale Price	2010 Median Sale Price	Percent Change from 2009-10	2009 # of Sales	2010 # of Sales	Percent Change from 2009-10
Citywide						
All buildings*	\$1,350,000	\$1,579,000	17.0%	521	541	3.8%
6-10 units	\$755,000	\$740,000	-2.0%	236	234	-0.8%
11-19 units	\$1,674,114	\$1,500,000	-10.4%	72	79	9.7%
20-99 units	\$2,800,000	\$3,560,000	27.1%	202	206	2.0%
Bronx						
All buildings*	\$1,904,253	\$2,740,000	43.9%	100	131	31.0%
6-10 units	\$650,000	\$670,791	3.2%	15	19	26.7%
11-19 units	-	-	-	-	-	-
20-99 units	\$2,473,750	\$3,340,441	35.0%	76	87	14.5%
Brooklyn						
All buildings*	\$880,000	\$830,000	-5.7%	199	185	-7.0%
6-10 units	\$650,000	\$650,000	0.0%	122	123	0.8%
11-19 units	\$1,460,000	\$1,150,000	-21.2%	22	23	4.5%
20-99 units	\$2,537,500	\$2,875,000	13.3%	50	37	-26.0%
Manhattan						
All buildings*	\$3,658,356	\$3,175,000	-13.2%	146	144	-1.4%
6-10 units	\$2,900,000	\$2,500,000	-13.8%	47	39	-17.0%
11-19 units	\$3,200,000	\$2,550,000	-20.3%	33	31	-6.1%
20-99 units	\$4,550,000	\$4,000,000	-12.1%	63	63	0.0%
Queens						
All buildings*	\$852,500	\$850,000	-0.3%	76	81	6.6%
6-10 units	\$700,000	\$700,000	0.0%	49	53	8.2%
11-19 units	-	-	-	-	-	-
20-99 units	-	-	-	-	-	-

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