

2006 Mortgage Survey

March 28, 2006

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what's new

- ✓ Average interest rates for new multifamily mortgages increased .79 percentage point, or 14.4%, to 6.30%, the first increase in six years.
- ✓ Refinancing interest rates increased this year by 0.83 percentage points, or 15.2%, to 6.32%.
- ✓ Average points (fees) for new loans fell to their lowest level in the history of this survey, 0.44, a 21.2% decline from the prior year.
- ✓ New origination loan volume increased by 12%, but refinanced loan volume decreased by 15.8%.
- ✓ Vacancy and collection losses changed little, at 3.65% this year vs. 3.62% last year.
- ✓ Underwriting criteria remained similar to last year.
- ✓ Lenders' expectations were met among three-quarters of survey respondents, meeting or exceeding expected performance 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 2005 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

As a sign of a lending market in transition, respondents to the *2006 Mortgage Survey* reported increased interest rates and decreased refinancing loan volume, but also an increase in new loan volume and continued flexible lending terms and underwriting. The market was influenced, though not significantly, by eight separate quarter point increases in the Federal Reserve Board’s federal funds and discount rate during 2005.¹ For the first time in six years, interest rates on both new and refinanced loans increased, though average points declined to their lowest level in the history of the survey, with half of all lenders charging zero points on their loans. Reflecting recent years of historically low interest rates and generous lending terms, refinancing volume was more adversely impacted by rising interest rates. Lending institutions faced a very competitive marketplace, helping to keep the interest rates that they charged less than might be expected from the numerous rate increases by the Fed. Lenders again reported a virtual absence of non-performing loans or foreclosures. This report will more fully discuss these issues by beginning with a discussion of the characteristics of the survey respondents, followed by both a cross-sectional and longitudinal analysis of financing availability and terms, underwriting criteria, portfolio performance and an overview of lenders’ expectations and the characteristics of typical buildings in their portfolios.

Survey Respondents

Twenty financial institutions responded to this year’s survey, five fewer than last year. Bank consolidation has resulted in fewer banks offering commercial mortgages, and lay-offs have left lenders short staffed and less able to complete our survey.² 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). This year's 20 respondents include a variety of traditional lending institutions, such as savings and commercial banks, as well as non-traditional lenders, including a non-profit housing services program. All twenty of the 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. Seventeen of the 20 survey respondents report their multifamily real estate holdings to the FDIC, with values ranging between \$18 million and \$4.8 billion.³ One fewer than last year, six of this year's institutions reported multifamily holdings of over one billion dollars, and the number with holdings of less than \$100 million remained at three. The average multifamily real estate portfolio of our survey respondents decreased by 16.9%, to \$1.19 billion.⁴

As in previous years, a small number of large lenders provided most of the total volume of new and refinanced mortgages. Of all respondents, two provided 69.4% of the total volume of new mortgages (at an average rate of 5.94%), while six lenders provided 92.8% of the total volume of refinanced loans (at an average rate of 6.06%).

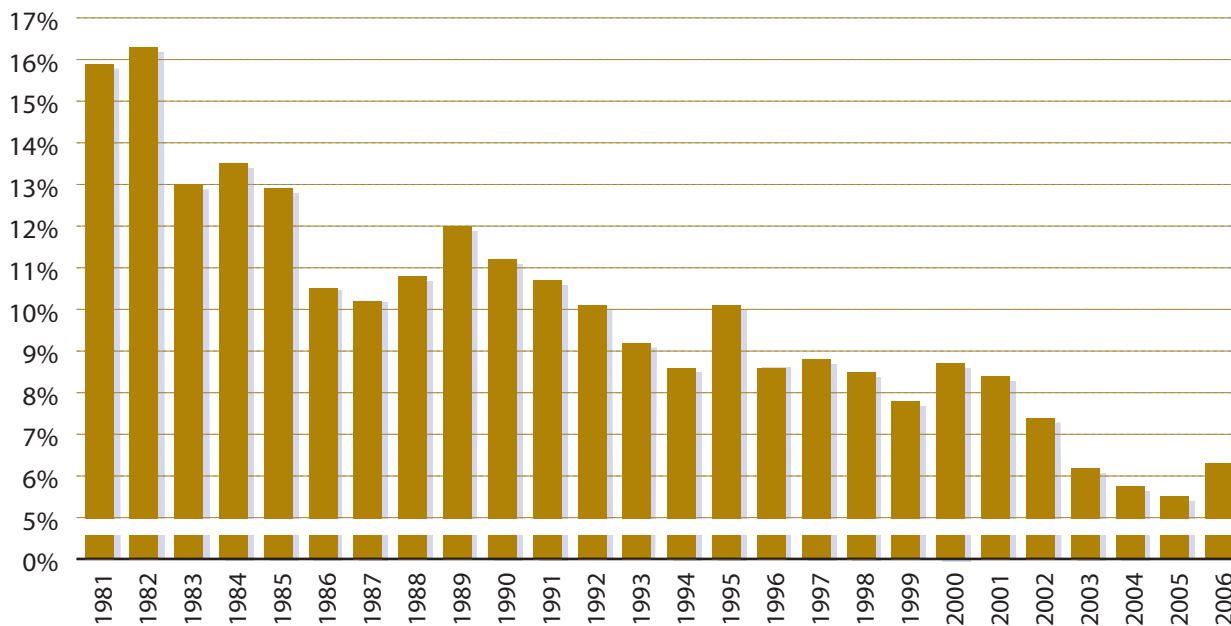
Cross-Sectional Analysis

Financing Availability and Terms

For the first time since 2000, average interest rates increased from the prior year. This year's average January 2006 interest rate of 6.30% for new multifamily mortgages was an increase of 0.79 percentage points, or 14.4%, from the previous January (see graph below and Appendix 1). Reflecting the fact that interest rates increased as the year progressed, the average rate reported for all of 2005 was 6.06%, lower than current reported rates, but a 0.59 percentage points (or 10.9%) increase from the prior year.

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2006

First Increase in Multifamily Mortgage Interest Rates in Six Years



Source: Rent Guidelines Board, annual Mortgage Surveys.

terms and definitions

Average interest rates increased among the institutions surveyed because of increases in the federal funds and discount rates by the Federal Reserve Board during 2005. 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 — eight times, each time raising it a quarter of a percentage point, to 4.25% at the end of 2005.⁵

The eight increases in 2005 follow a succession of increases that begin in the summer of 2004, when rates began to increase almost monthly. This follows a period of about a year when the federal funds rate was held to its lowest level of 1.00%. Analysts expect further rate increases during 2006, primarily designed to reduce inflation.⁶

Surveying institutions regarding their refinanced mortgages found that all of the institutions offered identical or similar terms to those for new loans. The average current rate charged for refinanced mortgages as of January 2006, 6.32%, was just 0.02 percentage points, higher than the average current rate charged on new originations and was 0.83 percentage points (and 15.2%) higher than last January. (See Appendix 1) At 6.08%, average 2005 refinancing rates were 0.24 percentage points lower than current rates, but an increase of 0.65 percentage points and 12.0% from the prior year.

Up-front service fees, called points, that were charged for new and refinanced loans ranged from 0 to 2 percent, with all but two lenders charging no more than one point, and half of all surveyed lenders charging no points. The average service fee charged on new loans by lenders was 0.44 points, a 21.2% decrease from last

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

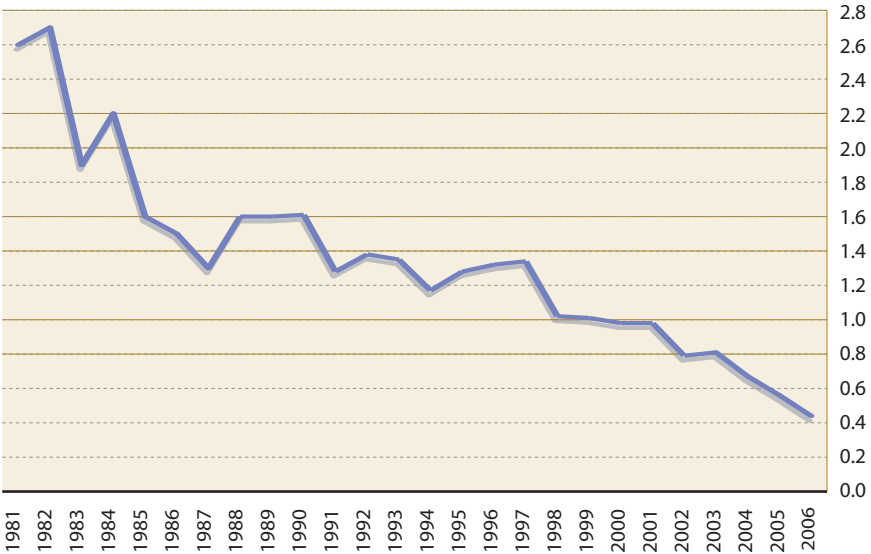
Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

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, 1981-2006

Lowest Service Fees in History of Survey



Source: Rent Guidelines Board, annual Mortgage Surveys.

year's average rate of 0.56. Average fees reported in the survey have remained around or below one point for the past nine years (see graph on the previous page). They are now at their lowest rate since the RGB began the *Mortgage Survey* in 1981. Similarly, points for refinanced mortgages were exactly the same both this year and last as that charged on new originations.

Comparable to recent years, lenders remained flexible in the loan terms they offered their customers. Since survey respondents typically provide a wide range of terms rather than a single number, it is difficult to give a precise average for the range of terms offered by institutions, but they remained similar to those offered in recent years. Mortgage terms reported by respondents fell within a wide 5- to 30-year range. 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.

Despite interest rate hikes, new loan volume increased in 2005, following last year's reported decline in volume. An average of 137 new loans per institution were financed this past year, up 12.0% from last year's 122. While up over the prior year, the average number of new loans per lender was still lower than in 2003, when each lender offered, on average, 160 new loans. However, volume is still significantly greater than in the late nineties, when, for instance, the *1998 Mortgage Survey* showed an average of just 37 new mortgages per lender. However, unlike the increase in new loans, the average number of refinanced loans decreased, down 15.8% from last year, to 123 in this year's survey, from 146 last year. This followed a record high number of refinanced loans (173) two years ago. In comments on the survey, lenders reported that since interest rates have been at historic lows in recent years, it is likely that owners have had ample opportunity to refinance if they wished to, and that the decline in refinancing volume is not surprising.

Underwriting Criteria

Similar to recent 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 first be attributed to stricter

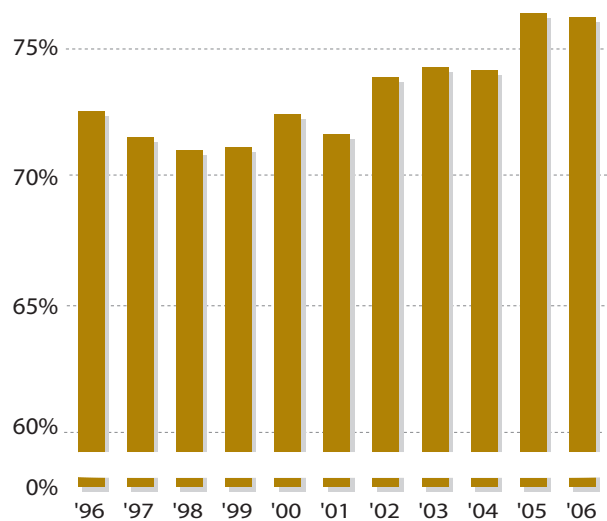
requirements that went into effect during the early 1990s. As recent surveys have found, this year's findings again suggest that, with such a competitive lending market, institutions are willing to provide ample loan availability and provide less stringent underwriting policies.

Underwriting standards remained the same for all but two of the lenders this year. While virtually all kept the same criteria for maximum loan-to-value ratios (LTV), debt service coverage, and building characteristics (such as age and condition), the two that reported change cited an increase in their monitoring requirements. For all institutions, the average maximum LTV ratio — the maximum dollar amount respondents were willing to lend based on a building's value — ranged from 65% to 80%. The average was 75.4%, slightly lower than last year's 76.3% (see graph below).

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

1996-2006 Cross-Sectional Average Loan-to-Value Standards

Maximum Loan-to-Value Standards Nearly Unchanged



Source: Rent Guidelines Board, annual Mortgage Surveys.

money a lender is willing to loan given constant net income. The debt service ratio (or NOI divided by the debt service) remained unchanged this year, with an average debt service requirement of 1.24 for the last 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)

Lenders cited standards similar to last year when assessing loan applications. The most oft cited standard is good building maintenance, with over half of all lenders indicating its importance. Second most important is the number of units in the building, with over a third indicating that buildings should contain a certain number of units, with a minimum of five the most common. Less important criteria to some of the lenders include whether the borrower lives in the building, and whether there was potential for the building to be converted to a co-op or condo. The year that the building was constructed also was of little concern to lenders.

For a second year, our survey asked lenders whether their lending standards differ for rent stabilized buildings as opposed to non-stabilized multifamily properties. Respondents were asked whether their new financing rates, refinancing rates, loan-to-value ratios, and debt service coverage requirements for rent stabilized properties were higher, lower, or the same as for other properties. All but two respondents reported that standards were no different for stabilized buildings. Of the two, the only difference that they cited was a lower debt service requirement.

Non-Performing Loans and Foreclosures

Almost all lenders reported that they had no non-performing loans or foreclosure proceedings this year, similar to last year's findings. Just two lenders (10%) reported having non-performing loans over the past year (a decrease from 16% last year), and only two institutions reported that they had any foreclosures, also down from 16% last year. Of the three lenders with either non-performing loans or foreclosures (one lender had both), none reported their portfolio as having any more than 1% of either. And the lender reporting both non-performing loans and foreclosures provides

financing for affordable housing, a riskier investment on average than the typical lender's portfolio.

Characteristics of Rent Stabilized Buildings

When asked about the average size of rent stabilized buildings in their portfolios, surveyed lenders reported results similar to last year. Four lenders reported average building sizes of 50 or more units and seven reported an average building size of fewer than 19 units. But as in prior years, the most common building size reported was 20-49 units, with 45% of lenders reporting this size building as their average rent stabilized building, up from 35% in 2004. Another 35% of lenders reported that their average building contained fewer than 19 units, down from 42% in 2004. The remaining 20% of lenders reported an average sized building of 50-99 units, down slightly from last year. For a third consecutive year, no lenders had rent stabilized buildings that averaged 100 units or more.

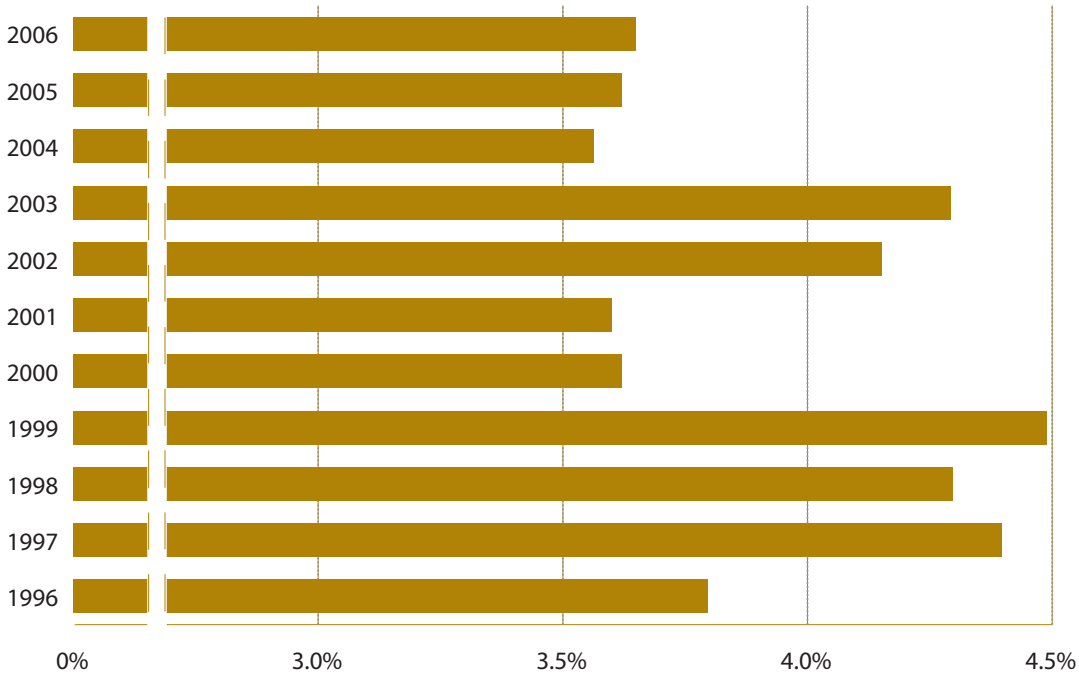
Virtually unchanged from last year, vacancy and collection (V&C) losses averaged 3.65%, compared to 3.62% last year. (See graph on next page.) Fifty-five percent of lenders reported V&C losses of 3% or less, about the same as the prior year, while 30% reported V&C losses of 5% or more, down from 40% last year and down significantly from the mid-90s, when up to 75% of lenders reported losses that high.

Following last year's aberrational decrease in both operating and maintenance (O&M) costs and average rent, both averages increased this year. O&M costs per unit, per month rose to \$469 this year, up 5.4% over the prior year. Further, average rents, as reported by this year's lenders, increased at a slower rate, up 1.6%, to \$973. (See Appendix 2) Because expenses rose faster than average rents, the average O&M cost-to-rent ratio increased to 48.2%, up from 46.4% in the prior year.⁷ The RGB first started tracking the average O&M cost-to-rent ratio eight years ago, since which time the rate has gone as low as 40.7% in 2003 and as high as 1999's 52.1%.

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 cannot be precisely compared to the cost-to-rent ratio reported in this *Mortgage Survey*, because both the sources and

Average Vacancy and Collection Losses, 1996-2006

Vacancy and Collection Losses Increase Slightly over Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

sample sizes are very different and the data studied in each report are from different time periods. In the 2005 *I&E Study*, which reported on data from the year 2003, the average O&M cost-to-rent ratio was 69.5%.⁸

Three years ago, in order to better understand the lending market, the survey began asking lenders whether they retain their mortgages or sell them to secondary markets. Of those who responded to this question, the majority of respondents (74%) retain all their mortgages, 16% sell all their mortgages, and 11% sell some of their mortgages to secondary markets.⁹ These results are fairly consistent with those found since lenders were first asked this question. Of those institutions that sell their mortgages, Freddie Mac or Fannie Mae are the most commonly cited purchasers.

Lenders are also asked whether the rent stabilized buildings to which they offer mortgage financing contain commercial space. This is useful so as to understand the extent of income for owners from sources other than residential tenants. Similar to last

year, almost all the lenders in this year's survey (90%) report that buildings in their portfolio contain commercial space, though the average amount varies depending on the lender. Among these lenders, buildings containing commercial space represent, on average, slightly over one-quarter (28%) of their lending portfolio.

Loan Expectations

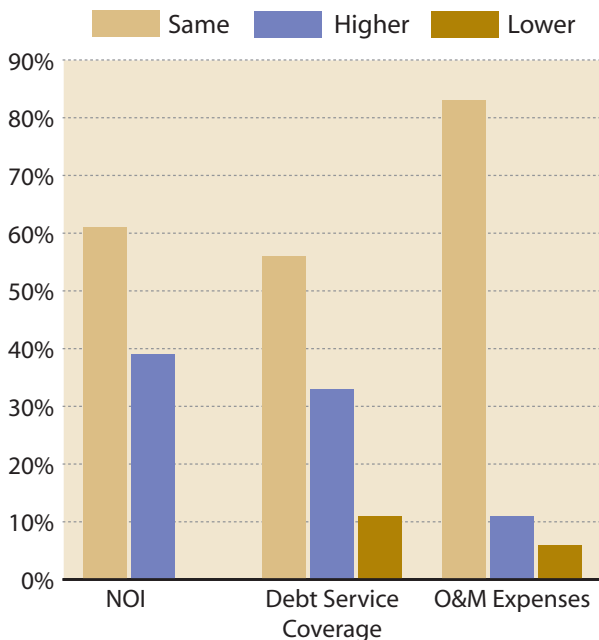
For a second year, the Survey asked lenders how their portfolio of rent stabilized buildings are doing, compared with expectations at the time of initial loan origination, with regard to net operating income (NOI), debt service coverage, and O&M expenses. This year, three quarters of all lenders felt that expectations in all three areas had been met or exceeded for their rent stabilized portfolio, while almost half reported that at least one of the three expectations were exceeded and one-sixth reported that at least one expectation was not met

in 2005 (see graph below).

Specifically, eleven of the eighteen 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 seven felt it outperformed expectations, and none felt it fell short of expectations.¹⁰ Responses for debt service coverage were slightly different, with ten lenders replying that expectations had been met, six responding that debt service coverage was higher than expected and two believing that it was lower than expectations. Finally, O&M expenses had the most consistent responses. The vast majority (15 of 18) felt they met with original expectations, while just two stated that expenses were higher than expectations and one reported expenses lower than what was originally anticipated.

2006 Performance of Rent Stabilized Loans as Compared to Expectations

Most Lenders Report That Loans Perform as Expected



Source: Rent Guidelines Board, annual Mortgage Surveys.

Longitudinal Analysis

Information regarding rent stabilized buildings can be analyzed longitudinally to more accurately measure changes in the lending market, since a number of respondents reply to the *Mortgage Survey* in at least two consecutive years. This longitudinal comparison helps to ascertain whether changes highlighted in the cross-sectional analysis reflect genuine fluctuations in the lending market or simply the presence of a different group of lenders from year to year. In this section, responses from the 20 lenders who replied to surveys both last and this year (the longitudinal group) were compared to underscore changes between 2005 and 2006. While all 20 of this year's respondents responded last year, the comparison between results this year and last is still useful to study.

Financing Availability and Terms

This year's longitudinal analysis reveals data that is similar, but not identical, when comparing results from last year, because the longitudinal respondents from last year are not the same as last year's cross-sectional respondents. This year's average interest rate among the longitudinal group for new financing, as of January 2006, was 6.30%, up from last year's longitudinal group, which had an average interest rate of 5.68%. (See Appendix 3) Virtually the same results were found in interest rates for refinanced loans, where the interest rate rose to 6.32%, up from 5.70% in 2005. (See Appendix 4)

Average points offered by lenders fell for both new and refinanced loans this year among the longitudinal group. This sample reports an average of 0.44 points for both new and refinanced loans, lower than last year's 0.58.

As with the cross-sectional group of lenders, the longitudinal group saw loan volume increase 7.6% over last year for new mortgages, and decline 8.0% for refinanced loans. Roughly the same percentage of lenders in this year's longitudinal group reported that their loan volume had increased (35%), attributing it to both an increase in applications and increasing rates of approval. In addition, fewer lenders (25%) reported a decline in volume, attributing it to a decline in application volume rather than a decline in approvals over the past year. The largest group (40%) reported no change in loan volume.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio increased slightly, up by 0.5 percentage points among the longitudinal group, increasing to 75.4%. Rates for debt service coverage remained virtually unchanged, at 1.24 this year versus 1.25 last year. (See Appendix 5) Similar to the cross-sectional group, vacancy and collection (V&C) losses in the longitudinal group rose slightly this year, increasing from 3.50% to 3.65%, a 4.3% increase. In addition, while in last year's longitudinal group, 32% of institutions had V&C losses of 5% or higher, this year 30% have losses of that magnitude.

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

This year's results indicate that increasing interest rates are impacting on refinancing more than new loan volume. But overall, the market for multifamily loans remains more favorable to borrowers, as interest rates and points charged remain historically low. While the Fed's policy of historically low interest rates has been evaporating over the past 21 months, the interest rates charged by institutions for mortgage lending has not increased as much, therefore helping to keep the market relatively stable. However, the low rates and easy lending terms over the last several years have resulted in a saturation of the refinancing market, leading to lower volume in that sector. Lenders have benefited from the minimal number of non-performing loans and foreclosures. But interest rates as set by the Fed are expected to continue to rise this year, and its impact on the mortgage industry will certainly be felt, though how significantly remains to be seen. □

Endnotes

1. Federal Reserve Board website: <http://www.federalreserve.gov/fomc/fundsrate.htm>. The first increase in 2006 occurred on Jan 31, 2006.
2. "Consolidation, Lay-offs Hit US Mortgage Industry," by Julie Haviv, *Reuters*. February 24, 2006.
3. Most recent data derived from the FDIC website. World Wide Web Page <<http://www.fdic.gov>> (accessed March 3, 2006).
4. The decline in the average real estate portfolio since last year may be reflective of the fact that one of the largest multifamily lenders in the market chose not to participate in this year's survey.
5. The Federal Reserve Board has continued its trend of increasing rates in 2006, with another quarter of a percentage point increase in January 2006.
6. "30-Year Mortgage Rates Jump to 2-Year High," by Martin Crutsinger, *Associated Press*. March 9, 2006.
7. 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.
8. The O&M cost-to-rent ratio from the *2006 Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately January 2006. The average ratio is calculated from just 20 responses. The latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was \$816 and average audited cost was \$567, reflects rents and expenses reported by owners for calendar year 2003. 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).
9. Percentages do not add up to 100% due to rounding. Also, one lender did not answer this question.
10. Two lenders did not answer the question.

1. Interest Rates and Terms for New and Refinanced Mortgages, 2006

New Mortgages						Refinanced Mortgages				
Institution	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
7	6.00%	0.50	10 years	both	8	6.00%	0.50	10 yrs/30 yr	both	2
8	5.88%	0.50	5/7 to 30 p/o, up to 15	adj	NR	5.88%	0.50	5/7 to 30, up to 15	adj	NR
10	6.00%	0.00	5 yrs	fxd	994	6.00%	0.00	5 yrs	fxd	318
11	6.88%	0.00	5/30 yr arm	adj	NR	6.88%	0.00	5/30 yr arm	adj	NR
14	6.00%	0.00	5 & 5	adj	100	6.00%	0.00	5 & 5	adj	200
15	0.00%	0.50	5 to 30	fxd	NR	0.00%	0.50	5 to 30	fxd	NR
16	5.88%	0.00	10	adj	335	5.88%	0.00	10	adj	675
18	6.00%	0.00	10	fxd	125	6.00%	0.00	10 yrs	fxd	125
23	6.50%	0.50	5 to 7 year ±	fxd	18	6.50%	0.50	5 to 7	fxd	10
28	5.50%	0.75	10/30	both	12	5.50%	0.75	10/30	both	12
30	6.50%	1.00	30 yrs	fxd	NR	6.50%	1.00	30 yrs	fxd	20
31	6.25%	0.00	5/25	fxd	NR	6.25%	0.00	5/25	fxd	NR
33	6.25%	0.00	15/25	adj	10	6.25%	0.00	15/25	adj	NR
35	6.75%	0.50	15 yrs	fxd	51	6.75%	0.50	15 yrs	fxd	14
36	5.78%	1.00	5 yr - 30 yr	fxd	22	5.78%	1.00	5 yr - 30 yr	fxd	22
37	7.65%	1.50	120/180/240	fxd	5	7.90%	1.50	120/180/240	fxd	3
40	6.75%	2.00	15 yr or 10/25 ±	fxd	11	6.75%	2.00	15 yrs or 10/25 bal	fxd	6
41	6.69%	0.00	up to 30 yr	both	NR	6.69%	0.00	up to 30 yr	both	NR
117	5.75%	0.00	5-7 yrs	fxd	100	5.75%	0.00	5 to 7	fxd	190
209	6.75%	0.00	5+5+5/25 arm ±	adj	125	6.75%	0.00	5+5+5/25 arm ±	adj	125
AVERAGE	6.30%	0.44	†	†	137	6.32%	0.44	†	†	123

Amortization
 † No average computed
 ± Balloon

Fxd = fixed rate mortgage
Adj = adjustable rate mortgage
NR = no response to this question

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: 2006 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2006

Lending Institution	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Typical Building Size	Average Monthly O&M Cost/Unit	Average Monthly Rent/Unit
7	75.0%	1.3%	5.0%	50-99	\$650	\$1,500
8	75.0%	1.3%	2.0%	20-49	NR	NR
10	75.0%	1.3%	3.0%	20-49	\$500	\$1,100
11	75.0%	1.3%	3.0%	1-10	NR	\$1,000
14	75.0%	1.3%	3.0%	20-49	\$600	\$1,100
15	80.0%	1.3%	5.0%	20-49	\$625	\$1,200
16	80.0%	1.2%	5.0%	20-49	\$375	\$725
18	80.0%	1.2%	3.0%	20-49	\$400	\$950
23	75.0%	1.3%	3.0%	20-49	\$541	\$1,350
28	80.0%	1.3%	3.0%	50-99	\$500	\$950
30	80.0%	1.3%	5.0%	20-49	\$400	\$750
31	75.0%	1.4%	3.0%	20-49	NR	NR
33	75.0%	1.3%	3.0%	11-19	NR	NR
35	65.0%	1.2%	4.0%	1-10	\$450	\$850
36	80.0%	1.3%	3.0%	50-99	NR	NR
37	70.0%	1.2%	2.0%	1-10	\$250	\$500
40	67.5%	1.2%	5.0%	1-10	\$390	\$850
41	75.0%	1.3%	4.0%	1-10	\$650	\$975
117	75.0%	1.3%	4.0%	50-99	\$400	\$875
209	75.0%	1.3%	5.0%	1-10	\$300	\$900
AVERAGE	75.4%	1.24%	3.65%	†	\$469	\$973

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: 2006 Rent Guidelines Board Mortgage Survey

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

Lending Inst.	Interest Rates		Points		Term		Type	
	2006	2005	2006	2005	2006	2005	2006	2005
7	6.00%	6.00%	0.50	0.50	10 years	10/30	both	Both
8	5.88%	5.50%	0.50	0.50	5/7 to 30 p/o, up to 15	5/7Adj, 10 Fxd	adj	Both
10	6.00%	5.00%	0.00	0.00	5 yrs	5	fxd	Fxd
11	6.88%	5.75%	0.00	0.00	5/30 yr arm	30	adj	Adj
14	6.00%	5.00%	0.00	0.00	5 & 5	5+5	adj	Adj
15	NR	NR	0.50	0.50	5 to 30	5 to 30	fxd	Both
16	5.88%	5.19%	0.00	0.50	10	5+5/7+5 (25)	adj	Adj
18	6.00%	5.50%	0.00	0.00	10	10	fxd	Both
23	6.50%	5.75%	0.50	1.00	5 to 7 year ±	NR	fxd	Fxd
28	5.50%	5.25%	0.75	0.75	10/30	10/30	both	Both
30	6.50%	6.15%	1.00	1.00	30 yrs	up to 30	fxd	Both
31	6.25%	5.00%	0.00	0.50	5/25	5-10	fxd	Fxd
33	6.25%	6.00%	0.00	0.50	15/25	15/25 or 3 or 5	adj	Adj
35	6.75%	6.25%	0.50	0.50	15 yrs	15	fxd	Fxd
36	5.78%	5.14%	1.00	1.00	5 yr - 30 yr	10/30	fxd	Fxd
37	7.65%	7.45%	1.50	1.50	120/180/240	10/15	fxd	Fxd
40	6.75%	5.94%	2.00	2.00	15 yr or 10/25 ±	15 or 10/25/±	fxd	Fxd
41	6.69%	6.38%	0.00	0.00	up to 30 yr	10-30	both	Both
117	5.75%	5.00%	0.00	0.25	5-7 yrs	5	fxd	Fxd
209	6.75%	5.75%	0.00	0.50	5+5+5/25 ARM ±	5+5	adj	Adj
AVERAGE	6.30%	5.68%	0.44	0.58	†	†	†	†

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

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: 2005 and 2006 Rent Guidelines Board Mortgage Surveys

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

Lending Inst.	Interest Rates		Points		Term		Type	
	2006	2005	2006	2005	2006	2005	2006	2005
7	6.00%	6.00%	0.50	0.50	10 years/30 year	10/30	both	Both
8	5.88%	5.50%	0.50	0.50	5/7 to 30 p/o	5/7Adj, 10 Fxd	adj	Both
10	6.00%	5.00%	0.00	0.00	5 yrs	5	fxd	Fxd
11	6.88%	5.75%	0.00	0.00	5/30 yr arm	30	adj	Adj
14	6.00%	5.00%	0.00	0.00	5 & 5	5+5	adj	Adj
15	NR	NR	0.50	0.50	5 to 30	5 to 30	fxd	Both
16	5.88%	5.19%	0.00	0.50	10	5+5/7+5 (25)	adj	Adj
18	6.00%	5.50%	0.00	0.00	10 yrs	10	fxd	Both
23	6.50%	5.75%	0.50	1.00	5 to 7	5/25	fxd	Fxd
28	5.50%	5.25%	0.75	0.75	10/30	10/30	both	Both
30	6.50%	6.15%	1.00	1.00	30 yrs	up to 30	fxd	Both
31	6.25%	5.00%	0.00	0.50	5/25	5-10	fxd	Fxd
33	6.25%	6.00%	0.00	0.50	15/25	15/25 or 3 or 5	adj	Adj
35	6.75%	6.25%	0.50	0.50	15 yrs	15	fxd	Fxd
36	5.78%	5.14%	1.00	1.00	5 yr - 30 yr	10/30	fxd	Fxd
37	7.90%	7.45%	1.50	1.50	120/180/240	10/15	fxd	Fxd
40	6.75%	6.25%	2.00	2.00	15 yrs or 10/25 ±	15 or 10/25/±	fxd	Fxd
41	6.69%	6.38%	0.00	0.00	up to 30 year	10-30	both	Both
117	5.75%	5.00%	0.00	0.25	5 to 7	5.0	fxd	Fxd
209	6.75%	5.75%	0.00	0.50	5+5+5/25 ARM ±	5+5	adj	Adj
AVERAGE	6.32%	5.70%	0.44	0.58	†	†	†	†

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

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: 2005 and 2006 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study

Lending Inst.	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
	2006	2005	2006	2005	2006	2005
7	75.0%	75.0%	1.25%	1.25%	5.0%	5.0%
8	75.0%	75.0%	1.25%	1.25%	2.0%	2.0%
10	75.0%	80.0%	1.25%	1.25%	3.0%	3.0%
11	75.0%	75.0%	1.25%	1.25%	3.0%	1.0%
14	75.0%	75.0%	1.25%	1.25%	3.0%	3.0%
15	80.0%	80.0%	1.25%	1.25%	5.0%	5.0%
16	80.0%	80.0%	1.20%	1.30%	5.0%	3.0%
18	80.0%	75.0%	1.15%	1.25%	3.0%	5.0%
23	75.0%	75.0%	1.25%	1.25%	3.0%	3.0%
28	80.0%	80.0%	1.25%	1.25%	3.0%	0.0%
30	80.0%	80.0%	1.25%	1.25%	5.0%	3.0%
31	75.0%	75.0%	1.40%	1.30%	3.0%	3.0%
33	75.0%	75.0%	1.25%	1.25%	3.0%	3.0%
35	65.0%	65.0%	1.15%	1.15%	4.0%	4.0%
36	80.0%	80.0%	1.25%	1.25%	3.0%	5.0%
37	70.0%	60.0%	1.20%	1.20%	2.0%	<1%
40	67.5%	67.5%	1.20%	1.20%	5.0%	5.0%
41	75.0%	75.0%	1.25%	1.25%	4.0%	5.0%
117	75.0%	75.0%	1.30%	1.30%	4.0%	3.0%
209	75.0%	75.0%	1.25%	1.25%	5.0%	5.0%
AVERAGE	75.4%	74.9%	1.24%	1.25%	3.65%	3.50%

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: 2005 and 2006 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%	33,606	31,599
2006	6.1%	.	.

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. 2006 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. (Please inform our office that you do not offer primary financing at this time.)</p>	<p>Interest rate : _____ % _____ % (current) (12 mo. average for 2005)</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 2005 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 2005)</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 2005 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>	
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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"/> NA</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"/></p> <p>Building Age: _____ <input type="checkbox"/></p> <p>Borrower Lives in Building: _____ <input type="checkbox"/></p> <p>Overall Building Maintenance: _____ <input type="checkbox"/></p> <p>Co-op / Condo Conversion Potential: _____ <input type="checkbox"/></p> <p>Other (Please Specify): _____ <input type="checkbox"/></p>
<p>5. Did your institution change its underwriting practices for financing or refinancing rent stabilized buildings over the past year?</p>	<p><input type="checkbox"/> Yes.</p> <p><input type="checkbox"/> No. (If no, please skip to Question 7).</p>
<p>6. Yes, we changed our underwriting practices for rent stabilized buildings to: (Please check and fill in all applicable choices.)</p>	<p><input type="checkbox"/> Use _____ stringent approvals. (more / less)</p> <p><input type="checkbox"/> Require _____ fees (i.e., points or fees). (higher / lower)</p> <p><input type="checkbox"/> _____ loan-to-value ratio. (Increase / Decrease)</p> <p><input type="checkbox"/> _____ monitoring requirements. (Increase / Decrease)</p> <p><input type="checkbox"/> _____ lending to rent stabilized buildings. (Discontinue / Reduce / Expand)</p> <p><input type="checkbox"/> Other : _____</p>
<p>III. Additional Mortgage Questions</p>	
<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>
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<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>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"/> 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>O&M Expenses: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p>
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<p>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>	
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