NYC Rent Guidelines Board

2007 Mortgage Survey

March 27, 2007

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what's new

- ✔ Average interest rates for new multifamily mortgages changed little, falling .04 percentage points, or 0.6%, to 6.27%.
- ✔ Refinancing interest rates decreased this year by 0.11 percentage points to 6.21%.
- ✔ Average points for new loans rose 0.17 points, to 0.61 points.
- ✔ Refinanced loan volume decreased by 67%.
- ✔ Vacancy and collection losses decreased from 3.39% this year vs. 3.65% last year.
- ✔ Underwriting criteria remained similar to last year.
- ✔ Lenders' expectations were met by over 85% 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 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 2006 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 information.

Summary

The *2007 Mortgage Survey* revealed differing trends in interest rates. While the average interest rate in 2006 increased over the prior year, the current (as of February 2007) interest rate showed a slight decline over the prior year. Meanwhile, new and refinanced loan volume declined significantly in 2006, despite the continuance of flexible lending terms and underwriting. The lending market was little impacted by four separate quarter point increases in the Federal Reserve Board's federal funds and discount rate during 2006.[1] 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. Average up-front fees, called points, increased after falling last year to their lowest level in the history of the survey. Lenders again reported a virtual absence of non-performing loans or foreclosures.

This report will more fully address 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-one financial institutions responded to this year's survey, one more than last year.[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 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 and a city agency. Among the respondents, 16 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. Sixteen survey respondents report their multifamily real estate holdings to the FDIC, with values ranging between $19.1 million and $10.1 billion.[3] Five of this year's institutions reported multifamily holdings of over one billion dollars, while four institutions had holdings of less than $100 million. Compared with last year, the average multifamily real estate portfolio of our survey respondents increased by 24.3%, to $1.48 billion.

As in previous years, a small number of large lenders provided most of the total volume of new and refinanced mortgages. Of all respondents, three provided 61.1% of the total volume of new mortgages (at an average interest rate of 6.38%), while seven lenders provided 90.4% of the total volume of refinanced loans (at an average interest rate of 5.79%).

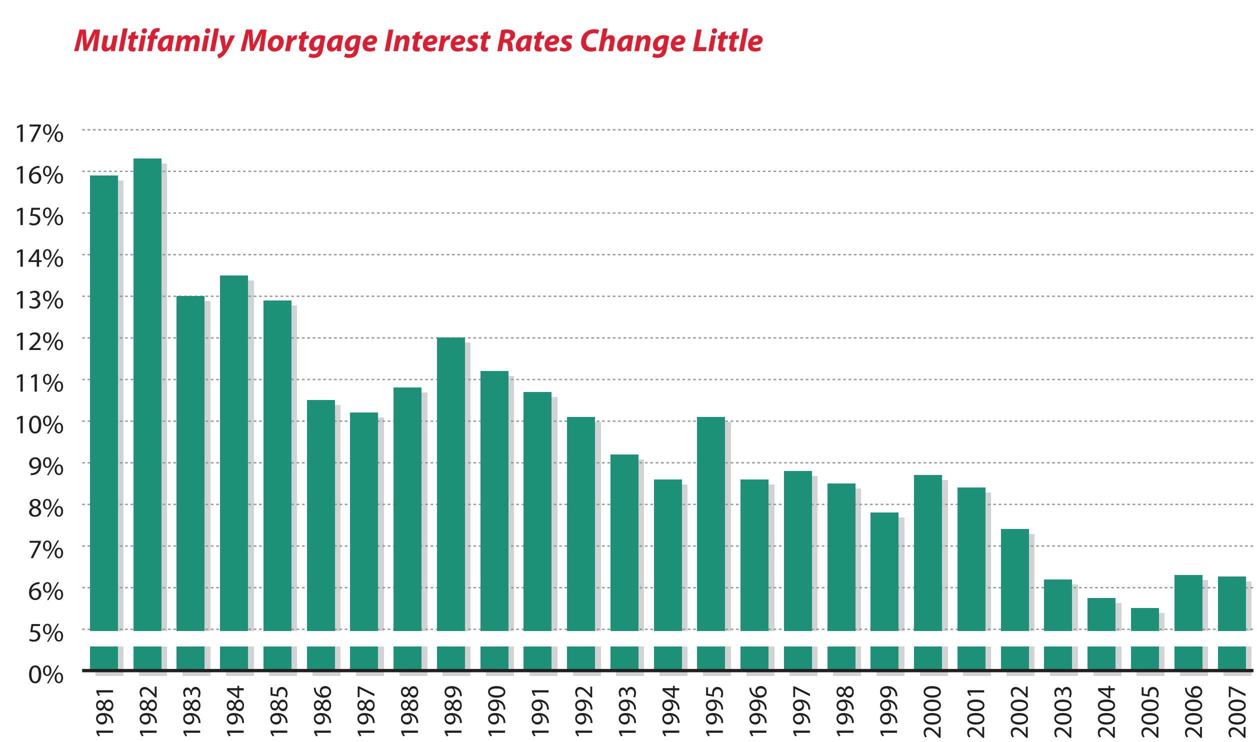
Cross-Sectional Analysis

Financing Availability and Terms

Average interest rates were a mixed bag compared to the prior year. As of February 2007, this year's average interest rate of 6.27% for new multifamily mortgages was a decrease of 0.04 percentage points, or 0.6%, from the previous February (see graph on this page and Appendix 1). Reflecting the fact that interest rates decreased slightly as the year progressed, the average rate reported for all of 2006 was 6.31%, higher than current reported rates, and a 0.25 percentage point (or 4.1%) increase from the prior year.

Average interest rates decreased slightly during the year among the institutions surveyed despite increases in the federal funds and discount rates by the Federal Reserve Board during 2006. The Fed raised both the

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2007



Source: Rent Guidelines Board, annual Mortgage Surveys.

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 — four times, each time raising it a quarter of a percentage point, to a high of 5.25% in 2006. While actions by the Fed can impact interest rates charged borrowers, the possibility of inflation has a larger impact, suggesting that lenders feel inflation is not of great concern.[4]

The four increases in 2006, all in the first half of the year, follow a succession of increases that began 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%. The Fed is not expected to raise rates in the near future if it feels that inflation continues to be held in check.[5]

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 February 2007, 6.21%, was just 0.06 percentage points lower than the average current rate charged on new originations and 0.11 percentage points lower than last February. (See Appendix 1) At 6.24%, average 2006 refinancing rates were 0.16 percentage points higher than the prior year's refinancing rates.

Points, which are up-front service fees, that were charged for new and refinanced loans ranged from zero to two percent, with all but three lenders charging no more than one point and with six surveyed lenders charging no points. The average service fee charged on new loans by lenders was 0.61 points, a 0.17 percentage point increase from last year's average of 0.44. Average fees

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

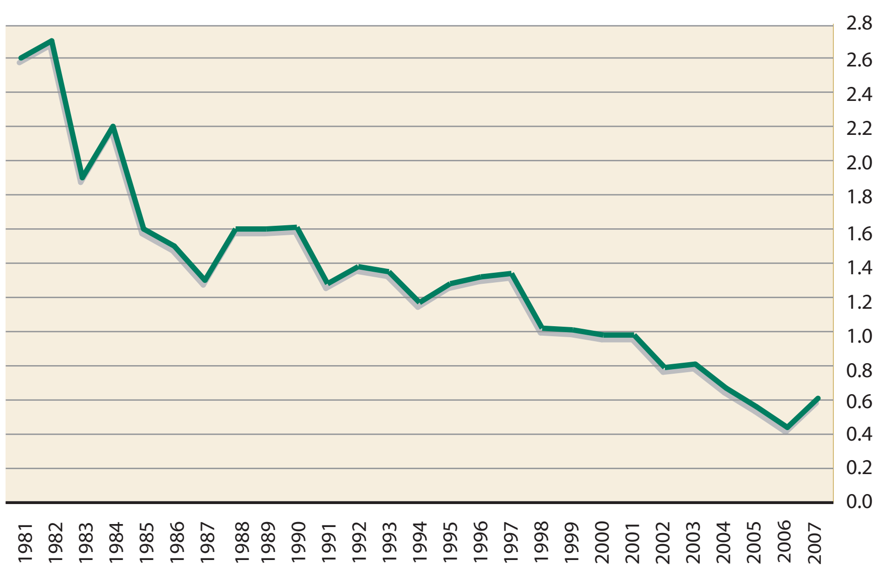
Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

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, 1981-2007

Service Fees Increase Over Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

reported in the survey have remained around or below one point for the past decade (see graph on previous page). Average points for refinanced mortgages were the same as that charged on new originations.

Lenders, as in recent years, 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 3- 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.

In spite of interest rates that remained virtually unchanged, new loan volume decreased significantly in 2006, following increases in volume the prior year. An average of 71 new loans per institution were financed this past year, down 48% from last year's 137. About half of all lenders reported a drop in loan volume, while just three saw increases. While down significantly from the prior year, volume is still greater than in the late nineties, when, for instance, the *1998 Mortgage Survey* showed an average of 37 new mortgages per lender. Similarly, the average number of refinanced loans decreased, down 67% from last year, to 41 in this year's survey. This followed a record high number of refinanced loans (173) three years ago.[6]

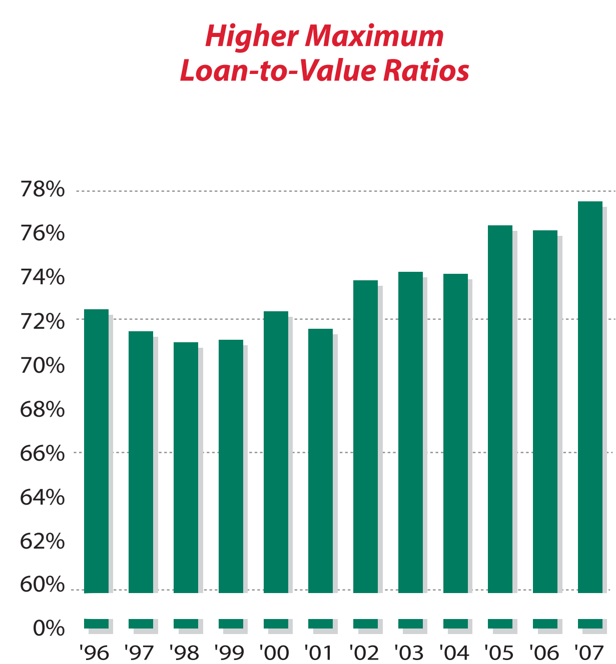
Underwriting Criteria

Over the last decade, there has been a sustained period of low delinquencies and defaults, suggesting that institutions are willing to provide ample loan availability and provide less stringent underwriting policies. There was little change in the lending practices of institutions this year. For all but four of the lenders, underwriting standards remained the same from the prior 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), two reported that they approved fewer loans. 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 100%.[7] The average was 77.4%, slightly higher than last year's 75.4% (see graph on this page).

Another important lending criterion is the debt service ratio — an investment's ability to cover mortgage payments using its net operating income (NOI). The higher the debt service coverage requirements, the less money a lender is willing to loan given constant net income. The debt service ratio (or NOI divided by the debt service) decreased slightly this year, with an average debt service requirement of 1.22, down from 1.24 found over the last two years. Because the average debt service ratio changed little, most lenders have not changed the amount of money they are willing to lend in relation to the net operating income of buildings. (See Appendix 2)

Lenders cited standards similar to last year when assessing loan applications. The most frequently cited standard is good building maintenance, with 81% of all lenders indicating its importance. Second most important is the number of units in the building, with

1996-2007 Cross-Sectional Average Loan-to-Value Standards



Source: Rent Guidelines Board, annual Mortgage Surveys.

38% indicating that buildings should contain a certain number of units, with a minimum of five the most common. Less important criteria include whether the borrower lives in the building, the age of the building and whether there was potential for the building to be converted to a co-op or condo.

For a third 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 three respondents reported that standards were no different for stabilized buildings.

Non-Performing Loans and Foreclosures

The vast majority of all lenders reported that they had no non-performing loans or foreclosure proceedings this year. Four lenders reported having non-performing loans over the past year (an increase from two last year), and three institutions reported that they had foreclosures, up from two last year. Of the four lenders with either non-performing loans and/or foreclosures, just one lender, a not-for-profit institution providing financing for affordable housing, reported that their portfolio had more than 1.5% of both.

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, with 85% of lenders reporting average building sizes of between 11 and 99 units. Specifically, six lenders reported average building sizes of 50-99 units, another six had average building sizes of 11-19 units, and five had an average of 20-49 units. Three others reported an average building size of ten or fewer units. For a fourth consecutive year, no

Average Vacancy and Collection Losses, 1996-2007

Source: Rent Guidelines Board, annual Mortgage Surveys.

lenders had rent stabilized buildings that averaged 100 units or more.

Vacancy and collection (V&C) losses averaged 3.39%, down from 3.65% in the prior year. (See graph on previous page.) Just over half of all lenders reported V&C losses of 3% or less, similar to last year, while about one in five reported V&C losses of 5% or more, similar to last year and down significantly from the mid-90s, when up to 75% of lenders reported losses that high.

Average operating and maintenance (O&M) expenses increased 3%, to $483 per unit per month, a lesser increase than the 5.4% increase seen the prior year. However, for the second time in three years, average rents, as reported by this year's lenders, decreased by 3%, to $945. (See Appendix 2) Because expenses rose while average rents fell, the average O&M cost-to-rent ratio increased to 51.1%, up from 48.2% in the prior year.[8] The RGB first started tracking the average O&M cost-to-rent ratio nine 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 sample sizes are very different and the data studied in each report are from different time periods. In the *2006 I&E Study*, which reported on data from the year 2004, the average O&M cost-to-rent ratio was 70.3%.[9]

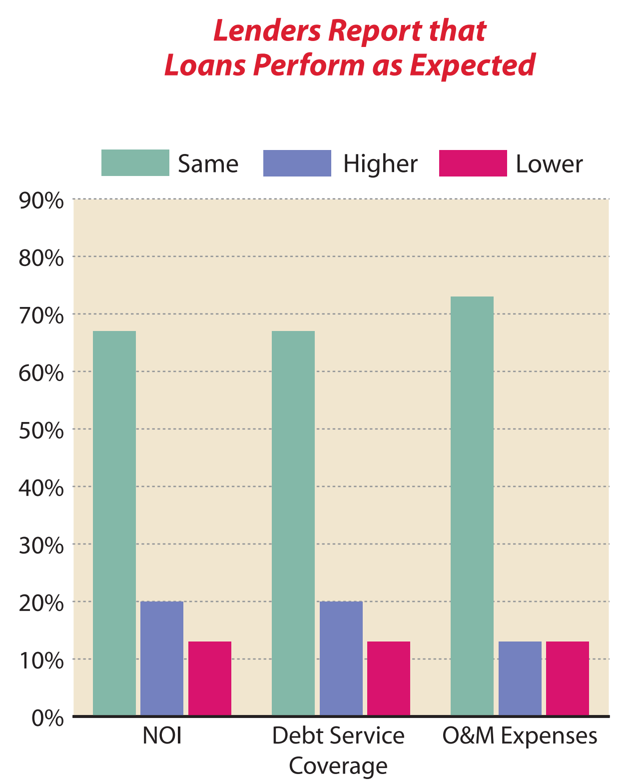
The survey also asks lenders whether they retain their mortgages or sell them to secondary markets. Among the lenders, the majority of respondents (70%) retain all their mortgages, 20% sell all their mortgages, and 10% sell some of their mortgages to secondary markets. These results are fairly consistent with those found since lenders were first asked this question. Of those institutions that sell their mortgages, Freddie Mac, Fannie Mae and pension funds 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, virtually all the lenders in this year's survey (95%) 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 (27%) of their lending portfolio, similar to last year.

Loan Expectations

For a third year, the Survey asked lenders how their portfolio of rent stabilized buildings are performing, 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, over 85% of lenders felt that expectations in all three areas had been met or exceeded for their rent stabilized portfolio, while 13% reported at least one expectation was not met in 2006 (see graph on this page).

2007 Performance of Rent Stabilized Loans as Compared to Expectations



Source: Rent Guidelines Board, annual Mortgage Surveys.

Specifically, two-thirds of the 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 20% felt it outperformed expectations, and 13% felt it fell short of expectations. Responses for debt service coverage and O&M expenses were similar to the findings of NOI, with virtually the same number of lenders reporting performances conforming to or exceeding expectations in the majority of cases.

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 16 lenders who replied to surveys both last and this year (the longitudinal group) were compared to underscore changes between 2006 and 2007.

Financing Availability and Terms

This year's longitudinal analysis reveals data that is similar, but not identical, to this year's cross-sectional analysis. This year's average interest rate among the longitudinal group for both new financing and refinancing, as of February 2007, was 6.42%, up from last year's longitudinal group, which had an average interest rate of 6.26% on new loans and 6.28% on refinanced loans. (See Appendices 3 and 4)

Among the longitudinal group, average points offered by lenders fell slightly for both new and refinanced loans. This sample reports an average of 0.53 points for both new and refinanced loans, lower than last year's 0.55.

On a scale much less significant than in the cross-sectional group of lenders, the longitudinal group saw loan volume decrease 4.7% over last year for new mortgages, but a much more significant decline of 52% for refinanced loans. (See endnote 6) Half the lenders in this year's longitudinal group reported that their loan volume had decreased, attributing it to a decline in loan applications. In addition, 19% of respondents reported an increase in volume, while a third reported no change in volume.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio was 75.5%, the same as that reported by this group of institutions last year. Rates for debt service coverage remained virtually unchanged, at 1.22 this year versus 1.23 last year. (See Appendix 5) Similar to the cross-sectional group, vacancy and collection (V&C) losses in the longitudinal group decreased this year, falling from

Selected 2007 Cross-Sectional Data Compared to 2007 Longitudinal Data

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

(Averages)	NF Interest Rate	RF Interest Rate	NF Loan Volume	RF Loan Volume	NF Points	RF Points	Max LTV Ratio	Debt Service	V&C Losses
2007 Cross-Sectional Data	6.27%	6.21%	71	41	.61	.61	77.4%	1.22	3.39%
2007 Longitudinal Data	6.42%	6.42%	68	52	.53	.53	75.5%	1.22	3.56%

NF= New Financing RF= Refinancing LTV=Loan-to-Value V&C=Vacancy and Collection

Source: Rent Guidelines Board, Annual Mortgage Surveys

3.75% to 3.56%, a five percent decrease. In addition, last year 38% of this longitudinal group reported V&C losses of 5% or more, while this year 19% had 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 two lenders in the longitudinal group reporting non-performing loans or foreclosures during this past year.

Conclusion

While the multifamily loan market remains favorable to borrowers in terms of financing availability, terms and underwriting criteria, loan volume fell this year, most notably in the refinancing market. Despite four Fed interest rate increases, interest rates and points charged borrowers changed little this past year. With some lenders citing a saturated lending market, it is difficult to tell what direction the lending market will go in the coming year. ❒

Endnotes

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

2. One institution that responded to the survey reported zero loans to rent stabilized buildings in 2006, and their responses were not used in this report.

3. Most recent data derived from the FDIC website. World Wide Web Page <http://www.fdic.gov> (accessed March 2, 2007).

4. "What Really Moves Interest Rates," by Bob Tedeschi, *New York Times*. August 20, 2006.

5. "Fed, Leaving Rate at 5.25%, Is Optimistic on Inflation," by Edmund L. Andrews, *New York Times*. February 1, 2007.

6. The larger drop in loan volume among the cross-sectional group (48%) may be due to the lack of participation this year of the largest lender from last year's survey.

7. The lender offering a maximum LTV ratio of 100% was a government agency.

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

9. The O&M cost-to-rent ratio from the 2007 Mortgage Survey reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2007. The average ratio is calculated from just 21 responses. The latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was $855 and average audited cost was $601, reflects rents and expenses reported by owners for calendar year 2004. 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).

1. Interest Rates and Terms for New and Refinanced Mortgages, 2007

	New Mortgages					Refinanced Mortgages				
Institution	Rate (%)	Points	Term (yrs)	Type	Volume	Rate (%)	Points	Term (yrs)	Type	Volume
7	6.50%	0.50	10 years/30 yrs π	both	15	6.50%	0.50	10 years/30 yrs π	both	7
8	6.00%	0.50	5 to 15 years	both	15	6.00%	0.50	5 to 15 years	both	15
14	6.00%	0.00	5&5	adj	285	6.00%	0.00	5&5	adj	175
15	NR	0.50	5/7/10/15/20/25/30 yrs	fixed	NR	NR	0.50	5/7/10/15/20/25/30 yrs	fixed	NR
16	6.13%	0.00	5+5/30	adj	299	6.13%	0.00	5+5/30	adj	299
18	6.40%	0.00	10/30	both	112	6.40%	0.00	10/30	both	143
23	6.75%	0.50	5, 7 & 15 yr terms	fixed	13	6.75%	0.50	5, 7 & 10 yrs	fixed	4
28	5.50%	0.50	5-30 years	both	10	5.50%	0.50	5-30 years	both	15
30	7.00%	1.00	30 yr π	fixed	100	7.00%	1.00	30 yr π	fixed	20
33	6.25%	0.00	15	adj	20	6.25%	0.00	15	adj	20
35	7.00%	0.50	15 yrs	fixed	10	7.00%	0.50	15 yrs	fixed	8
36	5.75%	NR	10 yr term/30 yr π	fixed	7	5.85%	NR	10 yr term/30 yr π	fixed	7
37	8.20%	1.50	120/180/240	fixed	4	7.95%	1.50	120/180/240	fixed	4
40	6.63%	2.00	15 yr or 10/25 ±	fixed	7	6.68%	2.00	15 yr or 10/25 ±	fixed	6
106	2.00%	0.00	25-30	fixed	65	1.00%	0.00	30	fixed	21
116	7.00%	1.00	3	adj	200	7.00%	1.00	3	adj	10
117	6.00%	0.00	5 yrs	fixed	100	6.00%	0.00	5 yrs	fixed	50
209	6.25%	0.50	10 years	ADJ	17	6.25%	0.50	10 yrs	adj	10
210	6.95%	2.00	15 yrs/up to 30 yrs	fixed	5	6.95%	2.00	15 yrs/up to 30 yrs	fixed	2
301	6.75%	0.50	5 yrs	fixed	0	6.75%	0.50	5 yrs	fixed	3
AVERAGE	**6.27%**	**0.61**	**†**	**†**	**71**	**6.21%**	**0.61**	**†**	**†**	**41**

π 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: 2007 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2007

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%	1.25	5.0%	50-99	NR	NR
8	75.0%	1.25	3.0%	1-10	$350	$850
14	75.0%	1.25	3.0%	20-49	$400	$1,100
15	80.0%	1.20	5.0%	50-99	$675	$1,300
16	80.0%	1.20	4.0%	20-49	$400	$700
18	80.0%	1.20	3.0%	20-49	$500	$850
23	75.0%	1.25	4.0%	20-49	$600	$1,300
28	80.0%	1.20	2.0%	50-99	$500	$1,000
30	80.0%	1.25	3.0%	20-49	$550	$900
33	75.0%	1.25	3.0%	11-19	$350	$1,200
35	65.0%	1.20	4.0%	11-19	$475	$875
36	80.0%	1.20	3.0%	50-99	$525	$1,100
37	70.0%	1.20	2.0%	1-10	$250	$500
40	67.5%	1.20	4.0%	1-10	$398	$917
106	100.0%	1.20	5.0%	11-19	$520	$550
116	80.0%	1.30	0.5%	50-99	$1,000	$1,800
117	75.0%	1.25	5.0%	50-99	$450	$840
209	75.0%	1.25	4.0%	11-19	$375	$447
210	80.0%	1.20	NR	11-19	$350	$700
301	80.0%	1.20	2.0%	11-19	$500	$1,025
AVERAGE	**77.4%**	**1.22**	**3.4%**	**†**	**$483**	**$945**

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: 2007 Rent Guidelines Board Mortgage Survey

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

Lending Inst.	Interest Rates 2007	Interest Rates 2006	Points 2007	Points 2006	Term 2007	Term 2006	Type 2007	Type 2006
7	6.50%	6.00%	0.50	0.50	10 years/30 yrs π	10 years	both	both
8	6.00%	5.88%	0.50	0.50	5 to 15 years	5/7 to 30, up to 15	both	adj
14	6.00%	6.00%	0.00	0.00	5&5	5 & 5	adj	adj
15	NR	NR	0.50	0.50	5-30 yrs	5-30	fixed	fxd
16	6.13%	5.88%	0.00	0.00	5+5/30	10	adj	adj
18	6.40%	6.00%	0.00	0.00	10/30	10	both	fxd
23	6.75%	6.50%	0.50	0.50	5, 7 & 15 yr	5 to 7 year ±	fixed	fxd
28	5.50%	5.50%	0.50	0.75	5-30 years	10/30	both	both
30	7.00%	6.50%	1.00	1.00	30 yr π	30 yrs	fixed	fxd
33	6.25%	6.25%	0.00	0.00	15	15/25	adj	adj
35	7.00%	6.75%	0.50	0.50	15 yrs	15 yrs	fixed	fxd
36	5.75%	5.78%	NR	1.00	10 yr term/30 yr π	5 yr - 30 yr	fixed	fxd
37	8.20%	7.65%	1.50	1.50	120/180/240	120/180/240	fixed	fxd
40	6.63%	6.75%	2.00	2.00	15 yr or 10/25 ±	15 yr or 10/25 ±	fixed	fxd
117	6.00%	5.75%	0.00	0.00	5 yrs	5-7 yrs	fixed	fxd
209	6.25%	6.75%	0.50	0.00	10 years	5+5+5/25 arm ±	adj	adj
AVERAGE	**6.42%**	**6.26%**	**0.53**	**0.55**	†	†	†	†

NR indicates no response to this question. † No average computed π Amortization ± Balloon
Fxd = fixed rate mortgage **Adj** = adjustable rate mortgage

Note: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution.
Source: 2006 and 2007 Rent Guidelines Board Mortgage Surveys

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

Lending Inst.	Interest Rates 2007	Interest Rates 2006	Points 2007	Points 2006	Term 2007	Term 2006	Type 2007	Type 2006
7	6.50%	6.00%	0.50	0.50	10 years/30 yrs π	10 yrs/30 yr π	both	both
8	6.00%	5.88%	0.50	0.50	5 to 15 years	5/7 to 30, up to 15	both	adj
14	6.00%	6.00%	0.00	0.00	5&5	5 & 5	adj	adj
15	NR	NR	0.50	0.50	5/7/10/15/20/25/30	5/7/10/15/20/25/30	fixed	fxd
16	6.13%	5.88%	0.00	0.00	5+5/30	10	adj	adj
18	6.40%	6.00%	0.00	0.00	10/30	10 yrs	both	fxd
23	6.75%	6.50%	0.50	0.50	5, 7 & 10 yrs	5 to 7	fixed	fxd
28	5.50%	5.50%	0.50	0.75	5-30 years	10/30	both	both
30	7.00%	6.50%	1.00	1.00	30 yr π	30 yrs	fixed	fxd
33	6.25%	6.25%	0.00	0.00	15	15/25	adj	adj
35	7.00%	6.75%	0.50	0.50	15 yrs	15 yrs	fixed	fxd
36	5.85%	5.78%	NR	1.00	10 yr term/30 yr π	5 yr - 30 yr	fixed	fxd
37	7.95%	7.90%	1.50	1.50	120/180/240	120/180/240	fixed	fxd
40	6.68%	6.75%	2.00	2.00	15 yr or 10/25 ±	15 yrs or 10/25 ±	fixed	fxd
117	6.00%	5.75%	0.00	0.00	5 yrs	5 to 7	fixed	fxd
209	6.25%	6.75%	0.50	0.00	10 yrs	5+5+5/25 arm ±	adj	adj
AVERAGE	**6.42%**	**6.28%**	**0.53**	**0.55**	†	†	†	†

NR indicates no response to this question. † No average computed π Amortization ± Balloon
Fxd = fixed rate mortgage **Adj** = adjustable rate mortgage

Note: Averages for interest rates and points are calculated by using the midpoint when a range of values were given by the lending institution.
Source: 2006 and 2007 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study

	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
Lending Inst.	2007	2006	2007	2006	2007	2006
7	75.0%	75.0%	1.25	1.25	5.0%	5.0%
8	75.0%	75.0%	1.25	1.25	3.0%	2.0%
14	75.0%	75.0%	1.25	1.25	3.0%	3.0%
15	80.0%	80.0%	1.20	1.25	5.0%	5.0%
16	80.0%	80.0%	1.20	1.20	4.0%	5.0%
18	80.0%	80.0%	1.15	1.15	3.0%	3.0%
23	75.0%	75.0%	1.25	1.25	4.0%	3.0%
28	80.0%	80.0%	1.20	1.25	2.0%	3.0%
30	80.0%	80.0%	1.25	1.25	3.0%	5.0%
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%	1.20	1.25	3.0%	3.0%
37	70.0%	70.0%	1.20	1.20	2.0%	2.0%
40	67.5%	67.5%	1.20	1.20	4.0%	5.0%
117	75.0%	75.0%	1.25	1.30	5.0%	4.0%
209	75.0%	75.0%	1.25	1.25	4.0%	5.0%
AVERAGE	**75.5%**	**75.5%**	**1.22**	**1.23**	**3.6%**	**3.8%**

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: 2006 and 2007 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%	32,590 ∅	30,927 ∅
2007	6.3%	•	•

b Prior to 1984, Bergen Co., NJ permit figures are included. **∅** Figures are preliminary.
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. 2007 Survey of Mortgage Financing for Multifamily Properties

I. Financing Availability and Terms for Multifamily Buildings

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

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

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

Interest rate : ___________ % (current) ___________ % (12 mo. average for 2006)

Points : _________

Terms : _________

Type: Fixed / Adjustable (*circle one*)

Special conditions: ______________________

1b. How many loans were made by your institution in 2006 for new permanent financing of *rent stabilized buildings*?

Number of loans: ____________________

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

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

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

Interest rate : ___________ % (current) ___________ % (12 mo. average for 2006)

Points : ___________

Terms : ___________

Type: Fixed / Adjustable (*circle one*)

Special conditions: ______________________ (if any)

2b. How many loans did your institution refinance in 2006 for *rent stabilized buildings*?

Number of loans: ____________________

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

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

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

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

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

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

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

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

____

____

____

____

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II. Underwriting Criteria for Rent Stabilized Buildings

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

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

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

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

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

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

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

❑ Yes.

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

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

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

❑ Use __________ (more / less) stringent approvals.

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

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

❑ _______________ (Increase / Decrease) monitoring requirements.

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

❑ Other : ______________________________

III. Additional Mortgage Questions

7. How many **dwelling units** are contained in the average *rent stabilized building* financed by your institution?

(*Please check only one.*)

❑ 1 -10 ❑ 11 - 19 ❑ 20 - 49

❑ 50 - 99 ❑ 100 or more

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

❑ < 1% ❑ 1% ❑ 2%

❑ 3% ❑ 4% ❑ 5%

❑ 6% ❑ 7% ❑ > 7%

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

❑ None

❑ Approximately ________ %.

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

❑ None

❑ Approximately ________ %.

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

❑ We retain all the mortgages sold. (*If so, please skip to question 12.*)

❑ We sell all our mortgages to secondary markets.

❑ We sell _____% of our mortgages to secondary markets.

11b. To whom do you sell your mortgages?

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

❑ Fannie Mae

❑ Freddie Mac

❑ Other: ______________________________

____

____

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

____

____

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

❑ No

❑ Yes. Approximately what percentage of buildings in your portfolio have commercial space? ________%

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

$ _______________ ***per unit per month***

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

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

$ _______________ ***per unit per month***

16. Do any of your lending or underwriting standards differ for *rent stabilized buildings* as opposed to non-stabilized multifamily properties?

(*Please check all that apply*)

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

17. On average, how does your portfolio of *rent stabilized buildings* perform as compared with expectations at the time of the initial loan originations?

(*Please check all that apply*)

Net Operating Income:	❑ Better	❑ Worse	❑ Same
Debt Service Coverage:	❑ Better	❑ Worse	❑ Same
O&M Expenses:	❑ Better	❑ Worse	❑ Same

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18. Please estimate, *on average*, what percentage of Net Operating Income goes towards payment of debt service?

____________%.

19. Please estimate the *average* mortgage loan payment per unit per month for a *typical* building in your portfolio:

____________.

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?

____

____

____

____

Thank you for taking the time to complete the survey.

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