MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON MAY 9, 2012 AT 8:00 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

DIRECTORS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Naomi Bayer	Director (via telephone)
Don Lebowitz	Director
Darryl C. Towns	Director (via telephone)

Chairman Mulrow chaired the meeting; M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund ("MIF"), acted as Secretary. Mr. Towns and Ms. Bayer participated in the meeting by telephone. Marge Rogatz and Anthony Bergamo, SONYMA Directors, attended the meeting as guests.

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* **Item 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee ("MIC") held on April 4, 2012.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

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* **Item 2 on the agenda was a resolution recommending the approval of 100% Mortgage insurance on a $19,024,070 Bank of America, N.A./NYCERS permanent first mortgage loan for Diego Beekman Apartments, Bronx County. Certificate # 10-1786.** Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that the project comprises 100% mortgage insurance on a $19,024,070 Bank of America, N.A. permanent mortgage loan for the refinancing of 1,219 low to moderate income units in 38 scattered site buildings. He noted that the project was encumbered with approximately $18 million of Bank of America debt at 7% which would refinanced at 4.27%. He stated that the project also benefits from $13.628 million in subordinate HPD Article 8A capital loans which had previously funded moderate rehabilitation. Mr. Friedman further noted that the project had an income/expense ratio of 1.13:1 and debt service coverage of 2.38:1. He stated that the project was acquired out of a HUD foreclosure sale and carried HUD deed restrictions that could have a negative impact on the future marketability of the project in the event of foreclosure. He

noted that the project would break even with no commercial income, a 14% increase in operating expenses or a 10% increase in the vacancy rate. He said that the project had been underwritten assuming a 10.6% vacancy rate which is high for the Bronx; the project came under new management in September 2011 which appears to be turning the project around. He stated that the loan amount is approximately $15,606 per unit, which equals 57% of total development cost. Mr. Friedman stated that the ownership entity is Diego Beekman Mutual Housing Association Development Fund Corp.

Mr. Lebowitz noted that SONYMA is able to insure this preservation loan under expanded statutory authority. Mr. Friedman confirmed that an amendment to the Public Authorities Law enabled the MIF to provide 100% mortgage insurance on the refinancing of certain loans originated between 2004 and 2008 without requiring that 20% of the loan finance rehabilitation. Mr. Lebowitz noted that part of this loan would help pay outstanding water and sewer charges and asked what assurances the MIF would have that post-rehabilitation problems with the project had been addressed. Mr. Friedman noted that in 2010 the Chairman and Vice Chairman of the Board and CEO had been replaced and subsequently new management had been brought in. He also noted that that the refinancing would reduce the cost of debt and that new management had made progress in reducing high vacancy rates. Mr. Friedman stated that he believed bad management, not the condition of the property, had been the problem post-rehabilitation and had been addressed.

Noting that the purpose the legislation had been to enable the MIF to be involved in the refinancing of certain problem loans and properties, Mr. Lebowitz requested that criteria be established for these loans to provide assurance that when the MIF became involved, existing problems had been addressed and resolved. He noted that for refinancings, he would like to see actual numbers.

Chairman Mulrow asked what the standard loan per unit and vacancy assumptions were on MIF insured loans. Mr. Friedman responded that the usual loan size was approximately $45,000 per unit – against which the loan size of $15,000 per unit compares favorably – and that a 5% vacancy is generally used. The 10% vacancy assumption on the project reflects actual vacancy which is expected to improve.

Mr. Lebowitz moved to adopt the resolution; Chairman Mulrow seconded the motion, and the resolution was unanimously adopted.

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* **Item 3 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a $12,000,000 Bank of America, N.A./NYCERS permanent first mortgage loan for the acquisition and rehabilitation for 6 scattered site buildings located in New York County. Certificate # 10-1785.** Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that this project comprises 100% insurance of a $12,000,000 Bank of America, N.A. permanent mortgage loan for the acquisition and substantial rehabilitation of eight scattered site apartment buildings containing 101 low-income units which

will be reconfigured into six buildings. Mr. Friedman stated that all units would be affordable to households with incomes between 50% and 130% of area medium income. He stated that the project includes a $10,100,000 subordinate HPD loan and a J-51 real estate tax exemption. He stated that the loan amount is approximately $118,811 per unit, which equals 47% of total development cost. He added that the project has a loan to value ratio of 67% and debt service coverage ratio of 1.11:1. The project breaks even with a pro forma 15% increase in maintenance and operating expenses. Mr. Friedman stated that the ownership entity is 133 Street Equities LLC, the principals of which are repeat SONYMA borrowers.

Mr. Lebowitz moved to adopt the resolution; Chairman Mulrow seconded the motion, and the resolution was unanimously adopted

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* **Item 4 on the agenda was a resolution approving 100% mortgage insurance on a $15,000,000 Community Preservation Corporation/NYSCRF permanent first mortgage loan for the construction of Beaver Meadow Apartments – Phase I located in Jefferson County. Certificate # 7-82.** Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that the project comprises 100% insurance of a $15,000,000 Community Preservation Corporation permanent mortgage loan for a 168-unit affordable housing located 13 miles from Ft. Drum. He stated that 23% of the units are restricted to tenants at 80% of the Watertown AMI but all units will be affordable at 68% to 97% of AMI. He stated that the Army expects all units of 10th Mountain Brigade to return to Ft. Drum in the foreseeable future creating a housing shortage. He stated that New York State had committed to address the housing shortage in order to encourage the Pentagon to keep Ft. Drum open; the Pentagon had signaled its intent to do so. The Project includes a $3,000,000 Development Authority of North County grant, $1,520,000 Housing Trust Fund loan and a 10-year PILOT from Jefferson County IDA. He stated that the loan amount is approximately $89,286 per unit, which equals 66% of total development cost. The ownership entity is controlled by COR Watertown Company, a highly regarded upstate developer that is new to the MIF.

Mr. Lebowitz moved to adopt the resolution; Chairman Mulrow seconded the motion, and the resolution was unanimously adopted

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* **Item 5 on the agenda was a resolution approving 100% mortgage insurance on a $5,475,000 Community Preservation Corporation/NYCERS permanent first mortgage loan for 24 West 117th Street, New York County. Certificate # 10-1784.** Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that the project comprises 100% insurance on a $5,475,000 CPC permanent mortgage loan for the construction of a 9-story elevator apartment building containing 111 units and 4,904 square feet of community space. The development entity is controlled by L & M Development Partners, a repeat SONYMA borrower. The project includes a $6,000,000 subordinate HPD loan, $26,880,464 low income housing tax credits, 421-a tax benefit for 25-years and a 420-a tax benefit for 60-years. He stated that the loan amount is approximately $49,324 per unit, which equals 14% of total development cost. He

further stated that the project has a low loan to value ratio of 45%, an income to expense ratio of 1.08:1 and debt-service coverage ratio of 1.20:1; the project breaks even with a 13% increase in pro forma operating costs.

Mr. Lebowitz moved to adopt the resolution; Chairman Mulrow seconded the motion, and the resolution was unanimously adopted

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* **Item 6 on the agenda was a resolution approving 75% mortgage insurance on a $2,400,000 Evans Bank, N.A. permanent first mortgage loan for 346 Connecticut Street, Buffalo, Erie County. Certificate # 1-108.** Mr. Friedman highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. He stated that the project comprises 75% insurance on a $2,400,000 Evans Bank, N.A. permanent mortgage loan which the bank will hold in portfolio. The loan will have a 10-year term and a 25-year amortization. Mr. Friedman said that the loan would finance the acquisition and historic rehabilitation of a vacant 5-story loft building which will be converted to 18 residential loft units and 5,000 square feet of commercial space. He state that there would be no income restrictions but rents would be affordable between 44% and 72% of the Buffalo AMI The ownership entity is 346 Connecticut LLC which is controlled by Karl Frizlen, the principal of Frizlen Group, Architects, a new borrower for the MIC. Mr. Friedman noted that the developer was putting $1 million of equity into the project. He stated that the Project includes $1,053,167 from federal and state historic tax credits and a 12-year, 485-a City of Buffalo tax abatement. The project was underwritten with a 20% vacancy and collection loss for the commercial space but would break even with 55% commercial vacancy. Mr. Friedman stated that the loan amount is approximately $133,000 per unit, which equals 55% of total development cost. He stated that the loan was approved for insurance in September 2011 as a CPC loan but that CPC had been unable to fund the construction loan and Evans Bank had taken it over.

Ms. Bayer asked if the deal terms remained the same. Mr. Friedman responded that the equity, subsidy and other deal terms remained the same. Mr. Lebowitz noted that the balloon payment at the end of the term was unusual. Mr. Friedman stated that the balloon payment would not be covered by the mortgage insurance. If Evans Bank extends the loan, SONYMA could continue to insure under a new policy.

Mr. Lebowitz moved to adopt the resolution; Chairman Mulrow seconded the motion, and the resolution was unanimously adopted

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* **Item 7 on the agenda was a resolution approving 50% mortgage insurance on a $3,065,000 New York City Housing Development Corporation permanent first mortgage loan for 315 East 103rd Street and 330 East 104th Street, New York County. Certificate # 10-1787.** Mr. Friedman highlighted certain information contained in the materials provided to the

Directors in connection with this item, which materials are incorporated herein by reference. He stated that the project comprises 50% insurance on a $3,065,000 New York City Housing Development Corporation permanent mortgage loan. He stated that the Project will include the acquisition and rehabilitation of two buildings with 100 units. Mr. Friedman stated that seventy-four of the units will be restricted to households with incomes at or below 60% of AMI with the remaining units limited to households with incomes at or below 100% of AMI. A HAP contract covering 63 units will further restrict incomes. He stated that the project includes $500,000 HPD Subsidy Loan, $4,991,295 federal low income housing tax credits, a Section 8 HAP contract covering 63 units and Shelter Rent real estate tax exemption. Mr. Friedman stated that the project includes an identity of interest transfer between entities controlled by Union Settlement Association. He stated that the loan amount is approximately $27,500 per unit, which equals 16% of total development cost. Mr. Friedman said that the project had a low loan to value ratio of 57% and an income/expense ratio of 1.05:1. It will break even with a 6% increase in expenses.

Mr. Lebowitz noted that there was a purchase money mortgage of $6,740,500 but an acquisition cost of $6,100,000. Mr. Friedman stated that the difference was interest accumulated during the construction period. Mr. Lebowitz further noted that the purchase money mortgage was greater than the appraised value and asked how the acquisition price was determined. Mr. Friedman stated that he could not address how the acquisition price was determined but that he approached the numbers from a credit perspective to determine that the loan amount was supported by the appraisal. He noted that the acquisition price would be structured to increase basis and accordingly the LIHTCs. Mr. Lebowitz suggested that it might be imprudent to go into a transaction that was not reasonably understandable at the outset Ms. Bayer stated that she believed that the value was determined by an income approach and that it was not unusual to see the differences in value assigned. Ms. Rogatz suggested that appraised values can change from beginning to end of a project.

Chairman Mulrow noted Mr. Lebowitz's concerns and proposed that item be deferred. The item was deferred pending receipt of further information.

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* **Item 8 on the agenda was a resolution approving an increase from $5,155,000 to $5,830,000 in mortgage insurance on an HDC permanent first mortgage loan for the rehabilitation of Crotona V Apartments, Bronx County. Certificate #10-1773.** Mr. Friedman stated that, on April 4, 2012, the Mortgage Insurance Committee approved 50% mortgage insurance on a $5,155,000 HDC permanent first mortgage loan. HDC revised the original underwriting and increased the loan amount to $5,830,000. The $675,000 increase in the loan amount is due to increased soft costs. The interest rate on the HDC mortgage has decreased from 5.57% to 5.50%, which will allow the project to cover a larger mortgage.

Mr. Lebowitz moved to adopt the resolution; Chairman Mulrow seconded the motion, and the resolution was unanimously adopted.

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* **Item 8 on the agenda was for Information only.**

Chairman Mulrow asked if there was anything to report. Mr. Friedman stated that the mortgage recording tax receipts were back down to $5.9 million that there is not a sustained upward trend. He said that the variance appears to be entirely from receipts in New York City. He added that there was nothing noteworthy on defaults.

There being no unfinished business, Mr. Mulrow moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was unanimously adopted and the meeting was adjourned at 8:40 a.m.

M. Lauren McGill

M. Lauren McGill
Secretary