**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JULY 12, 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
Don Lebowitz	Director
Marge Rogatz	Director
Darryl C. Towns	Director

Chairman William J. Mulrow opened and chaired the meeting. M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund ("MIF"), acted as Secretary. Anthony Bergamo, SONYMA Director, Royce A. Mulholland, HFA Member, and Elaine McCann, Division of the Budget, representing Robert Megna, SONYMA Director (via video conference) 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 June 14, 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 $8,470,000 HFA first mortgage loan for Greater Hempstead Apartments, Village of Hempstead, Nassau County.** 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 $8,470,000 New York State Housing Finance Agency permanent mortgage loan for the construction of a 5-story building with

100 low income units. He stated that this subsidized project includes a $1,720,000 NYS HFA second mortgage loan, $12,583,946 federal low income housing tax credits and $4,386,623 from state low income tax credits. He stated that the loan amount is approximately $84,700 per unit, which equals 25% of total development cost of $335,000 per unit and will break even with a 9% increase in pro forma operating costs. Mr. Friedman stated that the project will be managed by an affiliate of the developer, D&F Development Group. He stated that, while this is the developer's first loan with SONYMA, they have more than 20 years of experience developing and managing projects in the metropolitan area.

Chairman Mulrow asked what due diligence is done on new borrowers. Mr. Friedman responded that in this instance, HFA, as the lender, conducted due diligence that included financial review and Lexis/Nexis searches.

Noting that more projects seemed to be requiring tenants to pay separately for heat and electric, Mr. Lebowitz asked whether the monthly rents were inclusive of electric charges. Mr. Friedman stated that a utility allowance was netted out of rents paid to the landlord and that the listed rents were inclusive of the utility allowance. He noted that rents reflected the high AMI for Nassau County.

Mr. Lebowitz noted that the project expenses did not include payments on the HFA subordinate loan or purchase money loan. Ms. Zucker stated that the loans were cash flow loans without hard payments.

Mr. Lebowitz moved to adopt the resolution; Ms. Bayer seconded the motion and the resolution was unanimously adopted.

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* **Item 3 on the agenda was a resolution approving 50% mortgage insurance on a $13,440,000 HDC permanent first mortgage loan for George Hardy St. Francis Apartments, Bronx County.** 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 50% insurance of a $13,440,000 New York City Housing Development Corporation permanent mortgage loan for the related party acquisition and rehabilitation of eight apartment buildings with 204 units. Mr. Friedman stated that all units would be affordable to households with incomes at or below 60% of the New York City area medium income. He stated that 181 units will be covered by two project-based Section 8 HAP Contracts. He added that the project will receive $7,140,000 HDC subsidy loan, $14,543,208 federal low income housing tax credits and will benefit from a real estate tax exemption. Mr. Friedman stated that the development entity has owned the project for the last forty years and is an affiliate of the Institute for Human Development, the housing arm of Catholic Charities of the Archdiocese of New York. He stated that the loan amount is approximately $65,882 per unit, which equals 30% of total development cost. He noted that the project will break even with a 7% increase in pro forma operating expense.

Mr. Lebowitz noted that the cost of the project is high for moderate rehab and did not include electric or other major systems that the project might need updated over the 30-year term of the mortgage. Mr. Friedman stated that the project cost is high because of the acquisition cost which is largely covered by a large seller's note. He stated that HDC had required a physical needs assessment which was the basis of the required rehab. He confirmed that the PNA took into account the term of the mortgage. Noting that the project would go forward with a large mortgage, significant subsidy and rents that were affordable only because of Section 8 subsidies supporting significant rent increases, Mr. Lebowitz questioned whether the project would be secure for the next 30 years and asked how the MIC should assess whether there was a point where costs outweighed the benefit of a transaction. Chairman Mulrow asked how the developer fee factored in. Mr. Friedman responded that the project had been owned and managed by the same highly regarded 501(c)(3) for the past 40 years, that he did not consider the developer fee to be egregious for the project and that from the credit perspective of the MIF, he considered it prudent to insure the mortgage. He stated that he considered the overall structure to be sound and questions about particular aspects of the underwriting to be concerns for HDC which will hold a $7 million subordinate mortgage. He further stated that the legitimate public policy questions raised do not impact the creditworthiness of the transaction from the MIF's perspective.

Ms. Rogatz added that the significant rent increases were largely the result of deferred increases over the term of the HAP contract; the increases bring rents to a sustainable level at the beginning of a new contract.

Ms. Bayer stated that the information provided to the MIF and to the MIC Members does not enable SONYMA to do a full underwriting and that HDC would likely be able to explain underwriting decisions if they represented at the meeting. She noted that she has confidence in HDC's underwriting decisions and its marshalling of its resources notwithstanding the legitimate issues raised. She further noted that from a policy perspective the project fit squarely in MIF priorities.

Noting that the next meeting of the MIC and SONYMA would not be until September, Chairman Mulrow called for a vote on the project and for closer attention going forward to certain issues which were legitimate for the MIC Members in evaluating projects for insurance.

Ms. Bayer moved to adopt the resolution; Ms. Rogatz seconded the motion. Mr. Lebowitz voted against the resolution, which was adopted with four votes in favor and one opposed.

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* **Item 4 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a $4,050,000 JPMorgan Chase permanent first mortgage loan for Kings Garden Apartments, Kings County.** 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 $4,050,000 JPMorgan Chase permanent mortgage loan for the construction of a six-story elevator with 66 units. Mr. Friedman stated that 59 of the units are covered by a HAP contract and six will be occupied by low income individuals who are referred by the NYS Office for People with Developmental Disabilities. He stated that this subsidized project includes $16,622,990 from federal low income housing tax credits and real estate tax benefits. He stated that the loan amount is approximately $61,363 per unit, which equals 19% of total development cost. The Project will break even with a 10% increase in total operating expenses over proforma. The ownership entity is controlled by an affiliate of Dunn Development, an experienced and well regarded developer of affordable housing. Mr. Dunn's partner in the development has some outstanding tax liens and it will be a condition precedent to issuing a commitment that the tax liens are satisfactorily resolved.

Mr. Lebowitz asked if the tax liens reflected a history of problems with the entity. Mr. Friedman responded that there was a history but that the entity would not control or manage the project.

Mr. Lebowitz moved to adopt the resolution; Ms. Bayer 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 $2,976,781 CPC permanent first mortgage loan for Riverside Special Needs Apartments, Erie County.** 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 $2,976,781 Community Preservation Corporation permanent mortgage loan for the historic re-adaptation of a former school into 68 low income units. Mr. Friedman stated that forty-five units will be occupied by residents having psychiatric disabilities. The remaining units are limited to households with incomes at or below 50% of the area medium income. He stated that this subsidized project includes a $2,400,000 HTF subsidy loan, a $1,500,000 City of Buffalo loan, $7,787,414 federal low income housing tax credits, $5,697,430 state historic tax credits, OMH funding of approximately $1,463,403 per year and a 15 year PILOT with the City of Buffalo. He stated that the loan amount is approximately $43,776 per unit, which equals 15% of total development cost. He stated that debt service would be paid directly by OMH to the insured mortgagee. Mr. Friedman stated that the developer is DePaul Properties, an experienced developer and operator of supportive housing in Rochester and Buffalo. He stated that this is the MIF's

sixth loan insured for DePaul bring total exposure to DePaul to approximately $46 million.

Mr. Lebowitz noted that there had been previous discussions at the MIC about how much exposure to State supported supportive housing transactions was advisable. Mr. Friedman stated that the combined exposure to OMH and OPWDD is in excess of $150 million out of a total exposure of $2.3 billion. Ms. Bayer noted that New York is unique in the level of resources committed to supportive housing and, through mortgage insurance, state resources were supporting state policy. Mr. Friedman stated that the risk was the risk that the legislature would not continue to appropriate the resources for OMH to honor its contracts.

Elaine McCann of the Division of the Budget noted that the funding is appropriated annually and that the legislature would have to decide to close facilities if full funding was not appropriated. She stated that the State had never walked away from facilities that had been developed. She suggested that at a future time the Board be updated on the status of state support for various supportive housing programs. Chairman Mulrow added that it would be useful to be updated on the composition of the MIF portfolio.

In response to a question from Mr. Lebowitz, Mr. Friedman confirmed that OMH had the ability under its contracts to replace non-performing operators.

Mr. Lebowitz moved to adopt the resolution; Ms. Bayer seconded the motion and the resolution was unanimously adopted.

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* **Item 6 on the agenda was for Information only.** Ms. Rogatz noted the prominence of CPC loans on the Delinquency Status Report and asked Mr. Friedman to comment. Mr. Friedman stated that the delinquent loans were primarily smaller loans upstate. He stated that experience showed that approximately half of the loan delinquencies would be cured and half would result in foreclosure and sale. He stated that the final claim paid by the MIF was generally around half of the loan. Chairman Mulrow noted that the MIF continued to have an extremely low default rate of 2 – 3%.

There being no unfinished business, Mr. Lebowitz moved to adjourn; Ms. Bayer seconded the motion, and the meeting was adjourned at 8:44 a.m.

M. Lauren McGill

M. Lauren McGill
Secretary