MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JANUARY 29, 2009 AT 1:18 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Deborah VanAmerongen	Director
Leonard I. Weinstock	Director
Daniel Sheppard attended by teleconference	Division of the Budget, representing Laura L. Anglin, Director

Chairman Levy chaired the meeting; M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund, acted as secretary.

* **Item number 1 on the agenda was approval of the minutes of the meeting of the Mortgage Insurance Committee held on December 3, 2008.** Ms. VanAmerongen moved to adopt the minutes; Chairman Levy seconded the motion; and the minutes were adopted unanimously.

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* **Item number 2 on the agenda was a resolution recommending approval of 100% mortgage insurance on a $16,800,000 New York State Housing Finance Agency fee mortgage loan and a $2,500,000 leasehold mortgage loan which will be used for the construction of 111 low income units at Cedar Avenue Apartments, located at 1854-1874 Cedar Avenue, Bronx County, Certificates #10-1561 and 10-1562.** Michael Friedman, Senior Vice President and Director of the Mortgage Insurance Fund, highlighted certain information contained in the materials provided to the Directors in connection with this item, which materials are incorporated herein by reference. Mr. Friedman noted that SONYMA was being asked to insure two HFA first mortgage loans, a $16,800,000 fee interest loan and a $2,500,000 leasehold mortgage. He said that the New York State Office of Mental Health (OMH) would cover the debt service for the $16,800,000 loan. Mr. Friedman stated that due to the requirements of the tax credit investor, the borrower was requesting that if, at any time

during the 15 year tax credit compliance period, OMH fails to fund the debt service payment, SONYMA could only foreclose on the fee interest subject to the ground lease between the fee owner and the borrower. Mr. Levy requested that SONYMA have the right in foreclosure to disturb the ground lease if a change in the tax law allows the tax credits to retain their tax status in such an event.

Mr. Weinstock noted that the cost per unit appeared high for the location of the project. He also stated that the fee interest in the property was worth very little, and debt service relies on the State's budget. Mr. Weinstock said that he saw the transaction as the agency guaranteeing the budgetary process, and felt it should not be the agency's policy to do this.

Ms. VanAmerongen stated that DHCR had experience with similar structures with the State and they had been successful. She stated that the risk of relying on the budgetary process was a necessary one in order to achieve the goals of the Agency. Mr. Weinstock stated that he does not believe that guaranteeing this obligation was a prudent investment, even if it meets certain policy goals.

Mr. Sheppard said that the State has a historical record of meeting its debt service obligations for similar projects. He noted that the legislation authorizing debt service payments was passed separately from other budgetary bills, and so was removed from most of the political and policy issues. Chairman Levy added that it was cheaper for OMH to house its clients in the proposed project than to find alternatives.

In response to a question from William Myers, a SONYMA board member, Mr. Friedman stated that HFA has mortgages on both the fee and leasehold improvements and can foreclose on either mortgage, although they cannot disturb the ground lease. Mr. Weinstock added that if HFA did foreclose on the fee mortgage, the collateral would be worth very little. Ms. Almodovar pointed out that the risk of an HFA foreclosure places pressure on OMH to continue its debt payments. Mr. Weinstock responded that OMH's obligation to continue the payments was dependent on its annual appropriations.

Mr. Weinstock suggested that the resolution be amended to require a 100% reserve for the two mortgages. Ms. Almodovar stated that management recommended that the reserve stay at 20%. She noted that the Agency could increase the reserve in the future if a problem were to arise. Mr. Weinstock moved to amend the resolution to require the mortgage insurance fund to reserve 100% of the mortgage amounts at the time of commitment. There was no second and the amendment was not brought to a vote.

Ms. VanAmerongen moved to adopt the resolution as presented, with the requirement that SONYMA have the right in foreclosure to disturb the ground lease if a change in the tax law allows the tax credits to retain their tax status in such an event. Chairman Levy seconded the motion; Mr. Sheppard voted in favor, Mr. Weinstock voted against and the resolution was adopted.

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* **Item number 3 on the agenda was a resolution approving of 100% mortgage insurance on a $5,730,000 New York City Housing Development Corporation permanent first mortgage loan which will be used for the rehabilitation of 150 low income units at Jennings Hall, 260 Powers Street, Brooklyn, Kings County, Certificate #10-1549.** 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.

Ms. VanAmerongen moved to adopt the resolution; Chairman Levy seconded; and the resolution was adopted unanimously.

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* **Item number 4 on the agenda was a resolution approving 100% mortgage insurance on a $2,600,000 Community Preservation Corporation permanent mortgage loan which will be used for the construction of 84 low income units for seniors at Liberty Green, 1 Liberty Court, Warwick, Orange County, Certificate #5-217.** 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. Chairman Levy questioned why there were two separate mortgages from DHCR. Brian Lawlor, a representative of DHCR, responded that there were two separate awards to the project and that at closing they will merge into one loan.

Ms. VanAmerongen moved to adopt the resolution; Chairman Levy seconded; and the resolution was adopted unanimously.

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* **Item number 5 on the agenda, a resolution approving 100% mortgage insurance for the Highpointe at Malta Phase II, was withdrawn.**

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* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a $2,300,000 Community Preservation Corporation permanent first mortgage loan which will be used for the conversion of a vacant three-story school into 20 apartments and 11,000 sf. of commercial space located at 257 Lafayette Avenue, Buffalo, Erie County, Certificate #1-86.** 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 noted that the project was underwritten at 1.10:1 rather than 1.05:1 coverage due to the substantial commercial income to the project.

Ms. VanAmerongen moved to adopt the resolution; Chairman Levy seconded; and the resolution was adopted unanimously.

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* **Item number 7 on the agenda was an Informational Item.** Mr. Friedman reported that there were no significant changes in the Committed Loans Report or the Claims Status Report. Chairman Levy noted that the mortgage recording surcharge was the lowest it had been in three years.

There being no unfinished business, Ms. VanAmerongen moved to adjourn; Chairman Levy seconded the motion; and the meeting was adjourned at 1:48 p.m.

M. Lauren McGill

M. Lauren McGill
Secretary