

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON MAY 13, 2010 AT 12:00 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Naomi Bayer	Director
Brian Lawlor	Director
Don Lebowitz	Director
William Myers	Director
David J. Sweet	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 the presentation of the minutes of the meeting of the Mortgage Insurance Committee held on April 8, 2010.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

* **Item number 2 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$13,465,000 HFA permanent first mortgage loan for Concern McDougal Apartments, 324-332 MacDougal Street, Brooklyn, Kings County, containing 65 low-income supportive units. Certificate #10-1639.** Michael Friedman, Senior Vice President and Director of the Mortgage Insurance Fund ("MIF"), 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 stated that this project will be financed by the New York State Office of Mental Health ("OMH"), which will pay debt service and operating support, and noted that all residents will be eligible for Supplemental Security Income ("SSI") level-two payments. He added that the MIF agreed to a standstill during the 15-year tax credit compliance period if a default is triggered by the failure of the legislature to appropriate

funds to pay debt service. He noted that the expectation is that any failure to appropriate would be temporary and the legislature would resume appropriations and the project would become current in debt service.

Mr. Lebowitz questioned whether the standstill meant that the MIF would be acting as a guarantor as opposed to an insurer. Mr. Friedman stated that the MIF agreed to the standstill in order to satisfy tax credit investors. He noted that project cash-flow does not support the mortgage and foreclosure has adverse tax consequences for investors. Mr. Sweet asked if the MIF would have recourse to default if there were no legislative appropriation. Mr. Friedman confirmed that in the event of default by New York State, the MIF would make mortgage payments until the legislature appropriated funds and OMH became current with its mortgage payments, and that the MIF would be able to exercise its right to foreclose after year fifteen. He added that the MIF agreed to assume the appropriation risk in order to ensure that the project would be built to fulfill the intent of the legislature to provide supportive housing.

Chairman Levy noted that Mr. Friedman had previously confirmed that the standstill would only be in effect if the failure to appropriate debt service triggered adverse tax consequences to the investor. He suggested that the MIF may want to cap exposure to these types of projects. Mr. Lawlor suggested that staff analyze what limits would be appropriate and return to the MIC with a recommendation. Ms. Bayer suggested that implementing a trigger for review, rather than imposing a limit, might be the best way to proceed in assessing risk to the MIF in regards to similarly structured projects.

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

*** Item number 3 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$11,050,000 HFA permanent first mortgage loan for Hughes House Apartments, 1974 Hughes Avenue, Bronx County, containing 55 low-income supportive units. Certificate #10-1670.** 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 this project will be structured in the same way as Concern MacDougal, with debt service and operating support being provided by OMH. Chairman Levy inquired if approval of this project would bring the MIF's total exposure on projects dependant on appropriations up to ten percent of its portfolio. Mr. Friedman responded that it would not.

Mr. Sweet moved to adopt the resolution; Mr. Lawlor seconded the motion, and the resolution was adopted unanimously.

*** Item number 4 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$9,030,000 HFA construction and permanent first mortgage loan for the rehabilitation of Montcalm Apartments, 220 Burke Drive, Queensbury, Warren County, containing 227 low-income units.**

Certificate #7-72. 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. Mr. Friedman stated that 169 units out of the total 227 units will be covered by a project-based Section 8 Housing Assistance Payments Program ("HAP") Contract, and that the remaining units will have Section 8 vouchers. He noted that the HAP contract, which will expire in 2015, will be renewed as a condition precedent to MIF mortgage insurance. Ms. Zucker clarified that a 20-year HAP contract extension was also a condition precedent to the mortgage closing, and that the renewal would become effective at that time.

Mr. Lawlor moved to adopt the resolution; Mr. Sweet seconded the motion, and the resolution was adopted unanimously.

* **Item number 5 on the agenda was a resolution approving 100% mortgage insurance on a \$5,472,000 HFA construction loan and a \$3,160,000 permanent first mortgage loan for the acquisition and rehabilitation of Westfall Heights Apartments, 454 Westfall Road, Rochester, Monroe County, containing 101 low-income units. Certificate #2-107.** 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.

Mr. Lawlor moved to adopt the resolution; Mr. Sweet seconded the motion, and the resolution was adopted unanimously.

* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a \$7,650,000 HFA permanent first mortgage loan for HELP USA/Genesis Plaza II Apartments, 332-390 Snediker Avenue, Brooklyn, Kings County, containing 98 low-income units. Certificate #10-1620.** 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. Mr. Friedman noted that many sources of financing will be used to fund this new construction project, including a project-based Section 8 HAP contract from the Veterans Administration. He added that, of the 98 units constructed, 48 will be set aside for homeless veterans.

Mr. Lawlor moved to adopt the resolution; Mr. Sweet seconded the motion, and the resolution was adopted unanimously.

* **Item number 7 on the agenda was a resolution recommending approval of 100% mortgage insurance on an \$8,045,000 HDC permanent first mortgage loan 1050 Amsterdam Avenue, New York County, containing 99 low-income units for seniors. Certificate #10-1669.** 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. Mr. Friedman noted that, in addition to tax credits, the

project has a second mortgage with the New York City Housing Development Corporation ("HDC") for the substantial rehabilitation of a 1991 apartment building for seniors. He added that the project-based Section 8 HAP contract will expire in 2011, and that the MIF will require a renewed contract as a condition precedent to mortgage insurance effectiveness.

Mr. Friedman noted that the MIF has approximately \$25 million in financial exposure with the developer, Phipps Houses, and added that it is a well-regarded not-for-profit operator of low-income housing. Mr. Lebowitz asked why existing project reserves, rather than new financing, were not being used for the renovation. Mr. Friedman responded that the project financing was structured by HDC and that the MIF analyzes the project from the perspective of an insurer, not a lender.

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

* **Item number 8 on the agenda was a resolution approving 100% mortgage insurance on a \$6,025,000 CPC permanent first mortgage loan for Halfmoon Heritage Apartments II, Shady Lane, Halfmoon, Saratoga County, containing 55 moderate-income units. Certificate #6-250.** 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. Mr. Friedman stated this project was the third phase of the development, with market-rate rents affordable to households with incomes between 65% and 80% of the Albany area median income ("AMI"). He added that there were no tax credits, second mortgage or subsidies. Chairman Levy noted that this project would have been subject to the higher premiums being instituted for unsubsidised projects if it closes after July 1, and that there would have been no significant impact on the project if the higher rates had been in effect.

Mr. Sweet asked if the projected low expenses had been carefully examined. Mr. Friedman responded that the developer built very efficient projects and that expenses of the prior two phases of this ongoing project had been analyzed.

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

* **Item number 9 on the agenda was a resolution approving 100% mortgage insurance on a \$3,449,512 CPC permanent first mortgage loan for 433-441 DeWitt Avenue, Brooklyn, Kings County containing 25 supportive and eight low-income units. Certificate #10-1668.** 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. Mr. Friedman noted that, out of 33 apartments, 25 supportive-housing units will be financed by New York State OMH, and eight units will be set aside for households with incomes below 60% of the New York City area median income. Mr. Friedman clarified subsidy information in the board materials and noted that there would be approximately \$4.3 million in federal tax credits.

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

* **Item number 10 on the agenda was a resolution approving mortgage insurance on a \$2,560,000 permanent loan to be originated by the Low Income Investment Fund for Bethel Manor Apartments, 50 West 132nd Street, New York, New York County, containing 47 low-income units. Certificate #10-1671.** 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. Mr. Friedman noted that this was a 100% low-income, heavily-subsidized project with a Section 8 HAP contract, and that all apartment units are affordable to households with incomes at or below 50% of the New York City area median income. He added that the developers are well-known and experienced, and that this will be their fifth transaction with the MIF. Mr. Sweet asked if any hard costs would be spent on asbestos removal. Mr. Friedman responded that abatement was a condition precedent to mortgage insurance.

Chairman Levy recused himself from voting on the project.

Mr. Lawlor moved to adopt the resolution; Mr. Lebowitz seconded the motion, and the resolution was adopted.

* **Item number 11 on the agenda was a resolution approving 100% mortgage insurance on a \$2,044,424 Carver Federal Savings Bank permanent mortgage loan for the acquisition and rehabilitation of 170 Lenox Avenue, New York County, containing 30 low-income units and 4,760 square feet of rental space. Certificate #10-1667.** 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. Mr. Friedman noted that this will be a limited-equity cooperative project and tenants will be able to buy their units at a reasonable price. He added that the eight vacant units will be sold at less than market-rate.

Chairman Levy clarified that the MIF will be insuring the building's underlying mortgage, not mortgages on the individual apartments. Mr. Sweet asked what would occur if the retail units remained vacant and the projected commercial income was not available. Mr. Friedman responded that the mortgage insurance would not become effective until the retail units were occupied and open for business; he added that underwriting had taken into account less than full occupancy or projected rents.

Mr. Lebowitz expressed concern about the high maintenance costs of the building and its sustainability as a limited equity cooperative. Mr. Friedman responded that New York City Housing Preservation and Development ("HPD") holds a second mortgage on the project and has historically restructured similar projects.

Mr. Lawlor moved to adopt the resolution; Mr. Sweet seconded the motion, and the resolution was adopted with five directors voting in favor and one director voting against authorization.

* **Item number 12 on the agenda was for Information only.**

Mr. Sweet asked Mr. Friedman what the consequences would be if the current trend toward lower monthly tax surcharge collections continues over the next couple of years. Mr. Friedman responded that the MIF has used surtax revenue in its special account as reserves for new commitments or claims. He said that those reserves would become inadequate for new commitments if collection levels remain at approximately \$4 million per month and that the MIF may use unallocated reserves within the corpus of its project pool account which would be more than adequate.

There being no unfinished business, Mr. Lawlor moved to adjourn; Mr. Sweet seconded the motion; and the meeting was adjourned at 1:10 p.m.


M. Lauren McGill
Secretary