

**MINUTES OF THE
REGULAR MEETING OF THE
MORTGAGE INSURANCE COMMITTEE OF THE
STATE OF NEW YORK MORTGAGE AGENCY
HELD ON JUNE 10, 2010 AT 1:34 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Brian Lawlor	Director
Don Lebowitz	Director
David J. Sweet	Director

ABSENT:

Naomi Bayer	Director
William Myers	Director

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

Marge Rogatz, SONYMA Director, attended the meeting as a guest.

* **Item number 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee held on May 13, 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 approval of 100% mortgage insurance on a \$24,560,000 HDC permanent first mortgage loan for the construction of 11 Broadway, Brooklyn, Kings County containing 160 low-to-moderate income units. Certificate #10-1673.** 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 mixed income project will be financed by a New York City Housing Development Corporation (HDC) first mortgage, an HDC subsidy loan and LIHTC, and he added that all but 15 of the units will be

affordable at 40% to 130% of the New York City area median income (AMI). He noted that the project has a 421-a real estate tax exemption and will be subject to rent stabilization. Mr. Friedman said that the project will be controlled by L & M Development Partners, a highly-regarded and experienced housing developer. He stated that analysis showed that the project will break even with a 13% vacancy rate, and that the development includes a residential condominium unit which constitutes the project, a commercial condominium unit, and a garage. Chairman Levy asked if the MIF is insuring the mortgage loan on the residential unit and the garage unit; Mr. Friedman responded that coverage was for the residential unit, which includes eleven parking spaces, and that there is a separate commercial garage unit.

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

* **Item number 3 on the agenda was a resolution recommending approval of 100% mortgage insurance on an \$11,550,000 CPC permanent mortgage loan for the construction of 1535-1543 East 19th Street, Brooklyn, Kings County, containing 50 units. Certificate #10-1683.** 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 project will be affordable between 73% and 122% of the New York City AMI but will have no income restrictions. He added that the project has a 421-a real estate tax exemption and will be subject to rent stabilization.

Chairman Levy asked about the borrower's two defaulted loans and bankruptcy issue. Mr. Friedman responded that one loan with CPC has been paid in full and the other is current, and the bankruptcy has been dismissed. He noted that the defaults were triggered by real estate market shifts and that CPC continues to do business with this borrower.

Mr. Lebowitz expressed concern about the risk that projected commercial rents would prove high and that units would remain vacant. Mr. Friedman responded that the project would break even without any commercial income, and that the MIF is not providing insurance during the construction period. He added that it would be prudent for MIF to require a 1.10:1 debt coverage ratio for insurance effectiveness, rather than the MIF standard of 1.05:1, for this project.

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 approving 100% mortgage insurance on a \$6,075,065 CPC permanent mortgage loan for the rehabilitation of 652-660 Southern Boulevard and 1037 and 1047 Avenue St. John, Bronx, Bronx County, containing 173 units. Certificate #10-1681.** 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 the project is an HPD Participating Loan Program (HDC PLP) project and will receive a 32-year Article 11

tax exemption. He added that HPD has no income restrictions, but there is a requirement that 50% of the tenants be formally homeless. He noted that the rents are set by HPD and are affordable to households with incomes at 42% and 50% of the New York City AMI. Mr. Friedman stated that HPD has transferred management of the project to Lemle & Wolff, which has been used previously by HPD to manage troubled properties.

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

* **Item number 5 on the agenda was a resolution recommending the approval of 100% mortgage insurance on a \$2,165,000 CPC permanent mortgage loan for the rehabilitation of 12-16 Arden Street, Manhattan, New York County, containing 52 units. Certificate #10-1679.** 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 the project is a substantial rehabilitation of an HPD PLP project that has a twenty year J-51 real estate tax exemption, and that amortization will be accelerated during the tax exemption period. He added that the project owners include Joseph Zitolo of Lemle & Wolff. Mr. Friedman noted that the loan amount of \$42,000 per unit equals 37% of the project's total development cost.

Mr. Sweet asked if the HPD or SONYMA have the right to approve a transfer of ownership and new management. Mr. Friedman responded that they both have approval rights.

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 \$2,066,996 CPC permanent mortgage loan for the rehabilitation for 49 Troutman Street, et al., Brooklyn, Kings County, containing 100 units and four commercial spaces. Certificate #10-1674.** 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 the project is a substantial rehabilitation of twenty five three story walk-up apartment buildings. He said that the project has a \$24 million HUD 203K subordinate loan. He added that although there are no income restrictions, the units are affordable to households at 29% to 56% of the New York City AMI. Mr. Friedman noted that the borrower has owned and operated the project's 25 scattered-site buildings for the last 3 years, and has renovated the buildings with tenants in place during that time.

Chairman Levy asked about HUD's rehabilitation loan under the 203K program. Mr. Friedman responded that the loan would reimburse developer Ridgewood Bushwick for rehabilitation costs and confirmed that the insured loan was a 15-year fully-amortizing loan. He said that the project's strong cash flow would allow the project to break even with the

commercial space vacant. Chairman Levy noted that this scattered site project has a large number of buildings, which creates the potential for high maintenance costs; Mr. Friedman responded that the operator has extensive experience with this type of multiple row-house project, and that the projected maintenance and operating expenses were actual numbers.

Mr. Lebowitz asked about the environmental report, which indicated that asbestos and lead may remain after substantial rehabilitations. Mr. Goldman explained that remediation had occurred in the buildings which required gut renovation, but that buildings that had needed less work may not have required full abatement. He added that all required abatement had been performed.

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

* **Item number 7 on the agenda was a resolution approving 100% mortgage insurance on a \$3,000,000 CPC permanent first mortgage loan for the construction of Somers Senior Housing a/k/a The Mews at Baldwin Place, Route 6, Somers, Westchester County, containing 73 low-income senior units. Certificate #8-260.** 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 is a highly-subsidized project with many sources of financing. He added that, although household incomes are restricted to 30% or 60% of the Westchester County AMI the rents are set lower with the units affordable at 18% to 34% of the AMI, and that the loan per unit equals approximately 15% of the total development cost.

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 \$2,300,000 CPC permanent mortgage loan for Buckley Park Apartments, 7651 Morgan Road, Town of Clay, Onondaga County containing 110 units. Certificate #3-172.** 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 has no income restrictions; however, the units are affordable at 42% of the Syracuse AMI. He added that the only project subsidy is a New York State Weatherization Grant which equals about 9% of the total development cost. Mr. Friedman noted that although the rents will be very low, the tenants will be responsible for their own gas heat costs.

In response to a question from Mr. Lebowitz, Mr. Friedman stated that the project was complete.

Chairman Levy asked what insurance premium was being charged on the loan. Mr. Friedman responded that although this type of project will be charged at the higher fee rate, the premium is only 50 basis points because the loan is being processed and approved before

July 1, 2010. Mr. Lawlor noted that, to qualify for the weatherization grant, at least 50% of the residents meet low-income requirements.

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 \$2,690,000 Carver Federal Savings Bank permanent first mortgage loan for 107-109 West 137th Street, 111-113 West 137th Street and 2830 Eighth Avenue, Manhattan, New York County, containing 49 low-to-moderate income units. Certificate #10-1675.** 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 the project has income restrictions pursuant to the HPD Regulatory Agreement, which restricts incomes to a maximum of 80% of the New York City AMI, although the rents are affordable at a much lower income level of between 49% and 64% of the AMI.

Mr. Sweet inquired about the status of the mortgage loan which is in foreclosure and is currently held by JP Morgan Chase. Mr. Friedman confirmed that the construction loan will pay off Chase and remove the project from foreclosure, and added that HPD is contributing \$4 million toward the payoff.

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 for Information only.**

Mr. Friedman reported that the mortgage tax surcharge collections rose to approximately \$6 million in May, the highest level in the past seven months.

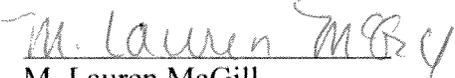
Chairman Levy asked about the status of project delinquencies. Mr. Friedman reported that three delinquent projects formerly controlled by the Sheldrake Organization are IDA financed projects in Newburgh, Poughkeepsie and Elmira. He said that the tax credit investor, Alliant, has replaced Sheldrake on the Poughkeepsie and Elmira projects and those projects made full mortgage payments in April and May. Mr. Friedman stated a receiver was appointed for the Newburgh project, and Sheldrake was replaced as manager by Related Co. He added that the tax credit investor has started paying debt service on this project, and wants to see if Related can turn it around within the next six months.

Chairman Levy asked about the status of the Jackson Avenue project in the Bronx, for which the Veteran's Administration had issued Section 8 vouchers to veterans who had subsequently vacated the project. Mr. Friedman responded that CPC, as servicer of the loan, filed a foreclosure action, and that the borrower is renovating the now-vacant project to meet homeless shelter code. Chairman Levy asked if the MIF has a cause of action against the Veterans Administration. Mr. Friedman responded that it did not. Mr. Lebowitz asked if

there were other similar deals that the MIF should be aware of to avoid adverse situations. Mr. Friedman responded that there were none.

Mr. Sweet suggested that the MIF review its procedures and implement a system to monitor early indications of delinquency. Chairman Levy suggested that the MIF's ongoing asset management and rights of approval be discussed.

There being no unfinished business, Mr. Lawlor moved to adjourn; Mr. Sweet seconded the motion; and the meeting was adjourned at 2:27 p.m.


M. Lauren McGill
Secretary