

**MINUTES OF THE  
REGULAR MEETING OF THE  
MORTGAGE INSURANCE COMMITTEE OF THE  
STATE OF NEW YORK MORTGAGE AGENCY  
HELD ON APRIL 27, 2011 AT 5:12 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
Don Lebowitz	Director
David J. Sweet	Director
Darryl C. Towns	Director

ABSENT:

William Myers	Director
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Chairman Levy chaired the meeting; M. Lauren McGill, Vice President and Counsel to the Mortgage Insurance Fund, acted as Secretary. Joy F. Willig, Counsel to the Agencies, noted that Elaine McCann, Division of the Budget, representing Robert Megna, Director of the State of New York Mortgage Agency ("SONYMA") and Brian E. Lawlor, President of the Agencies, had joined the meeting via video conference from the New York State Division of the Budget conference center at the Capital Building, Room 143, in Albany. Marge Rogatz SONYMA Director, attended the meeting as a guest.

Chairman Levy introduced Darryl C. Towns, Commissioner of the Division of Housing and Community Renewal ("DHCR"), and noted that the SONYMA Board and Boards of the other Agencies would act on appointment of Mr. Towns as President and CEO at their meetings later that evening.

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\* **Item number 1 on the agenda was the presentation of the minutes of the meeting of the Mortgage Insurance Committee ("MIC") held on March 16, 2011.** There being no objections or corrections suggested by the Directors, the minutes were deemed approved.

Prior to discussion of the agenda items, Don Lebowitz asked Michael Friedman, Senior Vice President and Director of the Mortgage Insurance Fund ("MIF") for an update on the exploration of 50% insurance with non-NYC Housing Development Corporation

("HDC") lenders. Mr. Friedman responded that he and Brian Lawlor met with representatives of the State Comptroller's Office to discuss the purchase of loans at less than 100% insurance by the New York State Common Retirement Fund, and the representatives plan to review the matter with their investment committee and outside investment advisors.

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\* **Item number 2 on the agenda was a resolution recommending the approval of 50% mortgage insurance on a \$28,640,000 HDC permanent mortgage loan for the rehabilitation of West Farms Square Apartments, 1001-1005 East Tremont Avenue, et al. Bronx, Bronx County, containing 526 low-income units. Certificate #10-1738.** 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% SONYMA insurance on a \$28.6 million HDC loan for the moderate rehabilitation of 526 low-income housing units. He stated that 438 of the units are covered by two 20-year Section 8 HAP contracts, and the remaining 88 eligible tenants will receive enhanced Section 8 vouchers. Mr. Friedman stated that the two sponsors, West Farms Square and Fordham Bedford Housing Corporation, are well-known and well-regarded 501(c)(3) organizations. He stated that this was a highly-subsidized project which includes \$23.5 million in low-income housing tax credits, a \$5.6 million second mortgage from New York City Department of Housing Preservation and Development ("HPD") and a \$2.3 million third mortgage from HDC.

In response to a question from Mr. Lebowitz, Mr. Friedman responded that Catholic Charities of the Archdiocese of New York owns the project buildings now. In response to a question from Mr. Sweet regarding the purchase money mortgage, Mr. Friedman noted that Catholic Charities was not taking any cash out on the acquisition other than a fairly large developer fee, and that it was taking back a 35-year note equal to the acquisition price, which is to be repaid with the expected increased income from enhanced voucher rents.

In response to a question from Mr. Lebowitz concerning the future ownership of the project, Mr. Friedman responded that it was unlikely that the property would revert to Catholic Charities in 35 years, but that Catholic Charities might roll over the note.

Ms. Bayer recused herself from voting on this item.

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

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\* **Item number 3 on the agenda was a resolution approving 50% mortgage insurance on a \$10,485,000 HDC permanent first mortgage loan for the rehabilitation of 32-06 21<sup>st</sup> Street, Astoria, Queens County containing 100 low-income units. Certificate #10-1741.** 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 controlling entity, HANAC, Inc., is a well-known and well-regarded 501(c)(3) organization based in Astoria. He stated that the loan amount for this expensive project is \$104,000 per unit, which equals 43% of the project's total development cost which was \$244,000. Mr. Friedman noted that the

acquisition price is \$13.5 million, and that the seller is taking back a note for almost \$5 million and paying off an existing HUD mortgage loan balance of \$7.3 million. He added that there would be \$1.3 cash out on the sale, plus a \$2 million developer fee, for a total of about \$3.3 million.

In response to a question from Mr. Sweet concerning related party transaction guidelines, Mr. Friedman said that the MIF defers to HDC, and from a credit-enhancement perspective, this was a very good deal. He added that it is an all low-income senior project located in Queens, with a project-based Section-8 HAP contract, which will continue to be controlled by the same sponsor.

In response to a question from Mr. Lebowitz regarding a value appraisal, Mr. Friedman responded that the MIF was awaiting the appraisal, and it is a condition precedent to issuing the commitment that the project have not greater than a 80% value-to-value ratio.

In response to a question from Chairman Levy, Mr. Friedman responded that the MIF would be receiving a copy of the required 20-year HAP contract.

In response to a question from Mr. Lebowitz regarding the MIF's exposure on 50% loans, Mr. Friedman responded that the MIF has the first-loss position and insures 100% of the loss up to 50% of the original loan amount. Mr. Lawlor noted that there was a significant impact on the MIF's required reserves. Mr. Friedman noted that the rating agencies look favorably upon 50% insurance in the MIF portfolio of insured loans.

Ms. Bayer recused herself from voting on this item.

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

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\* **Item number 4 on the agenda was a resolution approving 100% mortgage insurance on a \$6,600,000 HFA construction loan and \$5,200,000 permanent first mortgage loan for the rehabilitation of Woodstock Manor, 755 Palisade Avenue, Yonkers, Westchester County, containing 61 low-income senior units. Certificate #8-270.** 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 was an expensive project at a cost of \$223,000 per unit, and that this project has a 20-year Section-8 HAP contract covering all the units. He stated that project subsidies include \$3.8 million from federal low-income housing tax credits and a 30-year PILOT with the City of Yonkers, and that the insured loan amount of \$85,000 per unit equals 40% of the project's total development cost. Mr. Friedman added that the sponsor is an entity established under the auspices of the Archdiocese of New York, and that the project will continue to be managed by existing management which has done a good job since the project was built.

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

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\* **Item number 5 on the agenda was a resolution approving 100% mortgage insurance on a \$5,940,000 CPC permanent first mortgage loan for NOTA Apartments, 810, 816, 822 University Avenue & 19 Elton Street, Rochester, Monroe County, containing 39 supportive and 7 low-income units. Certificate #2-178.** 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 \$5.9 million first mortgage loan would be sold to the New York State Common Retirement Fund to fund the acquisition and rehabilitation of 46 low-income units, 39 of which will house tenants who are clients of the New York State Office of Mental Health ("OMH"). He stated that the project's sponsor and provider of the OMH-funded services will be DePaul Community Services, a well-known and highly-regarded 501(c)(3) organization in Rochester. He stated that with this \$6 million loan, MIF's total exposure to properties owned and operated by DePaul will be approximately \$50 million.

In response to a question from Chairman Levy, Mr. Friedman noted that the MIF's total exposure to OMH is now over \$100 million. Mr. Lebowitz suggested that the MIC establish guidelines regarding exposure to one funding program or borrower. Chairman Levy asked that no additional transactions with OHM be presented to the MIC until such time as a presentation is made by OMH to the MIC which, among other issues, clarifies the nature of the MIF's exposure to OMH, including developer and geographic diversity in the portfolio of projects. Ms. Rogatz suggested that OMH also be asked to address the performance of its existing projects. Mr. Sweet expressed concern that DePaul is the operator on roughly half of the MIF-insured OMH loans. Mr. Friedman noted that NOTA was a 4% tax credit deal, and that HFA was doing only the construction loan, while CPC was doing the permanent loan. Mr. Lebowitz pointed out that DePaul has a contract with OMH, the funding of which is subject to state appropriation, and that the Directors should have guidance on the statutory and other imperatives for ongoing OMH funding. Mr. Lawlor stated that Mike Newman of OMH would be happy to brief the MIC on the history and the statutory and constitutional obligations that New York has to care for the individuals who are served by OMH projects.

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

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\* **Item number 6 on the agenda was a resolution approving 100% mortgage insurance on a \$5,000,000 CPC permanent first mortgage loan for the rehabilitation of 49, 67-69 Sheridan Avenue, Albany, Albany County containing 43 affordable units. Certificate #6-25.** 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 was an historic credit project and will convert two commercial buildings into 43 unrestricted housing units which will be affordable between 56% and 97% of the Albany AMI. He stated that local government support was evidenced by a 20-year City of Albany subordinate loan in the amount of \$200,000 and a 20-year PILOT.

In response to a question from Chairman Levy, Mr. Friedman confirmed that, because of the City of Albany subordinate loan, this project qualifies for insurance with a 0.50%

premium. Chairman Levy requested that a category which notes the insurance premium be added to future project presentations.

In response to a question from Chairman Levy, Sheldon Goldman, Vice President, confirmed that Alonge and Mosher were silent investors in the project.

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

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\* **Item number 7 on the agenda was a resolution approving 100% mortgage insurance on a \$4,000,000 CPC permanent first mortgage loan for the construction of The Hammocks at Timber Banks – Phase III, 3406 and 3408 Hammocks Drive, Baldwinsville, Onondaga County, containing 44 affordable units. Certificate # 3-179.** 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 first mortgage would be sold to the Common Retirement Fund; and while the project has no income restrictions, the units will be affordable between 76% and 85% of the Syracuse AMI. He said that the insurance premium will be 1%. He stated that the MIF was insuring Phase 3 of the project because the MIF already insures Phases 1 and 2 which have non-recourse mortgages, and that all three phases will share a rental/management office, parking and will have access easements.

In response to a question from Ms. Bayer, Mr. Friedman stated that if the MIF was not currently insuring project Phases 1 and 2, it might not insure Phase 3 of the project because the MIC has looked more closely at income restrictions and construction lender take-out since it approved insurance for Phase 2 of the project.

In response to a question from Chairman Levy, Mr. Friedman stated that in order to mitigate any lease-up risk, all three phases of the project will have a MIF occupancy requirement of 90% for 90 days.

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

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\* **Item number 8 on the agenda was a resolution approving 100% mortgage insurance on a \$3,125,000 CPC permanent first mortgage loan for the rehabilitation of Liberty Gardens – Phase I, 300, 500, 700 N. Levitt Street, Rome, Oneida County, containing 78 low income units. Certificate #7-77.** 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 first mortgage would be sold to the New York State Common Retirement Fund, and that this project was a substantial rehabilitation of 60 low-income units and the construction of 18 new low-income units, all of which will be covered by a renewable 15-year project-based Section-8 contract. He stated that this highly-subsidized project will receive \$12 million from 9% low-income housing tax credits, \$2.4 million from the Housing Trust Fund, \$2.1 million from a Public Housing Modernization Loan, and \$1.7 million from the Rome Housing Authority. He

added that the Rome Housing Authority will control the borrowing entity. Mr. Friedman stated that the loan amount was \$40,000 per unit and equals 14% of the project's total development cost of \$289,000 per unit.

In response to a question from Mr. Lebowitz, Mr. Goldman stated that the Rome Housing Authority manages a total of approximately 462 low-income apartment units.

In response to a question from Mr. Sweet, Mr. Friedman confirmed that for the 18 new units, tenants will be responsible for all utilities including water, and that the Section 8 rents will be reduced by the utility allowance.

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

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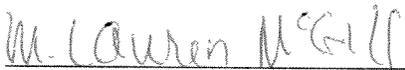
\* **Item number 9 on the agenda was for Information only.**

Chairman Levy asked if there were any issues to report. Mr. Friedman stated that the March mortgage tax surcharge collections levels went down to \$5.4 million; noting that the month-to-month fluctuation in levels seem largely dependent upon New York City mortgage recording taxes, rather than the rest of New York State. In response to a question from Mr. Lebowitz, Mr. Friedman stated that due to the economy and loss of jobs, the MIF was seeing more CPC delinquencies and defaults, particularly from upstate regions.

In response to questions from Mr. Lebowitz concerning oversight of project lenders, Mr. Friedman said that in order to protect the MIF's interests, the MIF receives annual reports as to debt service coverage and loan-to-value occupancy for all loans. Mr. Sweet stated that CPC's future presentation to the MIC should discuss whether or not CPC is equipped to include additional advances, when necessary, in order to cover any project delinquencies.

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There being no unfinished business, Mr. Lebowitz moved to adjourn; Mr. Sweet seconded the motion; and the meeting was adjourned at 5:53 P.M.

  
M. Lauren McGill  
Secretary