



2001 Annual Report

*New York City
Residential Mortgage Insurance Corporation*

RUSSELL A. HARDING, *PRESIDENT*



DATE: November 26, 2001

TO: The Chairman and Members

FROM: Russell A. Harding

SUBJECT: Report on REMIC FY 2001 Activities

Attached please find a summary of the activities and accomplishments of REMIC during the fiscal year ending October 31, 2001.

The past year has been one of record accomplishments for REMIC. I am pleased to note that the Corporation continued to expand its role in helping to establish, strengthen, and maintain the available stock of affordable housing throughout all areas of New York City, while providing insurance commitments for the greatest dollar volume of mortgages (\$79.7 million, a 30% increase over last year's record amount) in the Corporation's history. In addition, REMIC posted a record (estimated) net income of \$2,300,000.

The tragic events of September 11, 2001 will undoubtedly have a profound effect upon the City's economy. While the final impact of the terrorist attack upon New York may not be known for years to come, it is likely that the City's housing market will be severely stressed for the foreseeable future. These circumstances present both challenges and opportunities for REMIC in the coming year and the staff will be vigilant in monitoring the impact of September 11th on our current portfolio. We are pleased to report that we have had no new defaults reported to the Corporation in the past year and that REMIC continues to carry only one long-standing potential claim with a maximum liability of approximately \$17,500. While we must be cautious in the face of a possibly worsening economic climate, the current crisis provides REMIC with an even more crucial role in the immediate future. The Corporation's ability to provide permanent mortgage insurance will continue to encourage private investment in the City's affordable housing stock as it has successfully done, in a fiscally responsible manner, for nearly three decades.

RUSSELL A. HARDING, President

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A subsidiary of the New York City Housing Development Corporation



REMIC—An Overview

Established by the New York State Legislature in 1973, REMIC (originally titled the Rehabilitation Mortgage Insurance Corporation) was indicative of the difficult times that New York faced. Much of the City's housing stock was in need of rehabilitation. REMIC's role was to promote the development, via rehabilitation, of affordable housing in specifically designated distressed areas of New York City.

With the use of a \$7.5 million dollar loan from New York City, REMIC worked in conjunction with the private sector. Using mortgage insurance, the public/private partnership had as its goal stimulating the issuance of residential loans, many of which would not have proceeded without credit enhancement.

Since its inception in 1973, REMIC has played an important role in the City's affordable housing initiatives. In 1993, the State Legislature, recognizing the success of REMIC's efforts, changed both its name (to the current Residential Mortgage Insurance Corporation) and its geographic scope – the Corporation was no longer restricted to designated areas but was encouraged to insure mortgages in neighborhoods throughout the City. At the same time REMIC was reorganized as a subsidiary of the New York City Housing Development Corporation (HDC).

Since its restructuring, REMIC's growth has been dramatic. In less than a decade REMIC's yearly production has soared from four Commitments to Insure with a total mortgage amount of \$1,928,744 and a total number of 187 units to this year's 53 Commitments to Insure with a total mortgage amount of \$79,727,587 and 1,232 units.

REMIC's portfolio is equally indicative of its sound management. Despite various periods of economic difficulties, with their adverse effects upon the City's housing stock, REMIC's insurance portfolio has performed exceptionally well. In the 28 years of its existence, only eleven REMIC insured loans have resulted in claims paid at a total cost of \$580,951. During FY 2001, only one claim was paid for an amount of \$11,120.

A CPC Project with a \$250,000 mortgage with \$65,000 worth of REMIC insurance, this is a seven-unit building located in the Flatbush section of Brooklyn.



A Year of Accomplishments

The 2001 fiscal year was one of the most productive in REMIC's 28 year history. From November 1, 2000 through October 31, 2001, REMIC issued 53 Commitments to Insure, for the highest Mortgage Amount (\$79,728,000) in the Corporation's history for a total of 1,232 housing units.

These numbers are most dramatic when compared to just eight years ago. In 1993, when REMIC first became part of HDC, REMIC issued four Commitments to Insure for a Mortgage Amount of \$1,928,744, and a total number of only 187 units.

The actual dollar volume of mortgages that the Corporation committed to insure in FY 2001 increased by 29.6%. At the same time, we successfully pursued our strategy of decreasing the actual amount of insurance committed by 10% (from \$28,623,000 in FY 2000 to \$25,766,000 in FY 2001). As a result, REMIC is able to better leverage its limited resources. As the Corporation's annual premiums are based on the mortgage loan amount outstanding, REMIC will also earn additional fee income per dollar of reserves in the future when these insurance commitments are translated into insurance contracts. In that regard, the mortgage loan amounts of actual insurance contracts entered into by REMIC in FY 2001 nearly tripled from the prior year to a record \$83,291,000, while the actual dollar volume of insurance increased by only 25% (to \$20,805,000 from \$16,630,000).

While the dollar amount of mortgage loans the corporation insured did increase, the total number of insurance commitments decreased by 16 (from 69 to 53). Most of the decrease can be attributed to the decrease in the number of NYPD HOME commitments issued (from 28 to 15). Nevertheless, the number of multi-family commitments did decrease slightly from 41 to 38 and the number of units in these multi-family properties decreased by 25% from 1,634 to 1,213.

Despite the drop in the number of units that REMIC committed to insure last year, the Corporation continues to diversify its portfolio, both geographically and in terms of the type of housing (i.e. rental vs. owner-occupied and multi-family vs. single family). During FY 2001, we issued Commitments to Insure on numerous one- and two-family homes in addition to three apartment houses, each with over one hundred units. This expansion of REMIC's scope of business is the result of a conscious effort to have a positive impact upon all types of housing in New York City.

To follow is a comparison between fiscal year 2001 and the prior year. Following that, is a brief overall summary of REMIC's year.

Financed by CPC with 100% REMIC insurance on its \$391,000 mortgage, this twelve-unit building is located in the Melrose section of the Bronx.



A Year of Accomplishments

(Continued)

Commitments in FY 2001

HPD: 11 projects – 256 units
 HDC: 9 projects – 662 units
 Other: 18 projects – 295 units
 NYPD HOME: 15 homes – 19 units
Total: 53 projects – 1,232 units

Mortgage Amount: \$ 79,727,587
 Insurance Amount: \$ 25,765,925

Insurance in FY 2001

Number: 42 projects – 1,034 units
 Mortgage Amount: \$ 83,291,234
 Insurance Amount: \$ 20,804,793

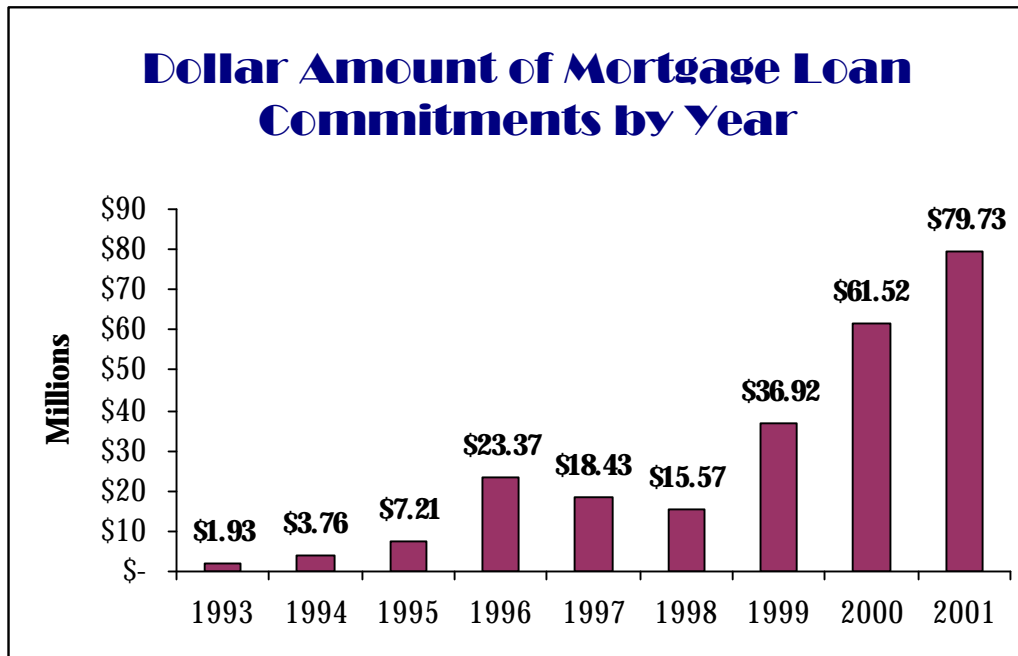
Commitments in FY 2000

HPD: 10 projects – 451 units
 HDC: 8 projects – 409 units
 Other: 23 projects – 774 units
 NYPD HOME: 28 homes – 34 units
Total: 69 projects – 1,668 units

Mortgage Amount: \$ 61,518,039
 Insurance Amount: \$ 28,622,957

Insurance in FY 2000

Number: 43 projects – 1,033 units
 Mortgage Amount: \$ 28,702,395
 Insurance Amount: \$ 16,630,425



New HOP

Just over three years ago, HDC created the New Housing Opportunities Program (New HOP), New York City's first middle-income housing program in more than 25 years.

Under New HOP, HDC issues taxable bonds to provide financing for construction and permanent mortgage loans for new or substantially rehabilitated rental and cooperative housing for moderate and middle-income New Yorkers. Through the end of FY 2001, NEW HOP has been responsible for the development of 34 properties with 2,314 units of housing. Working closely with HDC, REMIC is proud to be participating in New HOP.

During FY 2001, REMIC issued nine Commitments to Insure on New HOP projects, containing 662 apartments, with a total Mortgage Amount of \$63,821,000.

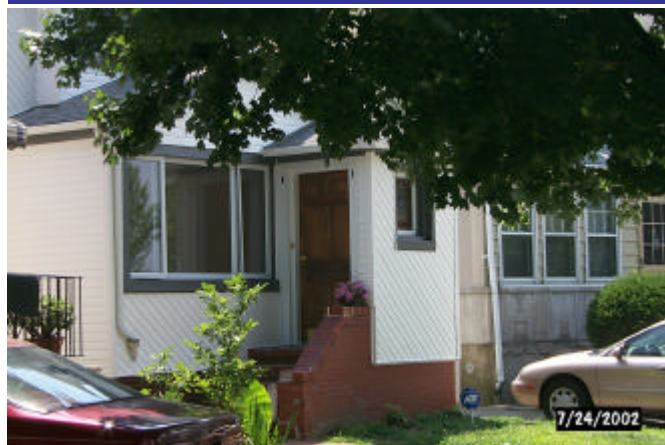
The NYPD Home Program

Approved at the June 30, 1999 Members Meeting, the NYPD HOME Program has assisted New York City Police Officers purchase homes throughout New York City. The program offers any uniformed member of the Police Department the opportunity to purchase a condo, co-op, or one, two, or three family home located in New York City as a primary residence with a minimal or no down payment. The participating lenders, Chase and HSBC (formerly Republic National Bank), offer 95% to 100% mortgage financing and contribute up to \$3,500 per loan in closing costs. REMIC

provides 40% mortgage insurance in exchange for an annual fee equal to .75% of the outstanding mortgage balance. In addition to the lender, the program is operated in conjunction with the New York City Police Department, the Department of Housing Preservation and Development, and Fannie Mae.

The program has proved a success for several reasons. First, it has allowed REMIC to diversify its portfolio by insuring mortgages on 1 – 3 family dwellings. Traditionally, REMIC insured mortgages are most often for larger, multi-family buildings. In addition, it has extended REMIC's efforts into all five of the Boroughs. Finally, and perhaps most importantly, it has "jump-started" the private sector into providing similar services. During the past year the lenders started cooperative efforts with private mortgage insurers to assist the members of the

This two-family home in the Glendale section of Queens is part of the NYPD Home Program, with a mortgage from Chase and REMIC insurance of \$108,000.



The NYPD Home Program

(Continued)

NYPD. In fact, this is exactly what successful government programs should have as one of their goals: provide a service that helps the private citizen and, at the same time, encourage the private sector to step in and provide a similar service.

During Fiscal Year 2001, *REMIC* committed to insure mortgages on 15 properties with 19 units of housing and has issued mortgage insurance for 21 properties with 26 units of housing. Since its inception the program has insured 39 mortgages with a total loan amount of \$6,679,935. Two of the mortgages were paid in full by the borrowers in FY 2001.

Pension Funds

Currently, NYCERS and the Teachers Retirement Fund are able to purchase up to a combined total of \$100 million of *REMIC* insured loans, a substantial increase over the \$30 million that was allowed just six years ago. Of that \$100 million, \$76,801,000 is either already in the *REMIC* portfolio or in the pipeline. This leaves \$23,199,000 of the potential Pension Fund allotment still available.

Rating Agencies

Located at 58-12 Queens Boulevard in the Woodside section of Queens, this HDC financed project has a \$12,825,000 mortgage with 20% (\$ 2,565,000) of *REMIC* insurance. The building has 122 apartments with a total of 373 rooms.



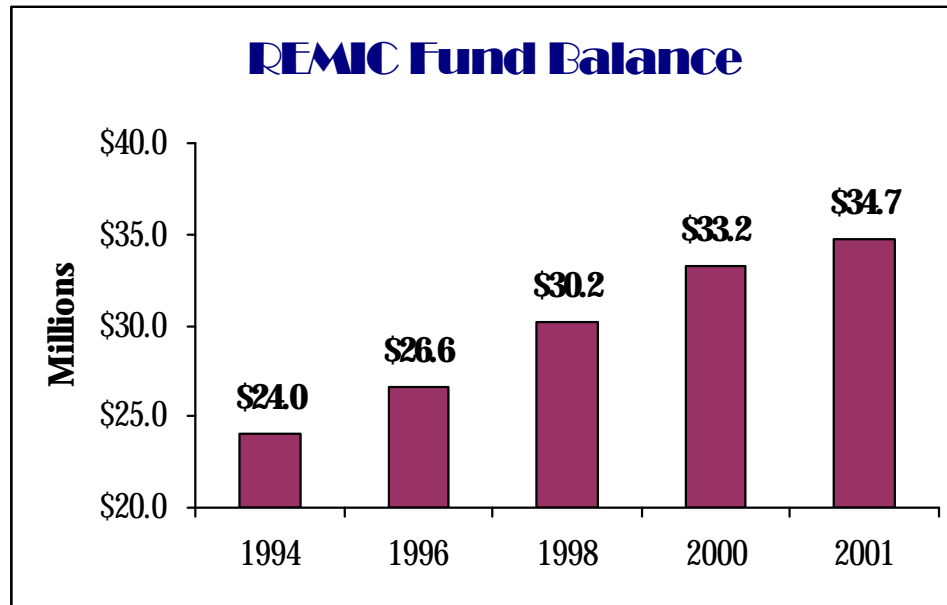
In August of 1995, *REMIC* was originally rated by Fitch Investor Services with an “A+” rating. At the time, the rating agency noted “excellent asset quality and liquidity, strong capital requirements, stringent underwriting guidelines and oversight, and a successful track record of predecessor entity.” In April of 1997, the same agency upgraded *REMIC* to a “AA-” rating stating that “the rating action reflects continued underwriting strength, prudent and experienced management, sound capitalization and excellent asset quality.” In November of 1998, Standard & Poor’s issued a rating for *REMIC* of “AA”.

During fiscal year 2001 Fitch maintained the “AA-” rating and agreed to revisit *REMIC* during FY 2002 to discuss a possible upgrade. Standard & Poor’s is currently reviewing the rating issued by that agency and we expect to maintain the S & P “AA” rating.



Financial Highlights

At the close of Fiscal Year 2001, REMIC has an amortized fund balance of \$34,733,603 (unaudited). In Fiscal Year 2001 without adjusting the portfolio to fair market value, REMIC had an estimated record net income of nearly \$2,300,000.



Investment Summary

As of October 31, 2001, 99.7% of REMIC's \$33,158,000 of reserves were invested in securities of Fannie Mae, the Federal Home Loan Bank (FHLB), Freddie Mac, and the Federal Farm Credit Bureau (FFCB) as described in the chart below:

Amount	Provider	Interest Rate (%)	Maturity Date	First Call Date
\$ 430,000	Freddie Mac	5.78	June 5, 2006	June 5, 2002
\$ 3,200,000	FFCB	6.25	May 17, 2011	May 17, 2004
\$ 10,000,000	Fannie Mae	7.23	November 17, 2014	November 17, 2004
\$ 11,500,000	Fannie Mae	7.27	December 8, 2014	December 8, 2006
\$ 2,924,481	FHLB	6.42	April 26, 2016	April 26, 2004
\$ 5,000,000	FHLB	7.56	February 18, 2020	February 18, 2010



Claims Paid

During FY 2001, *REMIC* paid one claim, only the eleventh in its twenty-eight year history, for a property located at 454 St. Nicholas Avenue (Apartment 4NR) in Manhattan in the amount of \$11,120. This brings the total amount of claims paid since 1973 to \$580,951. In addition, in January, 891 Pacific Street in Brooklyn with a maximum potential loss of \$83,250 became current and was removed from our Potential Default List. During June, 866 Beck Street in the Bronx, with a maximum potential loss of \$255,500, was removed from the development list when the borrower paid off the entire loan.

REMIC Insurance Capacity

REMIC's funds are held in four accounts – the Mortgage Insurance Fund (MIF) containing reserves pledged for business written before 1993; the Housing Insurance Fund (HIF), holding the reserves for business written since the 1993 corporate restructuring; the Premium Reserve Account (PRA), representing unpledged funds that are available for new insurance commitments; and the Operating Budget Account (OBA).

One of *REMIC*'s largest projects during FY 2001, this is an HDC-financed 132-unit building located in the Rego Park section of Queens, just two blocks off of Queens Boulevard and only several subway stops from Midtown Manhattan. This HDC-financed project has a \$12,000,000 mortgage with \$2,400,000 worth of *REMIC* insurance.



Taking into account the funds that, by statute, still must be maintained for the insurance entered into by the “Old” *REMIC* and the reserves set aside to cover the insurance commitment and contracts into which the “New” *REMIC* has entered, the Corporation entered Fiscal Year 2001 with the ability to take on an additional \$37 million of insurance risk, a decrease of only \$2.4 million from the prior year. *REMIC*'s continued ability to provide new insurance is primarily due to two factors. First, last year's operating profit of approximately \$2,300,000 enables *REMIC* to provide an

additional \$11,500,000 of insurance. Second, as the “Old” *REMIC*'s portfolio is reduced, monies are freed up to permit new insurance contract to be written. During the past year, the “Old” *REMIC* portfolio was reduced by approximately \$2,500,000, providing *REMIC* with the ability to underwrite an additional \$12,500,000 of insurance.



“Old” REMIC Properties Summary

As of October 31, 2001, the Mortgage Insurance Fund, relating to loans the “old” REMIC had insured, is providing insurance on 58 properties (49 multi-family and 9 single-family) with 1,915 units made by ten lenders. The current mortgage balance of these insured mortgages is \$6,879,320 with REMIC Insurance in effect of \$4,275,736.

“New” REMIC Properties Summary

As of October 31, 2001, the Housing Insurance Fund, relating to loans that “new” REMIC has insured, is providing insurance or has committed to insure mortgages on 217 properties (170 multi-family and 47 single-family) with 6,240 units from fifteen lenders. The current mortgage balance of these mortgages is \$216,885,408 with REMIC insurance committed or in effect of \$107,263,409.

Financed by CPC with \$195,000 of REMIC mortgage insurance, this 21-unit mixed-use building is located in Central Harlem.



Addendum

- A - REMIC Participating Lenders**
- B - REMIC FY 2001 Activity by Borough**
- C - REMIC Commitment Activity by Year**
- D - REMIC FY 2001 Commitment Activity by Month**
- E - REMIC Commitments Issued in FY 2001**



REMIC Participating Lenders

Amalgamated Bank of New York

Banco Popular de Puerto Rico

Bethel Federal Credit Union

Chase Community Development Corporation

Citibank, N.A.

Community Capital Bank

The Community Preservation Corporation

Dime Savings Bank of N.Y.

EAB Community Development

Fannie Mae

First Nationwide Bank

Fleet Bank, N.A.

Greystone Servicing Corp., Inc.

HSBC Mortgage Corporation

Independence Savings Bank

Lower East Side People's Federal Credit Union

Low Income Housing Fund

Neighborhood Housing Services

NYC Employees' Retirement System (NYCERS)

NYC Housing Development Corp.

North Fork Bank

Roslyn Savings Bank

Union Settlement Federal Credit Union

Teachers Retirement System of the City of New York



REMIC FY 2001 Activity by Borough

<u>BOROUGH</u>	<u>COMMITMENTS</u>	<u>UNITS</u>
Brooklyn	19	204
Bronx	16	463
Manhattan	6	170
Queens	11	394
Staten Island	1	1
Total	53	1232



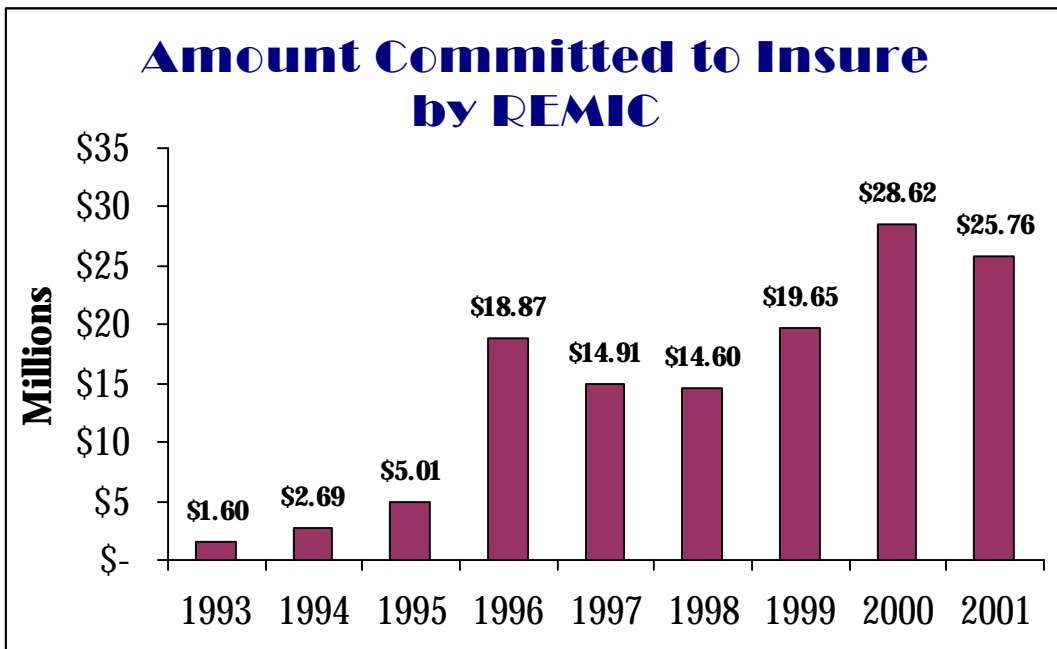
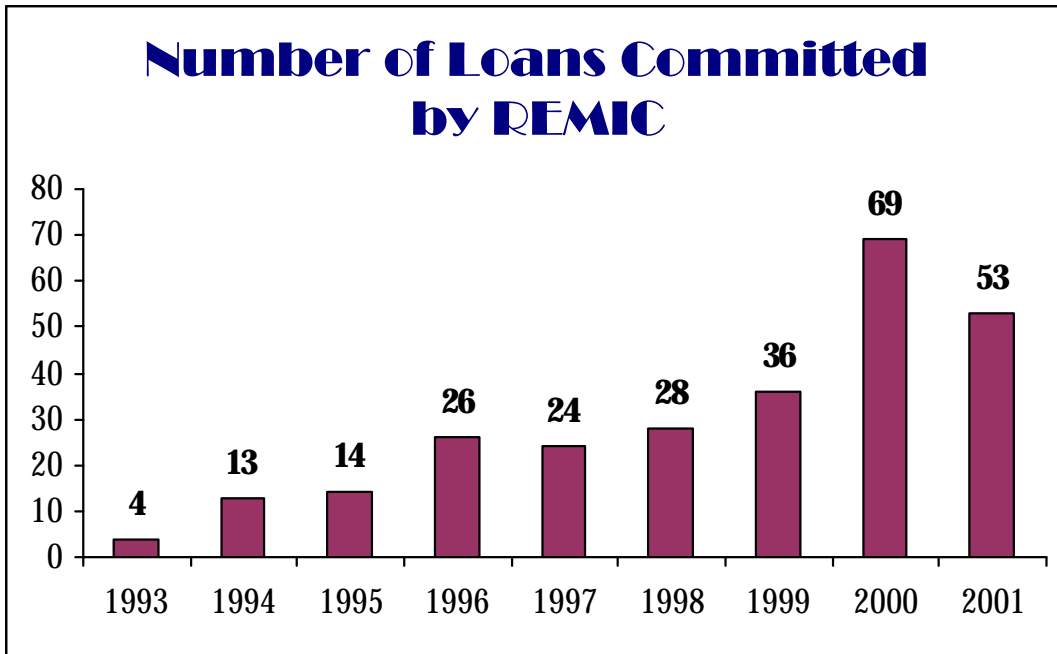
Commitment Activity By Year

<u>Year</u>	<u># of Loans</u>	<u>Mortgage Amount</u>	<u>Insured Amount</u>	<u># of Units</u>
1993	4	\$ 1,928,744	\$ 1,567,381	187
1994	13	\$ 3,763,660	\$ 2,693,548	334
1995	14	\$ 7,208,793	\$ 5,014,621	393
1996	26	\$ 23,366,950	\$ 18,865,200	1,139
1997	24	\$ 18,428,876	\$ 14,912,594	1,162
1998	28	\$ 15,572,362	\$ 14,604,742	686
1999	36	\$ 36,923,037	\$ 19,652,037	1,077
2000	69	\$ 61,518,039	\$ 28,622,957	1,668
2001	53	\$ 79,727,587	\$ 25,765,925	1,232



Commitment Activity By Year

(Continued)



Fiscal Year 2001 Commitment Activity by Month

<u>MONTH</u>	<u>COMMITMENTS</u>	<u>UNITS</u>
November	10	42
December	3	41
January	6	98
February	4	96
March	2	123
April	4	216
May	5	187
June	5	50
July	3	136
August	5	176
September	2	36
October	4	31
Total	53	1,232



Commitments Issued During FY 2001

<u>ADDRESS</u>	<u>LENDER</u>	<u>MORTGAGE AMOUNT</u>	<u>NUMBER OF UNITS</u>
<i>Bronx – Multi-Family</i>			
1238 Morris Ave.	CPC	\$ 391,000	12
2035 Marmion Ave.	CPC	\$ 2,330,000	90
2244 Morris Ave.	CPC	\$ 1,137,960	54
1834 Phelan Place	CPC	\$ 727,000	60
3300 Palmer Ave.	HDC	\$ 12,100,000	135
590 East 167 th	CPC	\$ 150,000	9
1134 Bryant Avenue	CPC	\$ 475,000	8
3460 Bailey Ave.	CPC	\$ 227,105	8
445 East 171 st Street	Chase	\$ 100,000	46
2324 University Avenue	CPC	\$ 410,000	11
1855-57 Bronxdale Avenue	CPC	\$ 245,000	5
1473 & 1477 Fulton Avenue	CPC	\$ 340,000	21
<i>Bronx – NYPD Home</i>			
229 Admiral Lane	HSBC	\$ 125,000	1
652 East 241 st Street	Chase	\$ 220,000	1
248 Davis Avenue	HSBC	\$ 227,000	1
410 Howe Avenue	Chase	\$ 183,000	1



Commitments Issued During FY 2001

(Continued)

<u>ADDRESS</u>	<u>LENDER</u>	<u>MORTGAGE AMOUNT</u>	<u>NUMBER OF UNITS</u>
<i>Brooklyn – Multi-Family</i>			
642 Lafayette Avenue	CPC	\$ 183,000	8
2303 Newkirk Avenue	CPC	\$ 250,000	7
683 Jefferson Avenue	CPC	\$ 220,000	8
50 Greene Avenue	HDC	\$ 3,619,000	39
489 Montgomery Street	CPC	\$ 250,000	6
4122 Avenue D	CPC	\$ 224,000	4
824 Utica Avenue	CPC	\$ 200,000	2
604 Bradford Street	CPC	\$ 559,750	16
532 Chester Street	CPC	\$ 293,000	6
420 Eastern Parkway	CPC	\$ 325,000	16
212 East 34 th Street	CPC	\$ 241,500	6
384-386 Atlantic Avenue	CPC	\$ 1,615,000	12
148-150 Huron Street	Chase	\$ 338,672	32
907 Church Avenue	CPC	\$ 266,000	4
800 Bergen Street	HDC	\$ 1,570,000	32
330 Rodney Street	CPC	\$ 325,650	4



Commitments Issued During FY 2001

(Continued)

<u>ADDRESS</u>	<u>LENDER</u>	<u>MORTGAGE AMOUNT</u>	<u>NUMBER OF UNITS</u>
<i>Brooklyn – NYPD Home</i>			
2141 East 33 rd Street	HSBC	\$ 195,700	2
148 11 th Street	HSBC	\$ 253,000	2
135 Ocean Avenue	Chase	\$ 45,000	1
<i>Manhattan – Multi-Family</i>			
306-308 & 317 West 114 th Street	Chase	\$ 350,000	35
160 West 142 nd Street	CPC	\$ 648,000	22
503 West 172 nd Street	CPC	\$ 202,290	21
349-353 East 4 th Street	HDC	\$ 3,460,000	33
2702 & 2709 Frederick Douglass Boulevard	CPC	\$ 195,000	21
394 East 8 th Street	HDC	\$ 4,047,000	38
<i>Queens – Multi-Family</i>			
58-12 Queens Boulevard	HDC	\$ 12,825,000	122
65-84 & 66-08 Austin Street	HDC	\$ 12,000,000	132
137-02 Northern Boulevard	HDC	\$ 7,200,000	71
136-14 Northern Boulevard	HDC	\$ 7,000,000	60



Commitments Issued During FY 2001

(Continued)

<u>ADDRESS</u>	<u>LENDER</u>	<u>MORTGAGE AMOUNT</u>	<u>NUMBER OF UNITS</u>
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Queens – NYPD Home

116-12 196 th Street	HSBC	\$ 143,560	1
71-19 260 th Street	HSBC	\$ 61,500	1
80-30 62 nd Street	Chase	\$ 270,000	2
65-09 Catalpa Avenue	Chase	\$ 208,550	2
231-10 125 th Street	HSBC	\$ 172,400	1
112-08 168 th Street	Chase	\$ 145,000	1
86-31 98 th Street	HSBC	\$ 203,700	1

Staten Island – NYPD Home Program

2 Seward Place	HSBC	\$ 232,750	1
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