



2002 ANNUAL REPORT

New York City
Residential Mortgage Insurance Corporation

CHARLES A. BRASS, *President*



DATE: November 25, 2002
TO: The Chairperson and Members
FROM: Charles A. Brass
SUBJECT: Report on REMIC FY 2002 Activities

Attached please find a summary of the activities and accomplishments of the New York City Residential Mortgage Insurance Corporation during the fiscal year ending October 31, 2002.

During the past twelve months, I am pleased to note that the Corporation continued its role in helping to establish, strengthen, and maintain the available stock of affordable housing throughout all areas of New York City. By the end of the fiscal year REMIC issued mortgage insurance certificates for a record number 47 loans and a record number 1,355 units. In addition, REMIC posted its largest excess of revenues over expenses in its history of over \$2,400,000.

While the Corporation issued a record number of insurance certificates, the level of insurance commitments did drop from last year's record number. However, the \$42,200,000 in mortgages that REMIC committed to insure in FY 2002 was still the third highest amount in the Corporation's history. The decline from the previous year was due to several factors. First, there was a drop off in the types of mortgage loans that HDC committed to make through its New Housing Opportunities Program. HDC has undertaken to provide permanent financing for a large number of cooperative housing developments through New HOP in the past year and as a result of the relatively low loan to value ratios has not sought mortgage insurance from REMIC for such loans.

The Community Preservation Corporation (CPC), on behalf of itself and the New York City Employees Retirement System, continues to provide financing for the vast majority of the remaining loans that REMIC commits to insure. However, very low-interest rates have resulted in increased competition in this segment of the market from other lenders engaged in refinancing existing multi-family property without requests for mortgage insurance. Not only has REMIC witnessed a decline in requests for new commitments from CPC, but numerous permanent loans that REMIC had committed to insure for CPC were placed with other lenders that were able to provide lower rates when the projects completed construction. Thus, despite the fact that REMIC committed to provide more than \$16 million of new insurance in the last fiscal year, the Corporation actually has a greater capacity at the start of FY 2003 than it did at the beginning of the last fiscal year.

REMIC – A BRIEF HISTORY

Founded in 1973 with a \$7.5 million dollar loan from New York City, what was then titled the New York City Rehabilitation Mortgage Insurance Corporation, REMIC was expressly designed to address a small but significant problem in the housing market. The Corporation worked in conjunction with the private sector to promote the development, via rehabilitation, of affordable housing in specifically designated distressed areas of New York City. 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.

In 1993, the State Legislature, reacting to REMIC's successful efforts, changed the company's name (to the current Residential Mortgage Insurance Corporation) and its parameters – it no longer was restricted to designated areas but, instead, encouraged to insure mortgages in all neighborhoods throughout the City. At the same time REMIC was reorganized as a subsidiary of the New York City Housing Development Corporation (HDC). HDC transferred approximately \$22.9 million to REMIC to fund REMIC's various reserve accounts as required by REMIC's enabling statute. This amount equaled the level of reserves that the "Old" REMIC had on the transfer date. On that date, the "Old" REMIC simultaneously transferred an equal amount to The City and the "Old" REMIC was dissolved and the new REMIC created. In the past decade, the management team has actively sought to make REMIC a more formidable factor in the mortgage insurance business by significantly increasing the volume of its insurance underwriting while maintaining adherence to strict underwriting standards.

Since its restructuring, REMIC's growth has been consistent. In its first year as an HDC subsidiary, REMIC's production included four Commitments to Insure with a total mortgage amount of \$1,928,744 and a total number of 187 units. To date, including FY 2002, REMIC has issued a total of 300 commitments, with a total of 8,667 units. Each one of those units represents an individual or family who might otherwise not have had the opportunity for adequate, affordable housing.

REMIC's portfolio is equally indicative of its sound management. Despite the economic distress of the early 1990's, with its adverse effects upon real estate values and the subsequent slow recovery, REMIC's insurance portfolio has performed exceptionally well. In the 30 years of its existence, only eleven REMIC loans have resulted in claims paid at a total cost of \$580,951. No claims were paid last year and no claims were filed.

For 30 years, REMIC has proven itself to be a significant and positive influence upon the housing market in New York City. It has accomplished this by combining public concern, fiscal prudence and business acumen - goals and methods it will continue into the future.



385 Palmetto Street in the Bushwick section of Brooklyn has a \$137,000 CPC mortgage and \$102,570 of REMIC mortgage insurance. The building contains 5 apartments with a total of 17 rooms.

A SYNOPSIS

The Corporation insured a record number of loans (47) with a record number of units (1,355) and a total Mortgage Amount of \$54,235,897 during the Fiscal Year 2002, from November 1, 2001 through October 31, 2002. While the number of mortgage loans the Corporation insured increased, and in fact was a record, the total number of commitments decreased by 20 (from 53 to 33). Half of the decrease in the number of commitments can be attributed to a decline in the number of NYPD HOME commitments issued (from 15 in the previous fiscal year to only 5 during FY 2002).

During that same period, REMIC issued 33 Commitments to Insure, with a Mortgage Amount of \$42,190,603 for a total of 789 housing units throughout the City's five boroughs.

Specifically, we issued Commitments to Insure on five one and two-family homes in addition to 28 multi-family projects with a total of 783 units.



This 11 unit building is located at 1921 Andrews Avenue South in the University Heights section of the Bronx. It has a CPC mortgage and \$425,000 of mortgage insurance from REMIC.

Since becoming part of HDC, REMIC has issued 300 Commitments to Insure, with a total Mortgage Amount of over \$290,000,000 for a total of 8,667 housing units throughout the City.

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

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).

The subsequent page provides a comparison between fiscal year 2002 and the prior year. Following that, is a brief overall summary of REMIC's year.

A COMPARISON FISCAL YEAR 2002 vs. 2001

Commitments in FY 2002

HPD
Subsidized – 15 projects – 452 units

HDC
Subsidized – 8 projects – 257 units

Other – 5 projects – 74 units

NYPD HOME – 5 projects – 6 units

Total: 33 projects – 789 units
Mortgage Amount: \$ 42,190,603
Insurance Amount: \$ 16,290,443

Commitments in FY 2001

HPD
Subsidized – 11 projects - 256 units

HDC
Subsidized – 9 projects – 662 units

Other – 18 projects – 295

NYPD HOME–15 projects –19 units

Total: 53 projects – 1,232 units
Mortgage Amount: \$ 79,727,587
Insurance Amount: \$ 25,765,925

Insurance in FY 2002

HPD
Subsidized – 12 projects – 594 units

HDC
Subsidized – 8 projects – 345 units

Other – 21 projects – 409 units

NYPD
HOME – 6 projects – 7 units

Total: 47 projects – 1,355 units
Mortgage Amount - \$ 54,235,897
Insurance Amount - \$ 20,798,627

Insurance in FY 2001

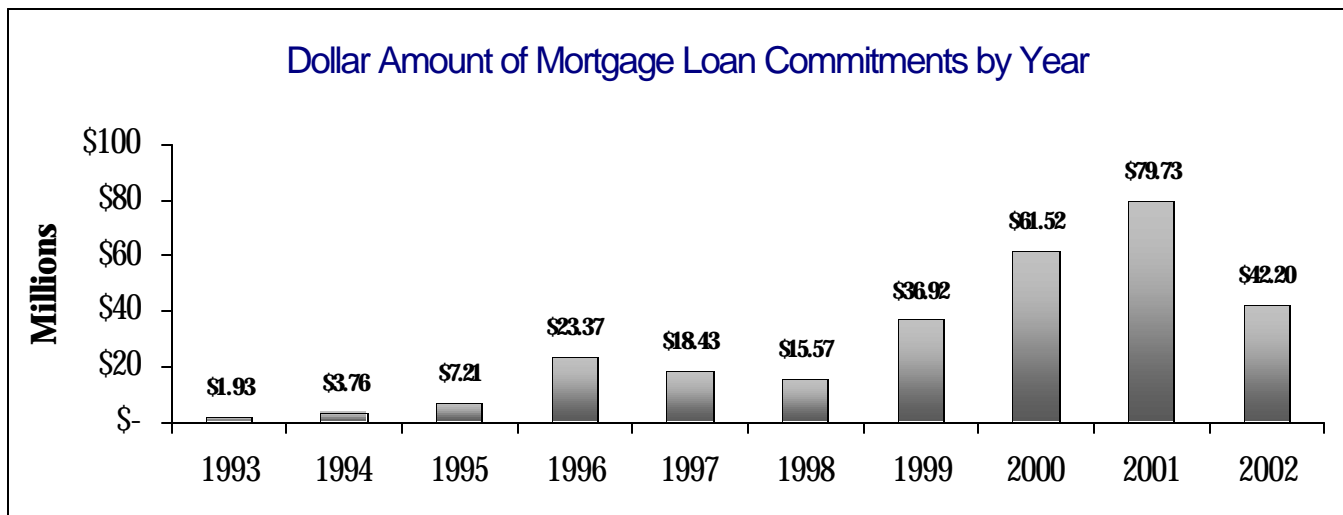
HPD
Subsidized – 5 projects – 83 units

HDC
Subsidized – 10 projects – 804 units

Other – 6 projects – 121 units

NYPD
HOME – 21 projects – 26 units

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



New HOP

Approximately five years ago, HDC initiated the New Housing Opportunities Program (New HOP), our City's first middle-income housing program in more than a quarter of a century.

Under this innovative program, HDC issues bonds (either taxable or tax-exempt) 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.

During FY 2002, REMIC issued 8 Commitments to Insure on New HOP projects with a total Mortgage Amount of \$26,210,000 and with 257 housing units.



50 Greene Avenue in the Fort Greene section of Brooklyn is an HDC New HOP sponsored project with 39 units. A "gut rehab" with a mortgage of \$3,619,000 and REMIC mortgage insurance of 20% totaling \$723,000. Adjacent to the building is the Paul Robeson Theater.

The NYPD HOME Program

Approved at the June 30, 1999 Members Meeting, the NYPD HOME Program was created to assist New York City Police Officers purchase homes within the five Boroughs. 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 up 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. REMIC's participation was intrinsic to the success of the program, since the private sector did not offer 100% mortgage insurance.

The NYPD HOME Program cont'd

Initially, the program seemed capable of making a significant long-term impact. The NYPD did an extensive outreach program notifying every officer of the availability of the program and the participating lenders held seminars at locations around the city for potential customers. Since then though, interest within the Department has declined. However, while it did not generate the numbers originally hoped for, NYPD Home 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 extended REMIC's efforts in all five of the Boroughs. Finally, and perhaps most importantly, it "jump-started" the private sector into providing similar services. During the past 18 months lenders started co-operative efforts with private mortgage insurers to assist the members of the 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 2002, under the NYPD HOME Program, *REMIC* committed to insure mortgages on 5 properties with 6 units of housing and issued mortgage insurance for 6 properties with 7 units of housing. Since its inception the program has insured 45 mortgages throughout all of the five boroughs.



1630 Madison Avenue in the East Harlem section of Manhattan is an 11 unit building with \$1,529,000 mortgage from CPC and 100% mortgage insurance from REMIC.

PENSION FUNDS

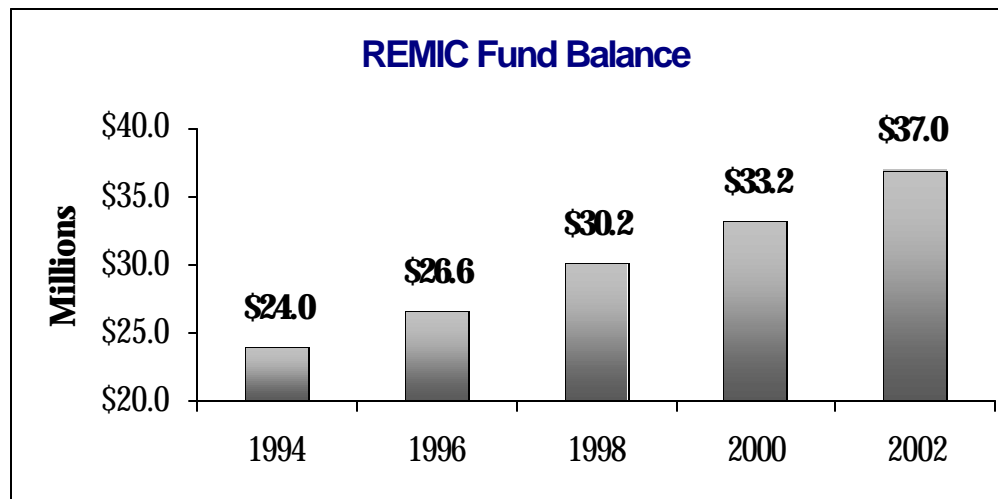
Currently, NYCERS and the Teachers Retirement Fund are able to purchase up to a combined total of \$100 million of REMIC insured loans, a substantial increase over the \$30 million that was allowed just seven years ago. Of that \$100 million, \$69,351,000 is either already in the REMIC portfolio or in the pipeline. This leaves \$30,649,000 of the potential Pension Fund allotment still available

RATING AGENCIES

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 2002 REMIC continued to maintain its exceptionally high rating with both Standard & Poor's and Fitch.

FINANCIAL HIGHLIGHTS

At the close of Fiscal Year 2002, REMIC has an amortized fund balance of \$36,959,000 (unaudited). In Fiscal Year 2002 without adjusting the portfolio to fair market value, REMIC had an estimated net income of \$2, 486, 000.



INVESTMENT SUMMARY

As of October 31, 2002, REMIC reserves were invested in securities of Fannie Mae, The Federal Home Loan Bank (FHLB), Freddie Mac, the Federal Farm Credit Bureau (FFCB) and Repurchase Agreements as described in the chart below.

Amount	Provider	Interest Rate (%)	Maturity Date	First Call Date
\$ 443,800	Repurchase Agreement	1.70	November 1, 2002	
\$ 96,200	Repurchase Agreement	1.87	November 1, 2002	
\$ 3,200,000	Federal Farm Credit Bureau	6.23	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
\$ 2,924,000	Federal Home Loan Bank	6.42	May 26, 2016	May 26, 2004
\$ 1,000,000	Freddie Mac	6.50	December 19, 2016	December 19, 2003
\$ 900,000	Fannie Mae	7.00	May 17, 2017	May 17, 2003
\$ 1,290,000	Fannie Mae	6.50	July 10, 2017	July 10, 2003
\$5,000,000	Federal Home Loan Bank	7.56	February 18, 2020	February 18, 2010

CLAIMS PAID

During FY 2002 *REMIC* did not have to pay any claims. Thus, the total amount of claims paid since 1973 remains at \$580,951 for eleven claims.



116 Winthrop Street in Brooklyn has 8 units and a CPC mortgage of \$262,000 with a 100% coverage from REMIC.

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).

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 2003 with the ability to take on nearly an additional \$65 million of insurance risk an increase of approximately \$20 million over last year. This increase in capacity is due to satisfactions in the existing portfolio and cancellations of prior commitments. In this fiscal year, due largely to lower interest rates, lenders cancelled 13 commitments to insure, freeing up over \$10 million of insurance capacity that had been previously reserved. In addition, as the “Old” REMIC's portfolio is reduced monies are freed up to permit new insurance contracts to be written. During the past year, the insurance in effect for the “Old” REMIC declined by \$1.4 million, further increasing REMIC's insurance capacity by a further \$7 million.

“OLD” REMIC PROPERTIES SUMMARY

As of October 31, 2002, Old REMIC had in its portfolio insured mortgages from 10 lenders for 40 properties (33 multi-family and 7 single-family) with 992 units. The current aggregate balance of these insured mortgages is \$4,527,351 with REMIC Insurance in effect of \$2,843,534.



This 12 unit building with a \$200,000 mortgage from CPC is located at 52-54 Sunnyside Avenue in Brooklyn. It has \$150,000 of mortgage insurance from REMIC.

“New” REMIC Properties Summary

As of October 31, 2002, REMIC had in its portfolio insured mortgages from 13 lenders for 219 properties (175 multi-family and 44 single-family) with 6,422 units. The current aggregate mortgage balance of these insured mortgages is \$238,930,079 with REMIC insurance in effect of \$104,652,997.

Addendum

- A - REMIC Participating Lenders**
- B - REMIC FY 2002 Activity by Borough**
- C - REMIC Commitment Activity by Year**
- D - REMIC FY 2002 Commitment Activity by Month**
- E - REMIC Commitments Issued in FY 2002**

REMIC PARTICIPATING LENDERS

Amalgamated Bank of New York

Banco Popular de Puerto Rico

Bethel Federal Credit Union

Citigroup

Community Capital Bank

The Community Preservation Corporation

Fannie Mae

First Nationwide Bank

Fleet Bank, N.A.

Freddie Mac

Greystone Servicing Corp., Inc.

HSBC Mortgage Corporation

Independence Savings Bank

J. P. Morgan Chase
Community Development Group
Residential Lending Unit

Lower East Side People's

Low Income Housing Fund
Federal Credit Union

NCB Development Corporation

Neighborhood Housing Services

New York City Housing Development Corp.

North Fork Bank

NYC Employees' Retirement System (NYCERS)

Roslyn Savings Bank

Union Settlement Federal Credit Union

Teachers Retirement System of the
City of New York

Washington Mutual, Inc.

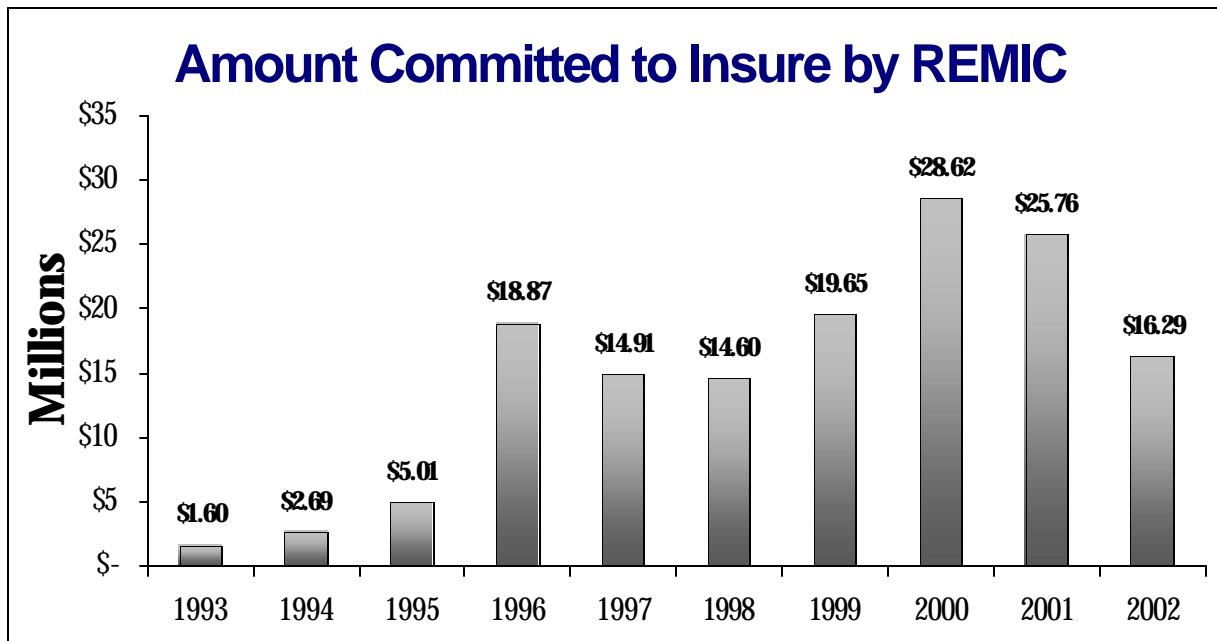
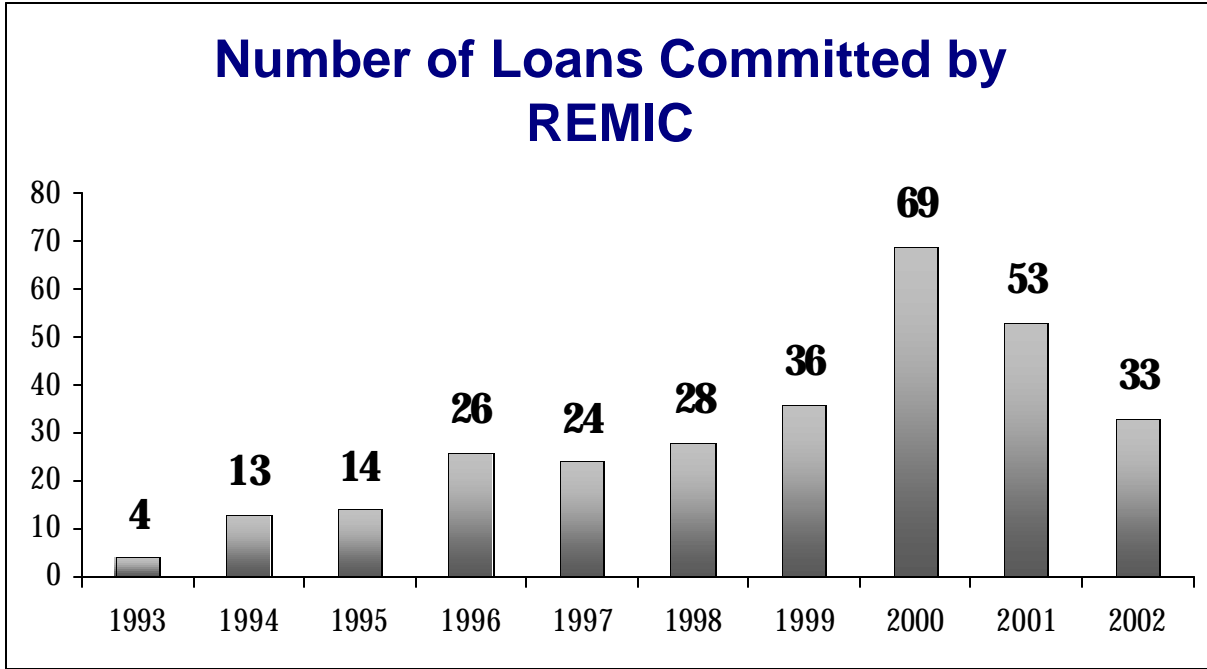
REMIC FY 2002 ACTIVITY BY BOROUGH

<u>BOROUGH</u>	<u>COMMITMENTS</u>	<u>UNITS</u>
Brooklyn	8	72
Bronx	10	434
Manhattan	8	173
Queens	4	107
Staten Island	3	3
Total	33	789

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
2002	33	290,628,651	16,290,443	789

COMMITMENT ACTIVITY BY YEAR



FISCAL YEAR 2002 COMMITMENT ACTIVITY BY MONTH

<u>MONTH</u>	<u>COMMITMENTS</u>	<u>UNITS</u>
November	2	13
December	0	0
January	2	23
February	2	50
March	5	109
April	5	109
May	4	266
June	5	85
July	4	77
August	1	19
September	2	72
October	4	31
Total	33	789

COMMITMENTS ISSUED DURING FY 2002

<u>Address</u>	<u>Lender</u>	<u>Mortgage Amount</u>	<u>Number of Units</u>
<u>Bronx – Multi-Family</u>			
1921 Andrews Ave. South	CPC	\$ 425,000	11
2172 Anthony Ave.	CPC	\$ 525,000	22
2150 Crotona Parkway 801 Freeman Street 810 Ritter Place 346 East 146 th Street 773 Melrose Avenue	CPC	\$ 1,945,000	61
1339 Prospect Ave. 1414 Prospect Ave. 1416 Prospect Ave. 1420 Prospect Ave.	CPC	\$ 1,393,000	73
22-24 Marcy Place 30 East Clarke Place	CPC	\$ 2,115,000	88
152 – 156 & 158 West 168th Street	CPC	\$ 1,352,000	65
1825 Needham Ave.	HDC	\$ 4,400,000	47
1933 - 49 Vyse Ave.	Chase	\$ 759,994	46
1256 Clay Ave.	CPC	\$ 472,000	19
<u>Bronx – One/Two Family</u>			
2718 Seymour Ave.	Chase	\$ 255,000	2

COMMITMENTS ISSUED DURING FY 2002

Brooklyn – Multi-Family

64 West 9th Street	HDC	\$ 3,060,000	26
1184 Nostrand Avenue	CPC	\$ 321,000	3
385 Palmetto Street	CPC	\$ 137,000	5
2353 McDonald Avenue	CPC	\$ 304,000	3
235 Driggs Avenue	CPC	\$ 250,375	6
116 Winthrop Street	CPC	\$ 262,000	8
52-54 Sunnyside Avenue	CPC	\$ 200,000	12
547 Madison Street	CPC	\$ 336,341	9

Manhattan – Multi-Family

2232, 2295 - 97 First Avenue	HDC	\$ 1,910,000	21
21 West 131 st Street	CPC	\$ 549,000	10
1630 Madison Av.	CPC	\$ 1,520,000	11
219 West 121st Street 63 West 119th Street 232 West 122nd Street 571 West 161st Street	CPC	\$ 1,218,000	38
171-175 & 200 Nicholas Ave 2200 – 2202 Frederick Douglass Blvd. 272 West 119th Street	HDC	\$ 3,200,000	40
526 West 174th Street	CPC	\$ 297,550	16
531 West 160th Street	CPC	\$ 343,843	20
170 East 109th Street 156 East 109th Street 1509 Lexington Ave.	HDC	\$ 1,530,000	17

COMMITMENTS ISSUED DURING FY 2002

Queens – Multi-Family

99-22 67th Road	HDC	\$ 3,390,000	29
46 – 19 88 th Street	HDC	\$ 1,320,000	17
14-56 31 st Drive	HDC	\$ 7,400,000	60

Queens – One/Two Family

97-02 133rd Avenue	Chase	\$ 275,000	1
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Staten Island – One/Two Family

146 Roswell Ave.	Chase	\$ 264,500	1
832 Bloomingdale Rd.	Chase	\$ 225,000	1
102 Labau Ave.	Chase	\$ 230,000	1