



MEMORANDUM

TO: The Chairperson and Members

FROM: Eric Enderlin *E. Enderlin*

SUBJECT: REMIC-SONYMA Risk Share Insurance Program

DATE: March 24, 2023

Proposal

The Members are requested to authorize REMIC to enter into a Risk Share Insurance Agreement with the State of New York Mortgage Agency (“SONYMA”) pursuant to which REMIC and SONYMA will each provide mortgage insurance coverage for certain first lien permanent mortgage loans made by the New York City Housing Development Corporation (“HDC”) to finance various multifamily rental properties (the “Program”).

Background

At the request of HDC, REMIC has engaged SONYMA to pursue a risk sharing program to provide mortgage insurance coverage for HDC first lien permanent mortgages that are expected to be larger than the average loan historically insured by REMIC. The maximum loan amount under the proposed program would be the greater of \$75 million, or \$250 thousand per dwelling unit (the “Maximum Loan Amount”). By comparison, the average original mortgage amount of HDC loans in the REMIC portfolio as of October 31, 2022, was approximately \$7.8 million.

Terms

Under the proposed Program, REMIC will perform as administrator and servicer of the mortgage insurance primarily using REMIC’s processes. The administration and servicing of the mortgage insurance will include, collecting premiums and remitting the applicable share to SONYMA, processing claims, and making determinations regarding remedies.

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The maximum policy coverage percentage would equal fifty percent (50%) of each first lien permanent mortgage, with REMIC and SONYMA each responsible for insuring twenty-five percent (25%) of the original principal balance of the loan. REMIC and SONYMA will each issue certificates to the insured (HDC) evidencing its twenty-five percent (25%) coverage. Loans insured under this program will have a term of not more than forty (40) years and observe the Maximum Loan Amount. Eligible properties must have a loan-to-value ratio of less than eighty percent (80%).

The Risk Share Insurance Agreement will be for an initial term of thirty-six (36) months, and thereafter, renew every three years for another thirty-six (36) month period. After the initial term, and only at the end of any calendar year, either party can terminate the agreement by providing thirty (30) days' notice.

Risk and Risk Mitigation

The primary risk associated with the Program is borrower default. As required by its enabling statute, REMIC covers such risk by maintaining reserves of no less than twenty percent (20%) of insurance in effect plus commitments to insure. As of October 31, 2022, REMIC's reserves totaled approximately \$146.5 million, including approximately \$105.7 million in restricted reserves, and \$40.8 million in unrestricted reserves. REMIC's exposure to loans insured under the Program will be limited to the twenty-five percent (25%) coverage, for which REMIC will reserve twenty percent (20%) of the insured amount.

Additionally, HDC will perform its usual portfolio surveillance, including periodic financial analysis, and physical inspections of the properties insured under the Program.

Action by the Members

The Members are requested to approve the execution by an Authorized Officer of REMIC of the REMIC-SONYMA Risk Share Insurance Agreement to provide mortgage insurance coverage for certain first lien permanent mortgage loans made by HDC and any extensions, modifications or amendments necessary to provide coverage under the Program.