



HFA Annual Awards of the National Council of State Housing Agencies

Category: Rental Housing

Subcategory: Encouraging New Production

Submission: "nyhomes" (comprised of New York State Housing Finance Agency, the State of New York Mortgage Agency and the New York State Affordable Housing Corporation)

Entry Name: Mortgage Insurance – Rental Housing Program

General

SONYMA, through its Mortgage Insurance Fund (the "MIF"), has responded to a secondary effect of the subprime mortgage crisis. Due to declining home purchase prices and tightening credit availability, newly constructed three-family homes originally built as "for sale" market-rate housing sit vacant with potential buyers unable to secure financing. Against this backdrop, New York City continues to face a shortage of affordable rental housing, with over half of its residents paying more than 30% of their income in rent. With the dual goals of ensuring that these unsold homes do not remain vacant and increasing the supply of affordable rental housing in New York City, the MIF has provided credit enhancement on 30-year fixed rate mortgages to finance the conversion of these homes into rental housing. In doing so, the MIF also furthers Governor David Paterson's objectives of increasing the supply of more affordable housing opportunities for working families and making New York State the best possible place to live, work and raise a family

As of June 30, 2008, SONYMA has issued commitments to provide credit enhancement on five first mortgages in the amount of \$14,958,000 for 106 units of affordable multifamily rental housing. There are two additional projects with 19 units in the MIF's pipeline.

Background on MIF

The MIF was created by the New York State Legislature in 1972 to promote the construction and rehabilitation of affordable housing throughout the state. The MIF offers project mortgage insurance for multifamily rental mortgage loans and underlying cooperative housing corporation mortgage loans.

The MIF's coverage offers the following features:

- a. 100% mortgage insurance on loans made by public entities or public employees' pension funds and up to 75% mortgage insurance on loans made by commercial lenders.
- b. Insurance takes effect when the project is occupied and has achieved a minimum rental income level.
- c. Provides current payment of principal and interest on public entity loans and final payment of principal and interest subsequent to foreclosure on loans made by commercial lenders.

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Program Development

The MIF was approached by a lender partner, the Community Preservation Corporation ("CPC"), with an unusual proposal. CPC had been requested to provide permanent mortgage financing for several developments in the Bronx and Queens originally designed for sale as owner-occupied three-family homes or as condominiums. The project developers were concerned that potential home buyers would be unable to secure financing in light of tightening credit availability and wanted to operate the properties as affordable rentals. The MIF will provide mortgage insurance on CPC's permanent mortgage loans if the projects are maintained as affordable rentals. CPC's loans are sold to the New York City Employees Retirement System

Results

To date, the MIF has issued commitments to insure five projects under this new initiative. Two of the projects are in Queens, two are in the Bronx and one is in Brooklyn. They are in neighborhoods such as Far Rockaway, Mott Haven and Bushwick with many minority and immigrant households. The City and State have invested substantial capital resources through the years to revitalize and stabilize them as safe, decent and affordable places to live.

All five projects were originally planned as for sale housing but are now going forward as affordable rental housing. The Bronx project is of particular note, as it will provide housing for 84 homeless veterans who are referred by the local Veterans Administration hospitals (the "VA Program"). The VA Program screens the homeless veterans to insure that they are capable of living in a congregate setting before referring them for housing. The VA Program also provides one social worker for every 30 residents at the Project, and the not-for-profit co-sponsor will provide job training programs. The Department of Veterans Affairs estimates the number of homeless veterans in New York City to be over 9,000, which is expected to increase as service men and women return from Iraq and Afghanistan.

Conclusion

While the subprime mortgage and foreclosure crises have challenged housing agencies across the country to react defensively, MIF's focus on converting what was originally intended as for sale housing into affordable rental housing is an innovative way to capitalize on the changing real estate markets to increase the supply of affordable rental housing.

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