THE NEW YORK CITY

COMMUNITY PRESERVATION CORPORATION

ANNUAL REPORT FOR 1975-76

CONTENTS

THE NEW YORK CITY COMMUNITY PRESERVATION CORPORATION
A PRIVATE NOT-FOR-PROFIT HOUSING FINANCE CORPORATION
641 LEXINGTON AVENUE, NEW YORK, N.Y. 10022

(212) 759-8970

NEIGHBORHOOD OFFICES
CROWN HEIGHTS
823 EASTERN PARKWAY
BROOKLYN, N.Y. 11213

WASHINGTON HEIGHTS
521-29 WEST 207TH STREET
NEW YORK, N.Y. 10034

TO OUR MEMBERS:

The record today, as we begin the third fiscal year of The New York City Community Preservation Corporation (CPC) stands in marked contrast to that of a year ago.

Mortgage Activities

A year ago, CPC's mortgage program was only commencing. We had approved one loan for the rehabilitation of an 87-unit apartment building. Today, CPC has approved 37 mortgage loans totalling in excess of $10 million. These loans will finance the purchase and/or rehabilitation of 46 buildings containing more than 1600 apartments in our two lending areas--Crown Heights in Brooklyn and Washington Heights in Manhattan. Mortgages representing twenty-five percent of the committed funds have been closed; the remainder are expected to close within months.

A year ago, our immediate concern was the paucity of apartment building owners expressing interest in CPC's financing. In contrast, at this time nearly 400 individuals have discussed the possibility of obtaining CPC financing with our neighborhood mortgage officers, 57 of these "contacts" have proceeded to file applications, of which 37 have been approved and ten are pending. Today, our attention has shifted toward (i) reaching out to property owners in the vicinity of buildings which have already obtained CPC financing in an effort to upgrade neighboring structures, (ii) expanding our base of existing borrowers so as to serve the broadest possible market consistent with our lending objectives and (iii) improving our ability to distinguish as promptly as possible between the serious potential borrower and the idle inquirer so that we may better serve the former. In these efforts, we are mindful that many of CPC's borrowers have not been skilled in the intricacies of rehabilitation financing and we will remain prepared to work with those who require assistance in formulating their rehabilitation and financing proposals.

HDA's Programs for Preservation

A year ago, the Housing and Development Administration (HDA) had still not instituted procedures (i) to permit an owner to obtain the necessary rent increases to cover rehabilitation costs and (ii) to advise tenants of their eligibility for rent subsidy payments--despite over nine months of discussion by the agency. Today, these procedures are in place, although an additional seven months were to pass before the agency promulgated the new rules--this delay requiring CPC to suspend processing of multifamily loan requests for one month and preventing us from closing a number of other loans for several additional months. This past year also witnessed CPC's receipt of the first mortgage insurance commitment for a rehabilitated property issued by the Rehabilitation Mortgage Insurance Corporation (REMIC)--CPC has now received REMIC insurance commitments totalling $1.9 million for eleven properties.

Will It Work?

Our display of statistical "gains" should not obscure the underlying risks inherent in our financing efforts. First, the "loan to value" ratio (amount of loan compared to property's appraised value after rehabilitation) of our multifamily loans is considerably higher than real estate loans made by our participating institutions. In fact, 75% of our multifamily loans have been in excess of the permissible lending limitation established by New York State for state-supervised lending institutions.

Second, the soundness of our loans will largely be influenced by actions beyond the control of CPC and our borrowers. Most immediately, the repayment of our loans is dependent upon the effectiveness of the City's rent restructuring procedures. Nine multifamily buildings have now been processed under this new arrangement--HDA has issued its advisory opinions on rents, tax abatements and tenant rent subsidies; CPC's loans have closed; and rehabilitation has commenced. We expect work on the first of these buildings to be completed by December, with the other buildings being completed over the next 6-8 months. Upon completion, the responsible city agencies will be called upon to authorize the increase in rents, set tax abatements and provide housing subsidy payments on behalf of eligible tenants in accordance with the previously issued advisory opinions. The degree to which these steps are promptly taken will not only yield answers as to the efficacy of the newly-installed procedures but will be the most meaningful indication of whether New York City's concept of neighborhood preservation might move from rhetoric toward reality.

Finally, moderately rehabilitated buildings will not, standing alone, withstand the forces of neighborhood deterioration. A fundamental premise of the City's neighborhood preservation program was, and continues to be, that investment in housing must be matched by other public and private measures aimed at upgrading the quality of life of those living and working in our lending areas. To date, however, publicly-initiated efforts have, to a great degree, been a casualty of the City's fiscal condition. The extent to which these efforts are made and succeed, however, will greatly affect the future value of our mortgage portfolio.

CPC's Corporate Affairs

Within the past six months, our members have voted to continue the CPC program within our two lending areas and to fund the expansion of our staff of five to seven. This expansion will enable us (i) to better serve what appears to be sustained interest in our program among property owners and purchasers and (ii) to involve ourselves in FHA's various mortgage insurance programs and other national programs in an effort to determine whether they might better serve the objectives of neighborhood preservation. As a first step, we shall move our Crown Heights' office from a room within the City's local preservation office to separate and enlarged storefront quarters within the community.

Our first two years of operation have been marked by substantial deficits; and given our current funding arrangements, these deficits will continue. The gap between our operating expenses and business-related income has been bridged by $400,000 of capital contributions already made by our sponsors; and our projected deficit for the next three years will be covered by their pledge of an additional $421,000.

We believe it timely, however, for our sponsors to consider adjusting CPC's funding arrangements to more nearly equate the corporation's projected revenue sources with its operating expenses. Presently, CPC's sole sources of income are (i) commitment fees on multifamily rehabilitation loans, (ii) an interest rate differential on our construction loans and (iii) an interest rate "spread" of 1/2 of 1% between the rate of interest on CPC's permanent mortgage loans and the rate on our bank-purchased collateral trust notes. This "spread," however, leaves but 1/16 of 1% per annum (or $625 per $1 million of notes) net to CPC, the difference being paid to others as servicing and trustee fees.

We, therefore, will shortly request that our participating banks consent to enlarging this "spread" from the existing 1/2 of 1% to 1.25% per annum, the additional income being applied toward the corporation's operating expenses and the funding of a contingency reserve fund. Our projections indicate that if this measure were instituted at this time, CPC would obtain sufficient additional income from our permanent mortgage portfolio to reach self-sufficiency within 3-4 years.

Given CPC's policy of charging our borrowers the best prevailing rate of interest in the New York area, this change will result in a decreased rate of return on our sponsors' collateral trust note investments. We, nevertheless, consider that this change would more accurately reflect the cost to our participants of providing inner-city rehabilitation financing than our current system of meeting predictable deficits with capital contributions.

Alfred S. Mills
Alfred S. Mills
Chairman

Warren T. Lindquist
Warren T. Lindquist
President

Edgar A. Lampert
Edgar A. Lampert
Executive Vice President

October 14, 1976

MORTGAGE LENDING ACTIVITIES

The charts below set forth CPC's mortgage lending activities as of September 30, 1976 (i) in summary form, (ii) by neighborhood, and (iii) by building size, apartment buildings referring to structures with five or more dwelling units.

SUMMARY

CPC-APPROVED LOANS	# of Loans	Bldgs.	Units	Total
Loans closed Loans awaiting closing	17 20	19 27	456 1,180	$ 2,546,500 7,848,500
Total	37	46	1,636	$10,395,000

BY NEIGHBORHOOD

CROWN HEIGHTS (CH) Loans closed Loans awaiting closing	10 13	10 16	26 788	$ 323,500 5,571,500
CH Total	23	26	814	$ 5,895,000
WASHINGTON HEIGHTS (WH) Loans closed Loans awaiting closing	7 7	9 11	430 392	$ 2,223,000 2,277,000
WH Total	14	20	822	$ 4,500,000

BY BUILDING SIZE

1-4 Family Homes (1-4) Loans closed Loans awaiting closing	9 2	9 2	18 6	$ 298,500 57,500
1-4 Total	11	11	24	$ 356,000
Apt. Bldgs. Loans closed Loans awaiting closing	8 18	10 25	438 1,174	$ 2,248,000 7,791,000
Apt. Bldgs. Total	26	35	1,612	$10,039,000

THE CORPORATION

The New York City Community Preservation Corporation (CPC) is a not-for-profit corporation organized under the laws of the State of New York. It has two members--its Class A member being the New York Clearing House Association, located at 100 Broad Street, New York, New York; its Class B member being the Savings Banks Association of New York State, located at 200 Park Avenue, New York, New York.

Directors

Pursuant to the corporation's By-Laws, six of CPC's directors are elected by its Class A member and four are elected by its Class B member. Listed below are those individuals who have served as directors of CPC during this second fiscal year.

Joseph C. Brennan, Chairman, Emigrant Savings Bank

William G. Herbster, Senior Vice President, Citibank, N.A. (September 1975-February 1976)

Edward M. Lamont, Vice President, Morgan Guaranty Trust Company of New York

John F. Lee, Executive Vice President, New York Clearing House Association

Alfred S. Mills, Chairman, Executive Committee, The New York Bank for Savings

John M. Nosworthy, Chairman, Eastern Savings Bank

William E. Panitz, Vice President, Citibank, N.A. (from March 1976)

Joseph H. Quinn, Vice President, The Chase Manhattan Bank, N.A. (September 1975-May 1976)

David Rockefeller, Chairman, The Chase Manhattan Bank, N.A.

Donald L. Thomas, Chairman, Anchor Savings Bank

Michael J. Wechsler, Executive Vice President, Chemical Realty Corporation

Officers

Warren T. Lindquist, President

Edgar A. Lampert, Executive Vice President and Secretary

William G. Herbster, Treasurer (September 1975-February 1976)

Donald H. Kerr, Treasurer (from May 1976)

Mortgage Officers

Milton Rich, Senior Mortgage Officer

Michael Lappin, Neighborhood Mortgage Officer--Washington Heights

Marc Leavitt, Neighborhood Mortgage Officer--Crown Heights

FINANCIAL INSTITUTIONS PARTICIPATING IN THE CPC PROGRAM

COMMERCIAL BANKS

The Bank of New York

Bankers Trust Company

The Chase Manhattan Bank, N.A.

Chemical Bank

Citibank, N.A.

Irving Trust Company

Manufacturers Hanover Trust Company

Marine Midland Bank-New York

Morgan Guaranty Trust Company of New York

National Bank of North America

United States Trust Company of New York

SAVINGS BANKS

American Savings Bank

Anchor Savings Bank

The Bowery Savings Bank

The Brooklyn Savings Bank

Central Savings Bank in the City of New York

The Dime Savings Bank of New York

Dry Dock Savings Bank

The East New York Savings Bank

Eastern Savings Bank

Emigrant Savings Bank

Empire Savings Bank

The Green Point Savings Bank

The Greenwich Savings Bank

Harlem Savings Bank

Independence Savings Bank

Metropolitan Savings Bank

The New York Bank for Savings

Prudential Savings Bank

Ridgewood Savings Bank

Roosevelt Savings Bank of the City of New York

The Seamen's Bank for Savings

Union Dime Savings Bank

The Williamsburgh Savings Bank

A STATISTICAL VIEW OF CPC

The following pages describe in statistical form various aspects of CPC's mortgage lending activities. The data from which the "Statistical Profiles" have been prepared is abstracted from mortgage loan applications approved by CPC prior to August 31, 1976--the end of the corporation's second fiscal year. These applications encompass 26 apartment buildings (10 in Crown Heights and 16 in Washington Heights) and 11 1-4 family buildings in Crown Heights. Three buildings where CPC's approval for financing was subsequently cancelled are not included in this Statistical View.

CONTENTS

STATISTICAL PROFILES

Apartment Buildings (5 or more units)

1. The CPC Borrower

Crown Heights. CPC's borrowers in Crown Heights have been divided between small (2-5 buildings owned) and larger-sized (at least 10 buildings owned) real estate investors, whose holdings are limited to the borough of Brooklyn. The borrowers are as likely to have recently purchased (within one year) the building which is the subject of the CPC loan as to have owned the building for more than a decade.

Washington Heights. In contrast, the Washington Heights' borrowers have been established real estate investors holding residential properties in other boroughs of the City in addition to Manhattan, and have owned the building which is the subject of the CPC loan for at least ten years.

2. The Building

Crown Heights. The Crown Heights' buildings have been primarily 4-story walk-ups (5-20 apartments) or 6-story elevator buildings (up to 100 apartments) constructed as "New Law" structures between 1901 and 1929. Isolated buildings have been even larger--containing as many as 200 apartments.

Washington Heights. Twelve of sixteen Washington Heights' buildings have been 5-story walk-up buildings, containing between 21 and 50 apartments, and constructed between 1901 and 1929. The remaining buildings have been 5 or 6-story elevator buildings.

3. The CPC Loan--Application of Proceeds

Crown Heights. CPC's average loan has been approximately $7900 per unit, $5200 or 66% being applied toward rehabilitation costs and $2700 or 34% being applied toward acquisition or refinancing existing indebtedness. In 5 of the 6 instances in which prior institutional financing was a lien on the subject property, the borrower obtained a discount from the mortgagee.

Washington Heights. In contrast, CPC's average loan in Washington Heights has been substantially less than in Crown Heights. In Washington Heights, the average loan has been approximately $5500 per unit, $3700 or 67% being applied toward rehabilitation costs and $1800 or 33% being applied toward acquisition or refinancing existing indebtedness. As in Crown Heights, existing institutional mortgagees have agreed to either take discounts, participate in CPC's new financing, or both.

4. The CPC Loan--Loan to Value Ratio

Crown Heights. 8 of the 10 loans have had loan to appraised value (after rehabilitation) ratios in excess of 75%, the majority (7 of 8) falling within 81-90%.

Washington Heights. 12 of the 16 loans have had loan to value ratios in excess of 75%, the majority (10 of 12) falling within 81-90%.

5. CPC's Investment

Crown Heights. From the perspective of new investment in buildings rehabilitated with CPC-financing, upon full funding of CPC's loan, in 7 of 10 cases, CPC's investment will be in excess of 80% of the total funds invested; in 3 of those cases, CPC's investment is in excess of 90%.

Washington Heights. In 12 of 16 cases, CPC's investment is in excess of 90%, in 8 of these buildings the investment is over 95%. In the 4 remaining buildings, CPC's investment is at least 80%. These higher percentages reflect, in part, the longer-term ownership patterns among CPC's Washington Heights' borrowers during which time the borrower developed "equity" in his building.

6. Impact of J-51 Tax Abatement/Exemption on Rehabilitation

In both Crown Heights and Washington Heights, the J-51 Tax Abatement/Exemption Program (or a similar program) is an essential ingredient in CPC's lending program--from the viewpoint of (i) increasing the property's net annual income, and thereby the property's appraised value, and (ii) subsidizing the building so as to limit the size of the rent increase charged the tenants.

If J-51, or a similar real property tax abatement were not available, CPC's loans simply could not be made because of an insufficient appraised value (after rehabilitation). In the absence of the real property tax abatement, (i) in Crown Heights, 8 of 10 (the 2 remaining buildings are each less than 10 units) of the multifamily buildings would have loan to value ratios in excess of 90% (6 of these 8 buildings being in excess of 100%) and (ii) in Washington Heights, the loan to value ratios of 13 of 16 buildings would be in excess of 100%.

The tax abatement also provides a substantial subsidy to the building in the form of real property taxes foregone--both on an annual and cumulative basis. For example, in Crown Heights, our estimate of "taxes foregone" by the City over the next 10-15 years on 7 large multifamily buildings is approximately $2.1 million; in Washington Heights for 16 buildings, the comparable figure is $2.4 million--this subsidy flowing to the buildings' residents through reduced rentals.

7. <u>Rent Structure of Building Prior to Rehabilitation</u>

<u>Crown Heights</u>. 6 of 10 buildings considered contained both rent-controlled and rent-stabilized units, (the remaining 4 having all rent-stabilized units). The rent-controlled units in 5 of the 6 buildings averaged between $11-20 per room less than comparable stabilized units. In effect, the rent-controlled tenants were paying between 21 and 40% (and in one instance over 70%) less than the rent-stabilized tenants within the same building.

<u>Washington Heights</u>. In 15 of 16 buildings, the rent-controlled units averaged between $6 and $20 per room and ranged up to 80% (and in one instance over 100%) less than the rent-stabilized units within the same building.

8. <u>Rent Increases Required for Rehabilitation</u>

<u>Crown Heights</u>. Under rent restructuring, the rents in the controlled units will increase in 2 buildings by $6-10 per room, and in the remaining 4 buildings by $16-25 per room, generally resulting in a rent increase of between 40-60%.

Among the stabilized units, there will be no rent increases in 4 buildings and increases of less than $10 per room in 4 of the 6 other buildings--the percentage increase generally being within 15%.

<u>Washington Heights</u>. 15 of 16 buildings will have increases in controlled rents between 0-$15 per room, 11 of the buildings having rent increases of less than $10 per room.

Among the stabilized units, 14 of 16 buildings will have increases of less than $5 per room--less than 10% of existing stabilized rents, the remaining 2 buildings having increases of less than $10 per room.

9. <u>Reservations of Section 8 Rent Subsidies</u>

As of August 31, the City has reserved rent subsidies for 127 families living within 10 buildings rehabilitated with CPC's financing--all of these being in Washington Heights. This represents about 25% of the total apartments within the buildings. Eligibility for this subsidy is primarily tied to a family's annual income.

1-4 Family Homes

10. <u>The Home Purchaser</u>

Of 8 mortgage loans financing the purchase of a 1-4 family home, 7 of the 8 purchasers were already living within Crown Heights or adjoining neighborhoods within Brooklyn.

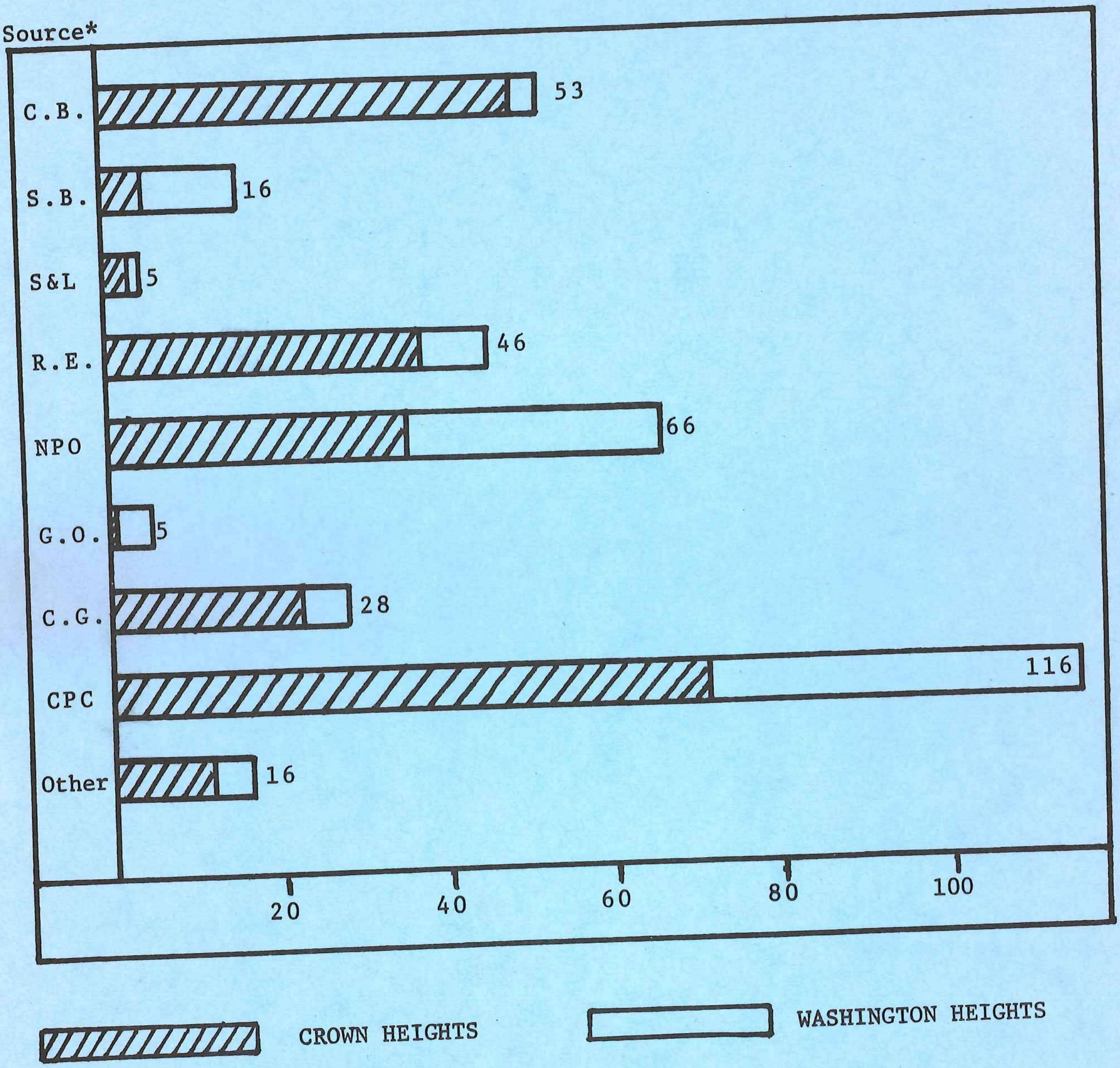
11. <u>The CPC 1-4 Family Loan</u>

8 of 11 loans have involved buildings requiring at least $2000 of rehabilitation per dwelling unit. Seven of these loans have loan-to-value ratios (after rehabilitation) between 71 and 85%.

In the majority of cases (6 of 11), CPC's loan accounted for more than 75% of the funds required to purchase and rehabilitate (including closing costs) the building.

WHO REFERS "CONTACTS" TO CPC?
(June 1975 - August 31, 1976)

This table lists those who have referred "contacts" to CPC--a "contact" being an owner or purchaser of residential property in CPC's lending areas who expresses interest in CPC's financing.

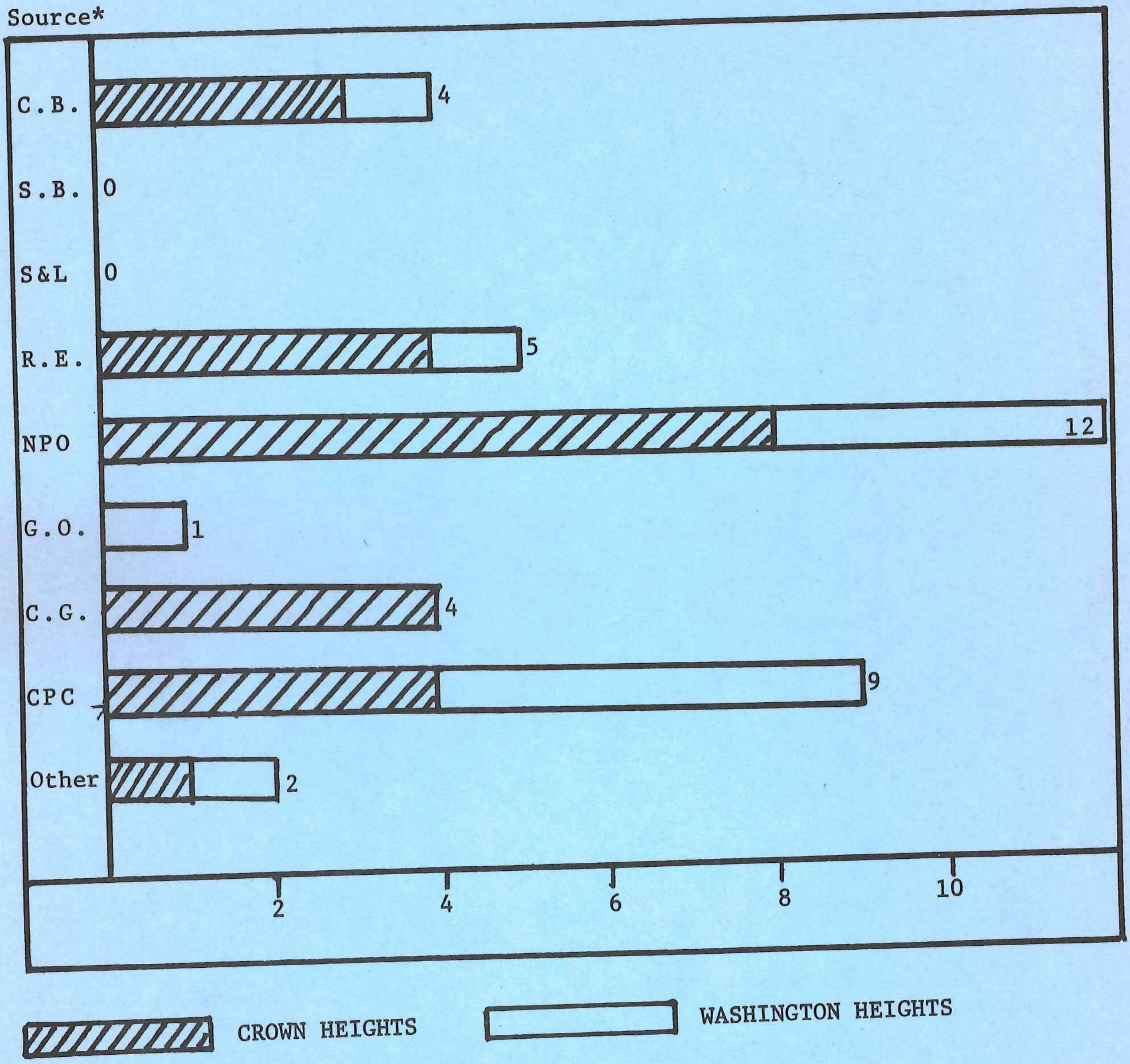


*The abbreviated listings refer to:

C.B. - commercial banks
S.B. - savings banks
S&L - savings and loan associations
R.E. - real estate industry such as brokers, property managers.
NPO - HDA Neighborhood Preservation Office
G.O. - other government office
C.G. - community group or leader
CPC - marketing efforts or prior dealings with CPC

WHO REFERS "BORROWERS" TO CPC?
(June 1975 - August 31, 1976)

This table lists those who have referred borrowers to CPC--a borrower being defined as one who has received a CPC commitment for mortgage financing.



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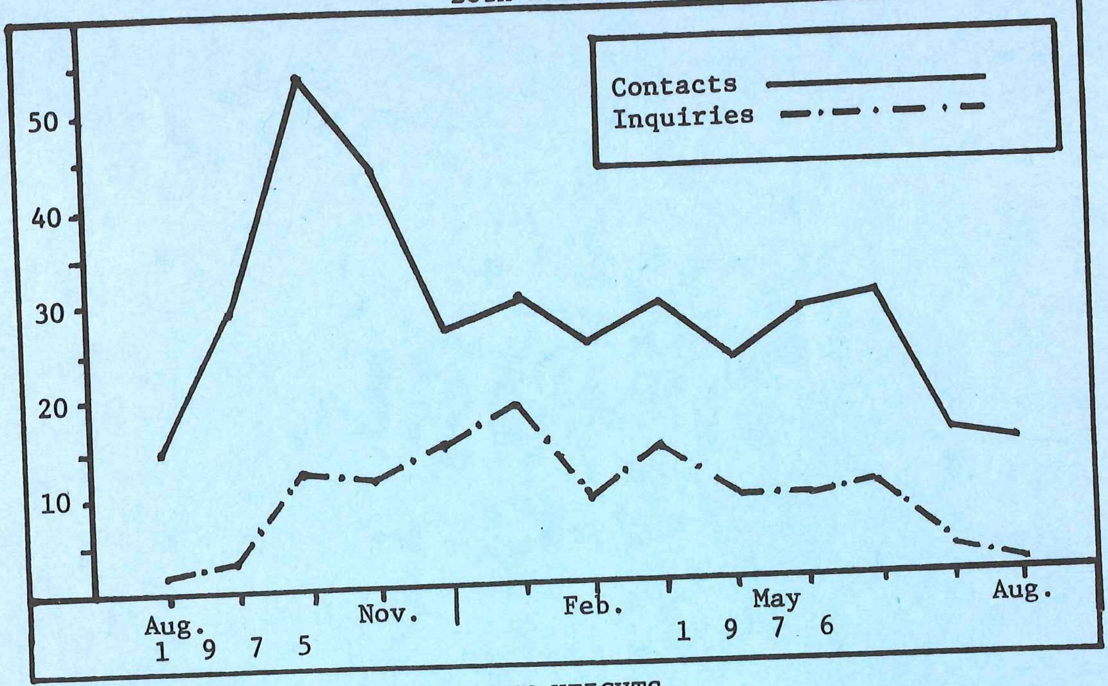
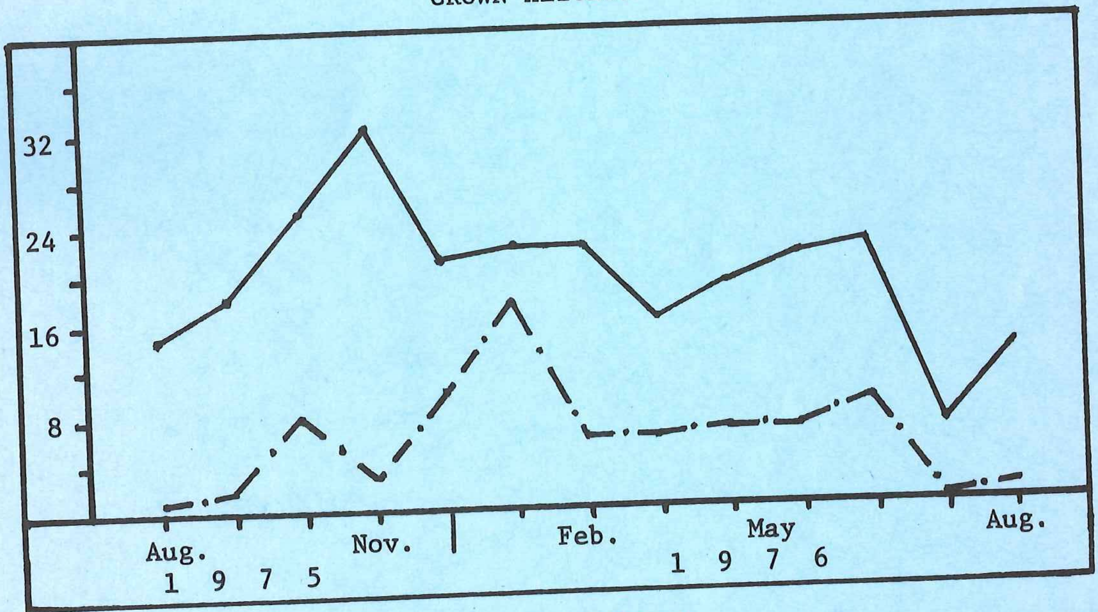
R.E. - real estate industry such as brokers, property managers.
NPO - HDA Neighborhood Preservation Office
G.O. - other government office
C.G. - community group or leader
CPC - marketing efforts or prior dealings with CPC

PROCESSING OF CONTACTS AND INQUIRIES
(August 1975-August 1976)

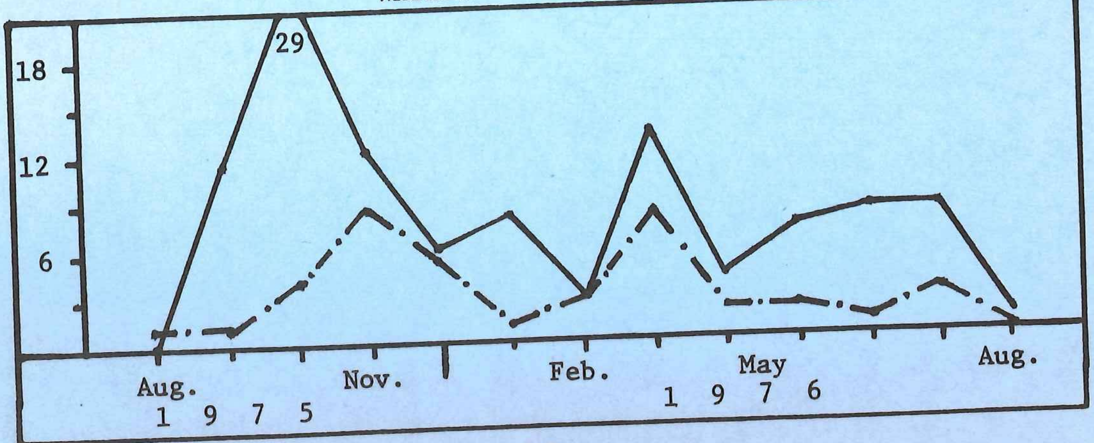
BOTH AREAS



CROWN HEIGHTS

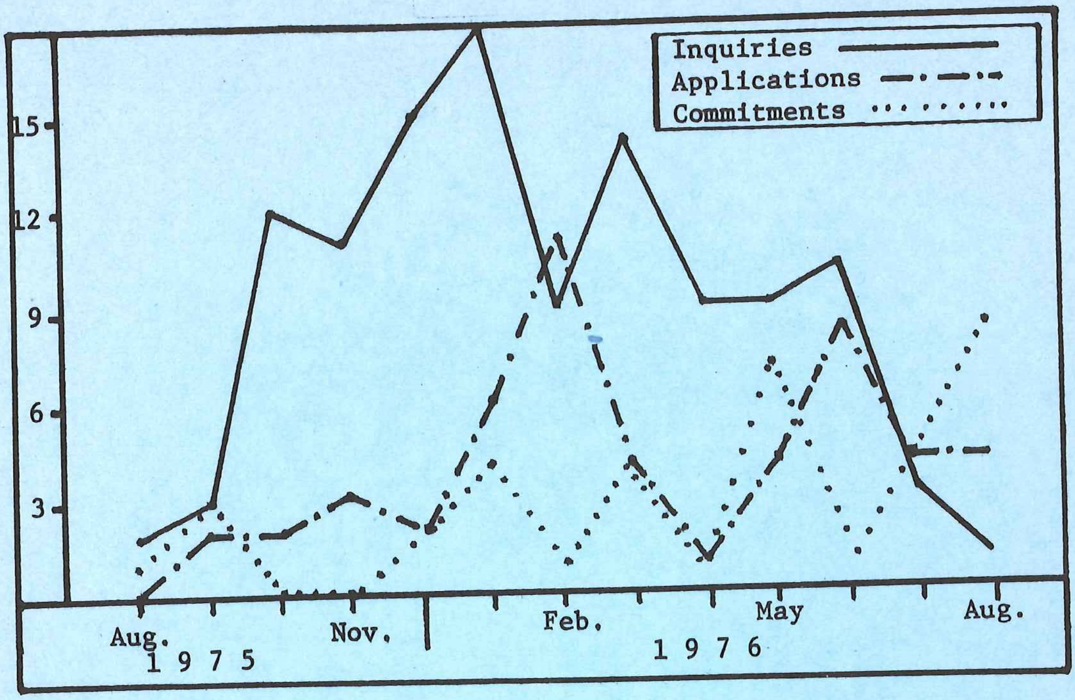


WASHINGTON HEIGHTS

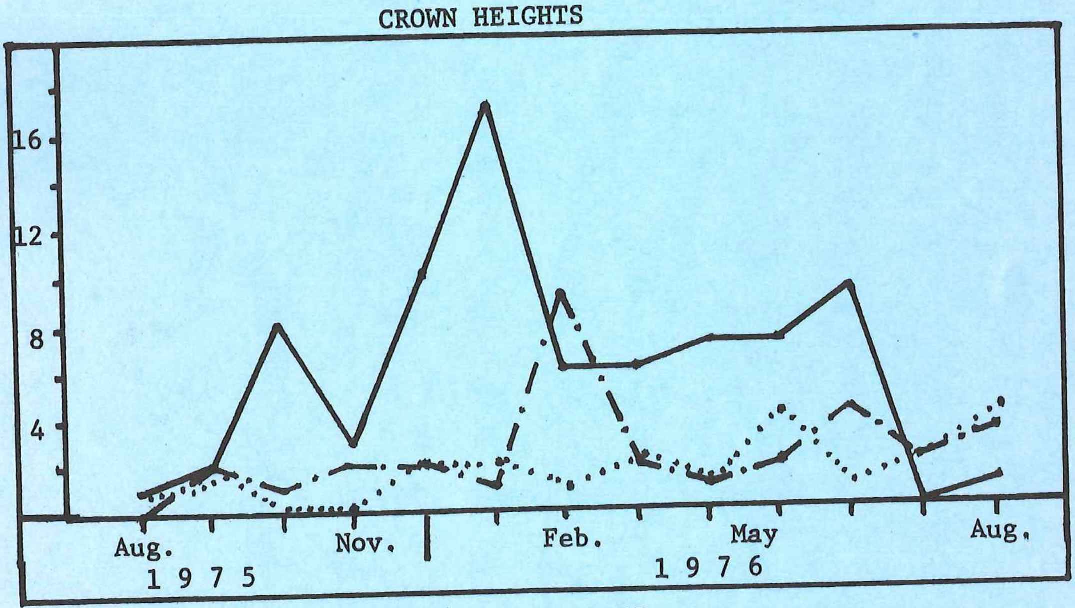


PROCESSING OF INQUIRIES, APPLICATIONS AND COMMITMENTS (August 1975-August 1976)

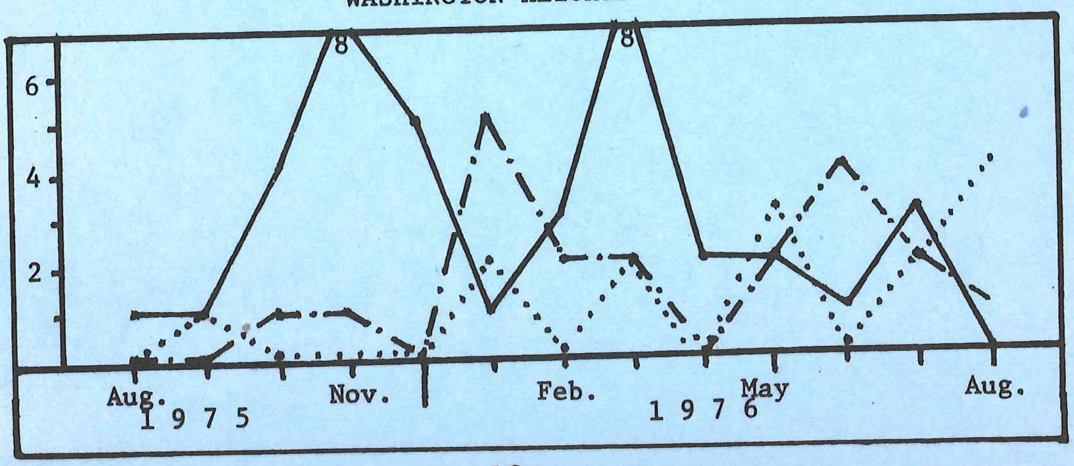
BOTH AREAS



CROWN HEIGHTS



WASHINGTON HEIGHTS



FINANCIAL STATEMENTS AS OF AUGUST 31, 1976

TOGETHER WITH

AUDITORS' REPORT

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.
NEW YORK, N. Y.

To the Board of Directors of

The New York City Community
Preservation Corporation:

We have examined the balance sheet of The New York City Community Preservation Corporation (a New York not-for-profit corporation) as of August 31, 1976 and August 31, 1975, and the related statement of support, revenue and expenses and changes in fund balance for the year ended August 31, 1976, and for the period from inception of the Corporation (July 10, 1974) to August 31, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of The New York City Community Preservation Corporation as of August 31, 1976 and August 31, 1975, and the results of its operations and the changes in its fund balance for the year ended August 31, 1976, and for the period from inception of the Corporation (July 10, 1974) to August 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

New York, N. Y.,
September 27, 1976.

ASSETANCE	August 31, 1976	August 31, 1975
INVESTMENTS IN MORTGAGE LOAEDIT	$1,140,647	$ -
(Notes 2, 3, 5 and 6):		
First mortgage construc	29,029	19,060
First mortgage permanenS		
accumulation	44,379	6,898
	3,195	-
OTHER ASSETS:		
Cash on hand and in banks-	22,879	-
Subject to immediate wiNote 1)		
Time deposit (Note 4)		
Accrued interest receivab FUTURE	13,971	101,478
Capital contributions plec	----------	--------
1 and 8)	1,254,100	127,436
Prepaid expenses		
Office furniture and equi 2,		
less accumulated deprec		
$293 in 1976 and $105	74,985	123,057
(Note 1)	----------	--------
	$1,329,085	$250,493
	==========	========

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THE NEW YORK CITY

COMMUNITY PRESERVATION CORPORATION

STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE

	For the Year Ended August 31, 1976	For the Period From Inception (July 10, 1974) to August 31, 1975
PUBLIC SUPPORT AND REVENUE:		
Public support -- contributions (Notes 1 and 8)-		
Capital contributions	$ 87,507	$298,522
Material and services	1,180	4,242
Furniture and equipment	-	925
Total public support	88,687	303,689
Revenue-		
Interest on mortgage loans	48,427	-
Commitment fees (Note 1)	28,141	-
Interest on short-term investments	5,196	754
Other income	-	420
Total revenue	81,764	1,174
Total public support and revenue	170,451	304,863
EXPENSES:		
Employee compensation and benefits (Note 1)	142,230	114,714
Interest (Note 5)	38,608	-
Professional fees	13,050	47,833
Advertising and communications	9,739	9,028
Building occupancy (Notes 1 and 7)	8,343	6,978
Other	6,553	3,253
Total expenses	218,523	181,806
Excess (deficiency) of public support and revenue over expenses	(48,072)	123,057
FUND BALANCE, beginning of period	123,057	-
FUND BALANCE, end of period	$ 74,985	$123,057

The accompanying notes to financial statements are an integral part of this statement.

THE NEW YORK CITY

COMMUNITY PRESERVATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 1976 AND 1975

(1) Summary of significant accounting and financial reporting policies:

The significant accounting policies of the Corporation are as follows:

(a) Federal income taxes -- The Internal Revenue Service has determined that the Corporation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

(b) Refundable deposits -- It is the Corporation's policy to require an application deposit from potential borrowers to cover the Corporation's out-of-pocket expenses in connection with processing such applications. In addition, a supplementary deposit to cover estimated additional out-of-pocket expenses may be required in the event a loan is approved. Any excess deposit over actual amounts expended by the Corporation is refunded.

(c) Capitalization and depreciation -- The Corporation follows the practice of capitalizing all expenditures for office furniture and equipment in excess of $50; the fair value of donated furniture and equipment is similarly capitalized. Depreciation is provided on a straight-line basis using an estimated useful life of ten years.

(d) Donations -- Donated furniture and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. The fair rental value of that portion of space occupied rent free by the Corporation is similarly recorded as contributions. Amounts have been reflected in the accompanying statements for donated services where, in the opinion of management, an objective basis is available to measure the value of such services.

(e) Capital contributions -- It is the Corporation's policy to record capital contributions pledged as deferred credits in the balance sheet until received by the Corporation.

(f) Commitment fees -- For financial statement purposes, commitment fees are taken into income over the commitment period, if such period is reasonably determinable.

(2) Mortgage loans:

The Corporation had not closed any mortgage loans as of August 31, 1975. Following is a summary of the mortgage loan portfolio as of August 31, 1976:

	Number of Loans	Amount: Funded	Amount: Unfunded Commitment	Amount: Total
First construction	7	$ 874,147	$1,221,853	$2,096,000*
First permanent	9	289,793	3,000	292,793
	16	$1,163,940	$1,224,853	$2,388,793

*Included in this amount are two construction loans totaling $1,003,000 ($548,147 funded) which were approved by the Corporation at meetings where a director of the Corporation was recorded as not voting, since the bank of which he was an officer had a loan outstanding with respect to the subject property.

The Corporation is participating on a pari passu basis, in one of the aforementioned loans with a bank which is a party to the Corporation's note purchase agreement and subscription agreement. At August 31, 1976, the Corporation had an unfunded commitment of $358,000 and the participant had funded $127,000.

At August 31, 1976, the Corporation's largest borrower, or entities with which such borrower was associated, had closed three loans in the aggregate principal amount of $1,145,000, of which $175,000 was funded, and had obtained an additional mortgage commitment of $230,000 (see Note 6). The Corporation's next largest borrower had closed one loan in the aggregate principal amount of $645,000, of which $548,147 was funded, and had obtained an additional mortgage commitment of $475,000 (see Note 6).

(3) Provision for possible investment losses:

The Corporation's purpose is to make mortgage loans for the rehabilitation and preservation of residential properties in Crown Heights in Brooklyn and Washington Heights in Manhattan. These lending areas have been designated by the New York City Planning Commission as neighborhood preservation areas -- areas whose housing stock is experiencing physical deterioration and which might be preserved through the combined effort and resources of government and the private sector.

The soundness of the Corporation's multifamily mortgage loans is dependent upon, among other things, rent increases to be approved by the City's rent regulatory bodies upon completion of the planned rehabilitation. Many of these loans are also dependent upon the granting by the City of real property tax abatements and/or exemptions. Before closing such loans, the Corporation has obtained advisory opinions from the Housing and Development Administration with respect to permissible rent increases for rent controlled apartments and permissible real property tax abatements and/or exemptions. When and if such governmental measures are implemented in accordance with the advisory opinions, it is management's opinion that the rental income so authorized from each of the properties will be sufficient to maintain the soundness of each of the Corporation's loans on such properties.

No provision for possible investment losses with respect to mortgage loans has been reflected in the financial statements because, in the opinion of management, there is no evidence indicating the probability that any such assets have been impaired. Due to the inherent risks and uncertainties associated with mortgage lending, including those outlined in the previous two paragraphs, quantification of loss potential, if any, to the Corporation with respect to loans it has made, is not reasonably determinable at the present time.

(4) Time deposit:

At August 31, 1976, the Corporation had funds deposited in a 90 day deposit account at a major commercial bank. Such deposit is automatically renewed every 90 days, and funds withdrawn other than during the first ten days of any quarter (January, April, July, October) or upon 90 days prior written notice to the bank are subject to an interest penalty.

(5) Borrowing arrangements:

The Corporation entered into a revolving credit agreement dated September 30, 1974, with certain banks whereby the banks agreed to lend the Corporation up to $8,000,000 during the period September 30, 1974 to September 15, 1977, generally for the purpose of financing construction loans made by the Corporation.

Borrowings are to be evidenced by notes which will mature no later than March 15, 1979, and on which interest at a maximum of the floating rate of 1/2% in excess of the current lending rate of the agent bank (as defined) under the agreement is to be charged. No compensating balances are required to be maintained under the agreement; however, the Corporation is required to, among other things, maintain working capital, as defined, equal to the lesser of $50,000 or 5% of all outstanding sums borrowed pursuant to the agreement.

The Corporation entered into a note purchase agreement dated March 24, 1975, with the banks which are a party to subscription agreements with the Corporation whereby such banks agreed to purchase up to $32,000,000 of nonrecourse collateral trust notes, when issued by the Corporation, subject to certain conditions. The Corporation is further authorized to issue up to an additional $8,000,000 of notes which the banks, or other specified institutions, may purchase. Notes issued pursuant to this agreement are to be secured entirely by the pledge of permanent mortgage loans made by the Corporation.

No borrowings were made under the revolving credit agreement during the year ended August 31, 1975. Borrowings under this agreement during fiscal 1976 were at interest rates which ranged from 7-1/4% to 8-1/2%. At August 31, 1976, outstanding indebtedness under the agreement was $1,140,647 bearing interest at the rate of 7.50% at such date. At August 31, 1976, such indebtedness was made up as follows:

Interim notes (due within one year)	$ 750,738
Revolving credit notes (due no later than March 15, 1979)	389,909*
	$1,140,647

*Management believes that the construction loan for which these borrowings were obtained will be converted to a permanent loan within one year, at which time it is anticipated that these borrowings will be paid from the proceeds of borrowings under the note purchase agreement.

To date, the Corporation has not borrowed under the note purchase agreement.

(6) Mortgage commitments:

As of August 31, 1975, the Corporation had a mortgage commitment of $34,000 for a loan which had not closed by that date. Following is a summary of the mortgage commitments as of August 31, 1976:

	Number	Amount
Mortgage commitments for loans not yet closed	11	$4,438,500*
Mortgage commitments not yet accepted by potential borrowers	6	1,304,000**
	17	$5,742,500

*Included in this amount is one mortgage commitment totaling $1,500,000 which was approved by the Corporation at a meeting where a director of the Corporation was recorded as not voting, since the bank of which he was an officer had a loan outstanding with respect to the subject property.

**As of September 27, 1976, four commitments aggregating $899,000, had been accepted by potential borrowers.

(7) Leased facilities:

The Corporation leases its main office under an agreement which expires on January 31, 1978, and which may be terminated by the Corporation on January 31, 1977, provided the Corporation shall give notice to the landlord of its intention to exercise this option at least three months prior to the desired termination date. The annual base rent of $6,000 is subject to escalation or decrease as provided in the lease.

(8) Organization:

The New York City Community Preservation Corporation was incorporated on July 10, 1974, under the Not-For-Profit Corporation Law of the State of New York for the purpose of making mortgage financing available in neighborhoods which are currently experiencing deterioration or disinvestment. Prior to the fiscal year ended August 31, 1975, the Corporation incurred $3,000 of salary expense.

Membership in the Corporation is achieved by obtaining a majority vote of the existing members in a particular class, or by action of the Board of Directors, if there are no members in such class, and through making a capital contribution to the Corporation. Members are divided into five classes, depending upon the funds contributed or pledged, as follows:

Class A	$250,000
Class B	150,000
Class C	25,000
Class D	75,000
Class E	1,000

Capital contributions are evidenced by nontransferable capital certificates which are not redeemable. The Corporation is prohibited from distributing any assets or property to any individual or member of the Corporation.

During the period from inception to August 31, 1975, the Corporation entered into agreements with members of the New York Clearing House, and the Clearing House and the Savings Banks Association of New York State and certain of its members whereby the participating members agreed, subject to certain limitations, to make funds available to their respective associations over a three-year period for the purpose of making capital contributions to the Corporation.

At August 31, 1976, the status of such commitments are as follows:

Member	Class	Total Capital Subscribed	Capital Contributions Collected Through August 31, 1976	Capital Contributions Designated for Future Periods as of August 31, 1976
New York Clearing House	A	$250,000	$250,000	$ -
Savings Bank Association of New York State	B	150,000	136,029	13,971
		$400,000	$386,029	$13,971

During the year ended August 31, 1976, the Board of Directors voted that Savings and Loan Associations, or entities representing such associations, be accepted for membership in the Corporation upon (1) receipt by the Corporation of $25,000 in capital contributions and (2) a commitment (a) to contribute an additional $39,500 in capital contributions as called upon by the Board of Directors of the Corporation, and (b) to purchase collateral trust notes of the Corporation in an aggregate principal amount of $3,000,000. Upon acceptance to membership, such members would be given the right to appoint one individual as a director of the Corporation.

During the year, the Board of Directors also authorized the Corporation to accept subventions from any one or more commercial or savings banks in the aggregate principal amount of $100,000, and to issue nontransferable certificates therefor. The holder of such a certificate would be entitled to a fixed annual payment of interest not in excess of 5-2/3% of the principal amount of such certificate, payable annually on the anniversary of the date of the certificate. Furthermore, under certain circumstances, the holder of a subvention certificate would have the right to require the Corporation to redeem such certificate, and, conversely, the Corporation would have the right, at its option, to redeem outstanding subventions.

To date, Savings and Loan Associations have not obtained membership in the Corporation, nor has the Corporation issued subvention certificates.