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# Annual Report 1980



made since its beginning. 173 of these buildings, containing over 6200 apartments requiring over \$53 million of these commitments, closed by the end of this past September.

A significant feature of last year's mortgage activity was the growing number of public and private participation interests in CPC permanent loans. Over half the loans CPC made to multi-family buildings included such participations. We are encouraged by this activity as it signals both a widened recognition of the importance of this type of financing and a growing expertise to process and evaluate such lending.

As CPC's mortgage portfolio matures, we remain mindful of the on-going risks of our financing activities. The growth--or decline--of neighborhood stability plainly is crucial to the continued security of our long-term mortgage investments. Also, the twin problems of inflation and unemployment--areas of particular vulnerability to the tenants living in CPC buildings--impact importantly on the economics of individual buildings. In answers to whether CPC's neighborhoods can sustain a healthy environment within which to live and bring up a family, or whether tenants' income will keep pace with rents necessary for proper building maintenance, lies the long run challenge for our program.

CPC's efforts in the current year will continue to be guided by the Company's original objectives:

- to provide financing for the rehabilitation and preservation of New York City's existing housing stock,
- to identify and seek to rectify legal and regulatory impediments to private financing of rehabilitation,
- to work with other lending institutions, developers, contractors and community groups to expand the numbers and improve the skills of entities able actually to perform the work of rehabilitation for which we provide financing.

While our first two objectives have largely been met, our focus in the coming year will be toward enlarging the capacity of the growing industry of moderate rehabilitation. The redevelopment of New York City's existing housing stock requires lending institutions which understand the underwriting implications of the



**The New York City  
Community Preservation Corporation**  
122 East 42nd Street  
New York, New York 10017  
Telephone (212) 949 1005

Financing for Neighborhood Preservation

November 18, 1980

To Our Members:

As The New York City Community Preservation Corporation (CPC) ends its sixth year, it continues to build upon the foundations laid down in its beginning years. It has developed into an efficient, effective lending institution for financing the upgrading of New York City's existing housing stock.

This past year has been marked by several "firsts" for CPC. The Company:

- made its first net operating gain, earning \$179,000 for the year,
- committed funds for the first loans in its new lending areas in Queens and Brooklyn,
- originated for a member lending institution its first rehabilitation loan in which CPC will act only as construction lender.

CPC also experienced its first default, on a multifamily property in Brooklyn. However, this loan was insured by the New York City Rehabilitation Mortgage Insurance Corporation (REMIC) for the top fifty percent of the loan. After taking title through foreclosure, CPC subsequently sold the property and recovered from REMIC the full amount of its loss, including lost principal, interest arrears and legal expenses.

CPC's mortgage activity has continued its growth. Financing was committed for the rehabilitation of another 2000 apartments in New York City this past year. This brings to over \$63 million of mortgage financing commitments for the rehabilitation of 193 buildings containing over 7000 apartments which CPC has



## OUR RECORD

This past fiscal year, ending August 31, 1980, marked the most active year for CPC's mortgage activities. The year saw the closing of \$18.8 million in new construction loans, representing 45 buildings and 1838 apartments. It was also the first year in which CPC's income from operations exceeded expenses: the Company showed a surplus of \$179,000.

Our performance by the end of this past September brought to 136 the number of rehabilitation mortgages closed by CPC. This total represents \$53 million in financing furnished for 173 buildings and over 6200 apartments. These totals mark CPC as the most significant provider of financing for the building-wide upgrading of occupied, multifamily housing within New York City--and, we believe, in the nation.

Fiscal 1980 was also our most active year in terms of variety of financing approaches: most importantly, the expansion of CPC's cooperation with other private lenders, growth of our participations with the City and, finally, growth of our "partnership program" with community-based organizations. Our progress in this area includes the following:

### 1. Cooperation with private lenders.

Our growing emphasis on relations with other private financial institutions has had two major objectives.

The first is to enable CPC to transfer its experience to other institutions which then, on their own, could undertake rehabilitation financing. One of our member banks, availing itself of this experience, has commenced furnishing this type of financing in the past year. Others have sought our advice concerning the new mortgage investment opportunities in rehabilitation. The Company will continue to make its expertise available to expand the volume of rehabilitation projects in mortgage financing.

The second objective has been to originate and service rehabilitation loans to be purchased by other institutions once rehabilitation has been completed and a new "bottom line" for the building has been established. Under this program, institutional investors may utilize CPC's staff to originate the loan, provide construction financing and oversee the dealings with various City agencies. The investing bank only

new rent restructuring and J-51 regulations. It requires public employees who understand the importance of prompt administration of government programs. It requires developers who can package rehabilitation projects, contractors who can work with tenants in occupancy, and community leaders who understand and support the rehabilitation of their neighborhood housing. We will continue to foster the growth of partners in the rehabilitation process.

Added to these objectives is our sponsors' decision to have CPC engage in economic development financing. We have modestly begun such efforts by examining a few financing opportunities which involve some form of government assistance. In these situations, it is anticipated that CPC will be the loan originator as well as a participant in the financing.

We enter our seventh year optimistic for our continued growth. We remain committed to confront the problems of our urban environment and are prepared to use our resources to meet their challenge.

  
James O. Boisi  
Chairman

  
Michael D. Lappin  
President



### 3. "Partnership program".

Increasingly, we have seen the growth of community-based organizations concerned with the preservation of housing within their communities. In response to this development, CPC has offered a "partnership program" with community organizations committed to housing improvement within neighborhoods in Brooklyn, Manhattan, the Bronx and Queens.

Under this program, CPC provides to building owners our mortgage loan origination services, construction loan financing and permanent financing in participation with other private lending institutions or the City. In turn, we will look to the community organization's out-reach efforts within its neighborhood to obtain responsible owners interested in investing in and upgrading their properties as well as to deal with other community improvement matters. It is expected that locally based lending institutions, particularly those which are not CPC's members, would join this partnership with the community group and participate with CPC in the provision of financing for the necessary building upgrading.

The year just completed saw significant action under this program, with CPC committing to 4 loans in Brooklyn and Queens in partnership with community organizations and actively pursuing the packaging of others. The Company also continued its cooperation with community organizations within CPC's designated lending areas.

purchases the permanent mortgage or a participation interest in the CPC mortgage, once the rehabilitation has been completed and the building's revised "bottom line" established--a purchase similar to the role of a conventional "take-out lender" or the purchase of an investment on the secondary mortgage market. Private participations of \$1.2 million were committed to 9 CPC projects closed this past year.

### 2. Participation loans with the City.

Many older buildings which are in need of rehabilitation simply cannot support bank financing at current market rates of interest--either because the required rehabilitation scope is too extensive or necessary rent increases would be beyond the capacity of existing tenants. Under these circumstances, an additional public subsidy is required if a building is to be upgraded.

The past year marked the first full year of CPC's partnership with the City's Department of Housing Preservation and Development (HPD) in the Participation Loan Program. Under this program, HPD provides mortgage financing using Federal Community Development funds at a 1% rate of interest in participation with private mortgage funds furnished at a market rate of interest. CPC serves as the loan originator in this program, accepting major administrative responsibilities during the negotiation and construction loan stages. CPC also services the mortgage once it is converted to permanent status.

This past year, the City closed participations with CPC totalling \$8.1 million--representing 25 buildings and 1126 apartments. An additional \$4.9 million of the City's 1% funds has been committed to new projects and awaits closing.

We believe that the Participation Loan Program offers considerable promise as an efficient method for the channeling of public subsidies to stimulate rehabilitation. It has been particularly important in maintaining the momentum of the private sector involvement in efforts of moderate rehabilitation at a time when high interest rates significantly impede such involvement.



restructuring for rent stabilized apartments by the Conciliation and Appeals Board (CAB). CPC is currently working with HPD and CAB on this problem. A solution is one of our important priorities in the current year.

- Procedures for the allocation of rent subsidies to eligible tenants to assist them in paying post-rehabilitation rents. Approximately 15% of tenants in CPC buildings qualify for the assistance. Implementation of the program has been satisfactory and CPC continues efforts with the City to maintain this level of performance.
- The adjustment of the City's real property tax abatement/exemption (J-51) program to expand J-51 benefits for the moderate rehabilitation of occupied housing. Satisfactory amendments in the J-51 statute were enacted during the past year and CPC continues efforts with the City to assist with their smooth implementation.
- Elimination of a dual system of rent regulations so as to simplify the process for administering future rent increases. After rehabilitation, all apartments become subject to the rules of rent stabilization.

## 2. Mortgage Insurance: Sharing the Risk of Neighborhood Preservation.

While the ability to structure loans with a bottom line has resulted from the programmatic and regulatory changes noted above, the maintenance of that bottom line through the term of the loan is subject to forces which lie beyond the individual building. The long term viability of private investment will in large part be determined by answers to whether

- A neighborhood's safety and available services remain at a level attractive to neighborhood residents,
- Inflationary building-operating costs, coupled with higher unemployment among tenants may result in both collection problems and an

## OUR AGENDA

From the corporation's establishment, CPC has worked in a close and productive partnership with governmental housing and banking agencies in a common effort to establish, or adjust, public programs so that they might form an improved basis for the private investment in the building-wide upgrading of the City's occupied housing stock.

This partnership has resulted in important changes in the public programs affecting private investment in this housing. These initiatives have formed the basis for CPC's mortgage origination activities and, we believe, provide for the first time a reasonable basis for broader private investment in the upgrading of New York's older housing. Our efforts have focused upon

- Programmatic and regulatory changes which allow a sufficient bottom line to establish a reasonable basis for private investment,
- Development of mortgage insurance for the reasonable sharing of risks of financing housing preservation,
- Redirecting the Federal government programs toward the preservation of our existing housing stocks,
- Encouraging the development of a growing industry of moderate rehabilitation.

### 1. The "bottom line" for rehabilitated housing.

Our agenda for the coming year will be to maintain the continued working of those programs which, together, form the basis of achieving adequate cash flows for private investment in rehabilitation. Specifically, these programs include:

- Rent increase procedures to give increased cash flow sufficient to provide a "bottom line" to support a rehabilitation mortgage. A satisfactory and prompt system exists for rent restructuring performed by HPD for rent controlled apartments. However, inordinate delays occur in the processing of rent



### 3. Continuation of Federal Initiatives for Neighborhood Preservation.

CPC continues to be convinced of the importance of tapping secondary market funds for the housing rehabilitation of our inner cities, although high rates of interest now make this unworkable without some form of subsidy. CPC is working with Federal officials on two specific approaches to establish this crucial access to the secondary market.

The first concerns a proposed HUD pilot project which would combine FHA 223(f) insurance with both a shallow subsidy from GNMA and a deeper subsidy under New York's "participation" loan program (1% Community Development mortgage funds) for the rehabilitation of multifamily buildings. This proposal is related to the coinsurance initiative described above.

The second approach is directed toward the rehabilitation of one to four family houses. Here, Federal National Mortgage Association (FNMA) funds combined with low interest funds, such as 3 percent HUD Section 312 funds, would be used to finance such rehabilitation.

In these and other such programs that might develop, it is CPC's intention to act as loan packager for co-insured mortgages, loan originator for sales of mortgages to FNMA, GNMA or other institutions, and program administrator for the use of the FNMA/Section 312 program mentioned above.

### 4. Encouragement of a "Moderate Rehabilitation Industry".

Developing alongside CPC's financing program has been a new breed of developers, owners, housing professionals and contractors specializing in moderate rehabilitation. Coupled with this is a growing acceptance of the concept of housing development in the neighborhoods it serves. In short, a new industry of moderate rehabilitation is emerging, creating new demands for funds, and new markets for housing and construction skills. Indeed, CPC's modest efforts to date have created about 2200 man-years of construction jobs. CPC will continue to encourage the growth of this new industry, recognizing it to be a necessary agent for the utilization of new financial resources for neighborhood preservation.

The continued growth of this emerging industry will depend on the ability to attract

inability to pass higher costs along through legally permitted rent increases.

Mindful of the type of risks underlying our mortgage loans, CPC feels a sharing of these risks is appropriate and has sought to develop broadly based programs of mortgage insurance. To date, CPC has exclusively used a program of partial mortgage insurance provided by the Rehabilitation Mortgage Insurance Corporation (REMIC) to insure its multifamily rehabilitation loans. In most of these loans, insurance coverage extends to all top losses (including principal, interest and expenses) up to a maximum of 50% of the original principal balance of the loan. (In the past year, CPC completed its first foreclosure, subsequently selling the property for less than the balance of our loan. The claim for loss, including lost principal, interest and legal fees, was submitted to REMIC and processed satisfactorily. No losses were suffered either by CPC or our collateral trust noteholders.)

REMIC, however, has limited capitalization, and is fast approaching its insuring limits. In seeking to expand insuring programs, CPC's efforts include:

- Cooperating with the State in implementing a partial mortgage insurance program under the State of New York Mortgage Agency (SONYMA). The SONYMA program became operational this year and CPC has been designated an eligible lender. CPC is cooperating with SONYMA in shaping the program to serve the rehabilitation market most effectively.
- Cooperating with the Federal government in creating a partial insurance program which focuses on the needs of the moderate rehabilitation of our older housing. HUD has indicated a willingness to adapt the FHA 223(f) insurance program to the needs of multifamily rehabilitation. Significant obstacles, such as adopting rehabilitation standards which do not price out the private redevelopment of our older neighborhoods, hinder its effective implementation.



### TYPICAL CPC REHABILITATION LOAN

- Multifamily apartment house
- \$9000 per apartment new investment
  - \$8000 per unit CPC first mortgage
  - \$1000 per unit equity investment
- \$2000 per unit toward refinancing/acquisition
- \$7000 per unit toward rehabilitation and soft costs
- In-occupancy rehabilitation including:
  - new plumbing - adequate wiring - new double glazed windows - bell/buzzer/intercom - partial replacement of kitchen and bathroom fixtures - painting and plastering of apartments and public area - concrete work - pointing and steamcleaning - new boiler/burner - new elevator - new roof - new entrance and vestibule doors - repair of fire escapes - landscaping - miscellaneous repairs.
- Construction period 12 months
- After-rehab rent of \$75 per room per month
- All after-rehab rents under rent stabilization
- Existing Section 8 Rent Subsidy to 15% of tenants
- Tax abatement for up to 20 years
- 32-year exemption from increase in tax assessment due to rehab improvements
- Loan term of 20-25 years with debt service and taxes constant during that period
- 130% ratio of net income to debt service
- Loan insured by REMIC for top 50% of loss

#### IN SUM

BUILDING LIFE PROLONGED WITH PHYSICAL PROBLEMS REMOVED, BECOMING MORE ENERGY EFFICIENT.

TENANT GETS BETTER APARTMENT AT A MODEST RENT, WITH ELIGIBLE TENANTS OBTAINING SECTION 8 EXISTING RENT SUBSIDY.

OWNER HAS MORE MARKETABLE BUILDING WITH REASONABLE BOTTOM LINE WITH NEW DEPRECIATION OPPORTUNITIES.

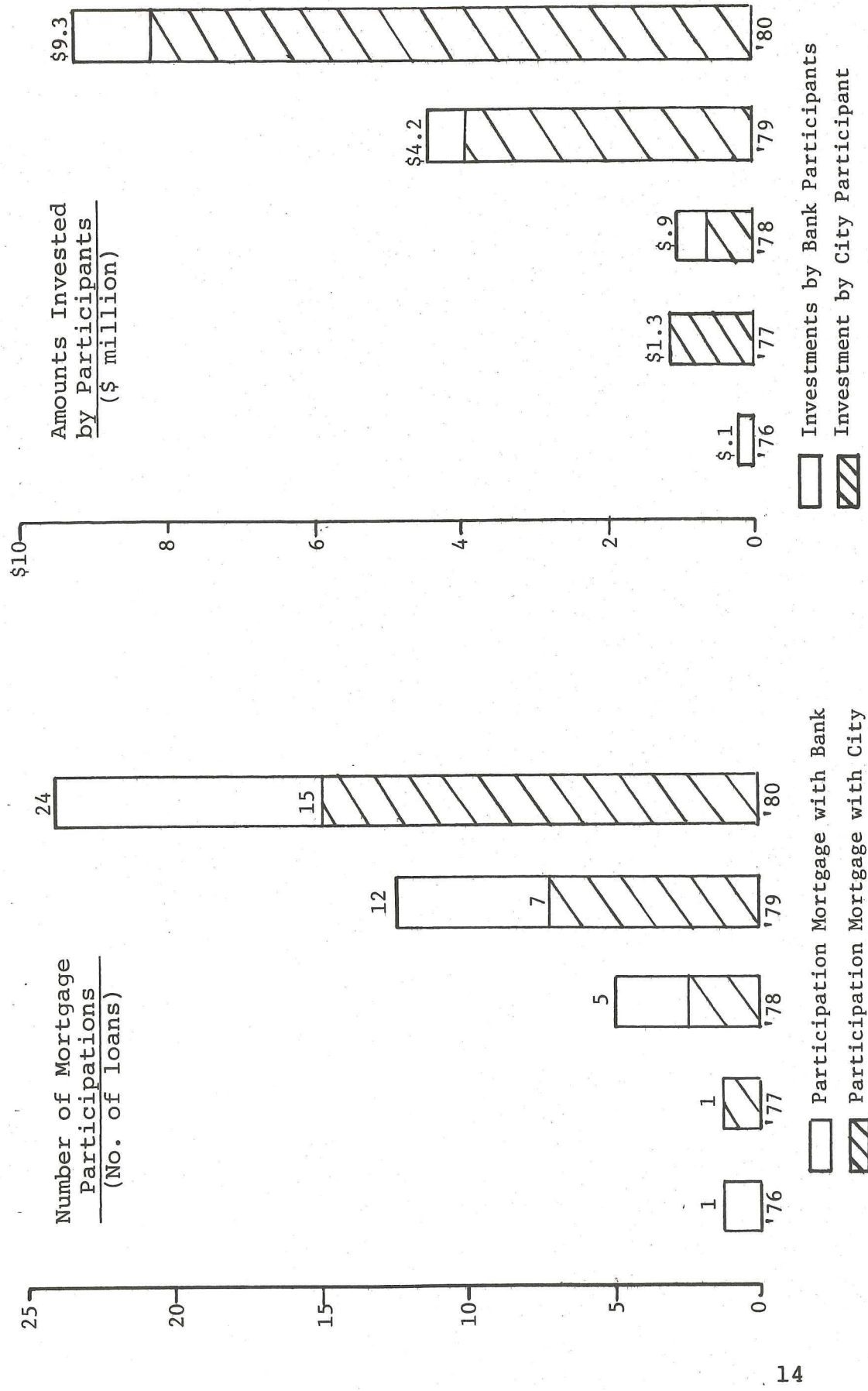
LENDING INSTITUTION HAS LOAN WITH ADEQUATE COVERAGE WITH TOP 50% OF LOAN INSURED AGAINST LOSS.

- Responsible developers and owners who understand the investment qualities of moderate rehabilitation projects which have resulted from regulatory changes and are able to structure packages attractive to new investment.
- Housing professionals who can package loan applications and private and public sector professionals who can process and implement the new procedures relating to rent increases, tax abatement/exemption, and the provision of Section 8 rent subsidies.
- Responsible contractors who can deal with the problems attendant on rehabilitation with tenants in occupancy.

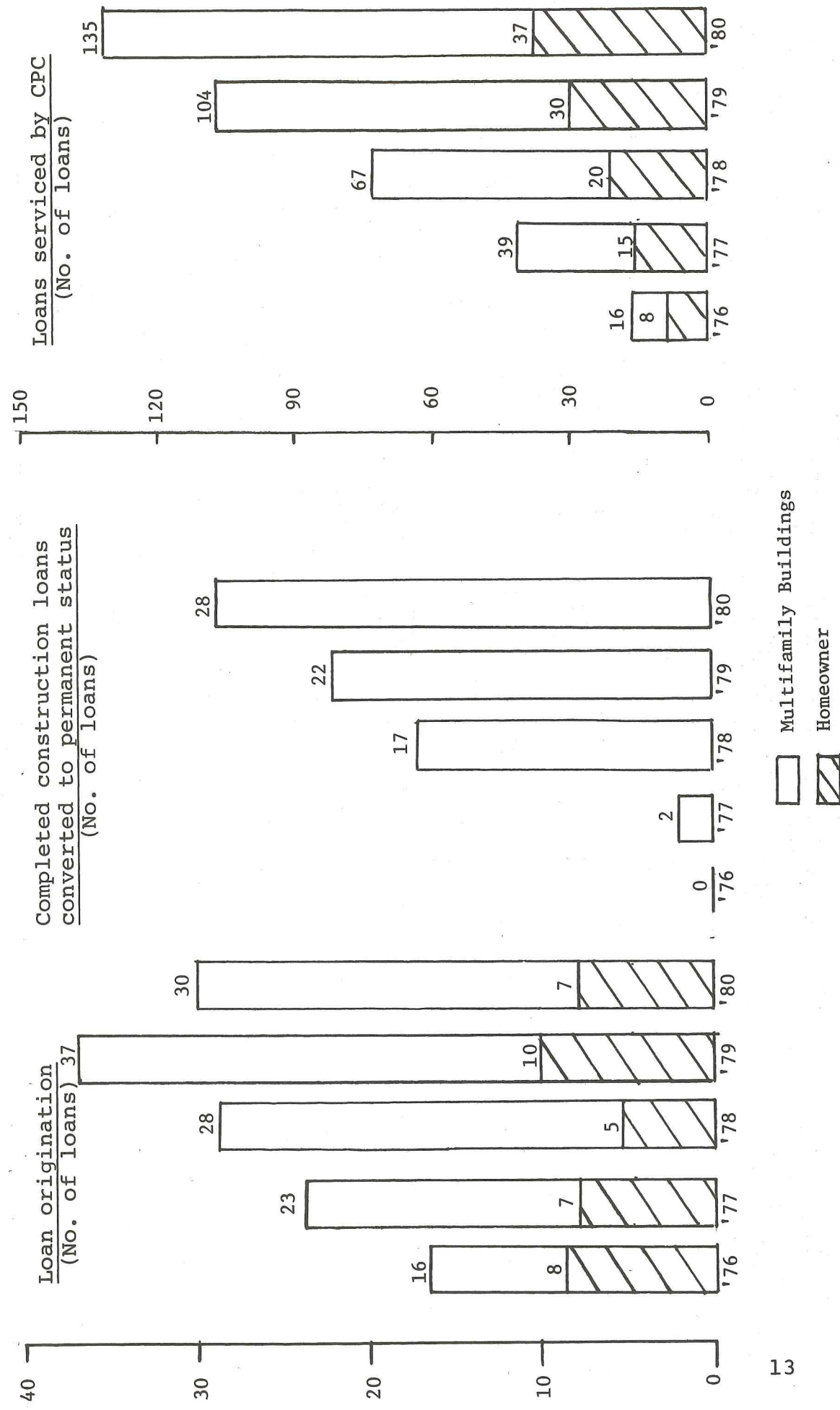
For this industry to flourish, community support for in-occupancy rehabilitation is needed. Specifically, tenants must be able to distinguish between, on one hand, the short run discomfort of living through the rehabilitation with a subsequent rent increase and, on the other, the long run benefit of an improved, consistently functioning apartment. We have found that public officials and community leaders committed to the improvement of their neighborhoods can help make this distinction, by allaying the fears of tenants and helping them through the process of rehabilitation. Where this has occurred, such as in the Washington Heights-Inwood neighborhoods, the process of in-occupancy rehabilitation has been relatively smooth, with little disruption. Indeed, in these neighborhoods, the communities have moderately redefined their efforts to obtain better housing from a debate between tenant and landlord, to one between those urging redevelopment, and those resisting change.



THE NEW YORK CITY COMMUNITY PRESERVATION CORPORATION  
- GROWTH OF MORTGAGE PARTICIPATIONS -



THE NEW YORK CITY COMMUNITY PRESERVATION CORPORATION  
- MORTGAGE ORIGINATION AND SERVICING -



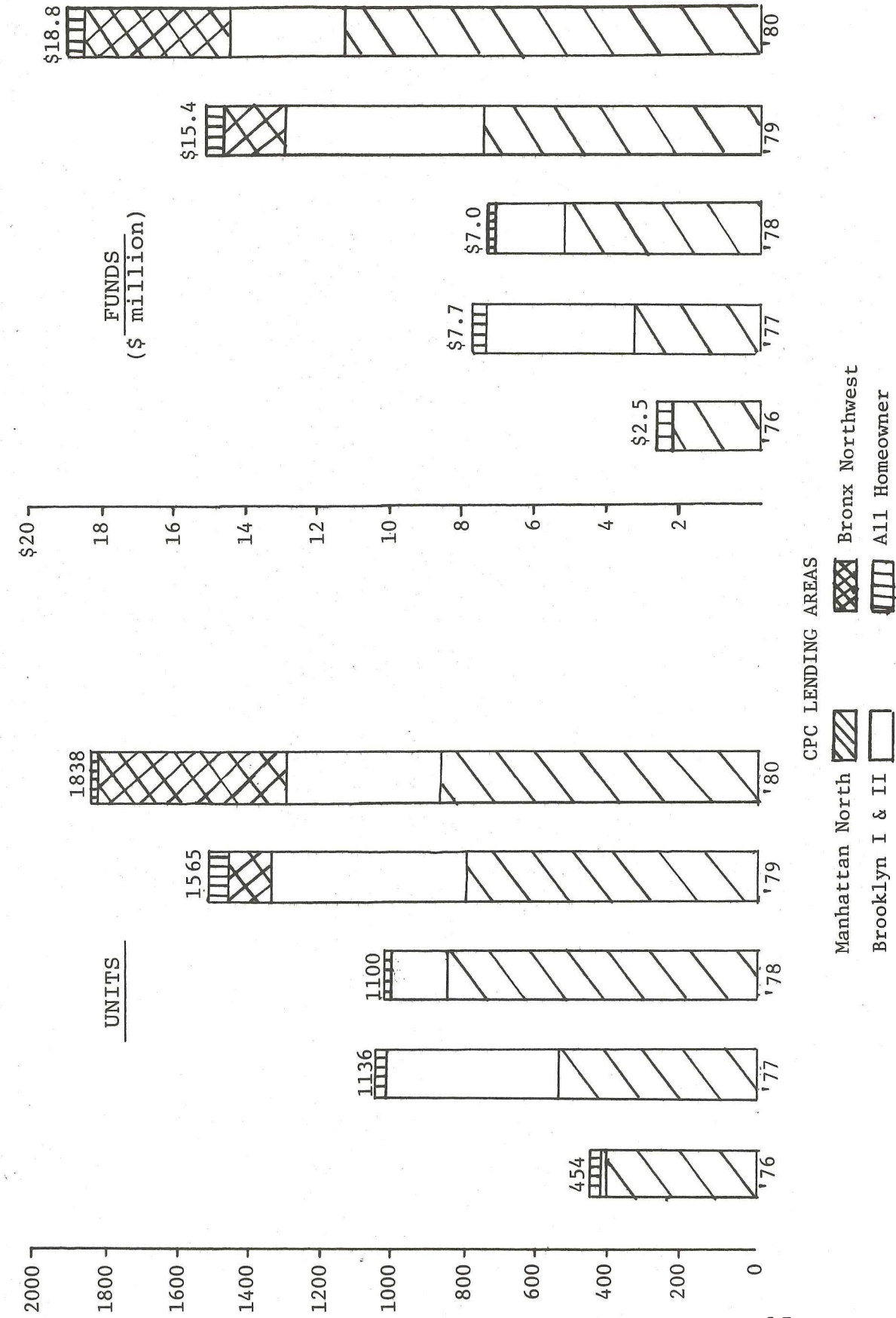


THE NEW YORK CITY  
COMMUNITY PRESERVATION CORPORATION

FINANCIAL STATEMENTS  
AS OF AUGUST 31, 1980 AND 1979

TOGETHER WITH  
AUDITORS' REPORT

THE NEW YORK CITY COMMUNITY PRESERVATION CORPORATION  
- FIVE YEARS OF MORTGAGE LENDING ACTIVITY -





THE NEW YORK CITY  
COMMUNITY PRESERVATION CORPORATION

BALANCE SHEETS

ASSETS	August 31		LIABILITIES AND FUND BALANCE	August 31	
	1980	1979		1980	1979
INVESTMENTS IN FIRST MORTGAGE LOANS (Notes 2, 3, 4 and 5):					
Construction loans	\$12,216,757	\$ 9,167,146	LIABILITIES:		
Permanent loans-	26,666,170	10,754,490	Notes payable under revolving credit agreement -- unsecured (Note 4)	\$ 6,740,027	\$11,951,466
Pledged	2,684,345	4,030,106	Accounts payable and accrued expenses	1,496,646	657,463
To be pledged	41,567,272	23,951,742	Participant's deposits (Note 6)	1,652,735	-
Less- Participants' interest in mortgage loans	( 7,005,272)	( 1,242,991)	Escrow and other deposits of borrowers	987,853	463,613
	34,562,000	22,708,751	Deferred income -- commitment fees	14,414	24,510
			Capital contributions designated for future periods (Note 8)	317,123	317,123
CASH AND CASH EQUIVALENTS:					
Subject to immediate withdrawal	54,331	153,410	Nonrecourse collateral trust notes (Note 5)	11,208,798	13,414,175
United States Treasury Bills, at cost which approximates market	-	690,611		23,817,073	10,535,925
				35,025,871	23,950,100
CAPITAL CONTRIBUTIONS PLEDGED (Note 8)	317,123	317,123			
ACCRUED INTEREST RECEIVABLE	308,309	252,921	COMMITMENTS AND CONTINGENCIES (Notes 2, 3, 4 and 7)		
OTHER ASSETS	163,228	27,130	FUND BALANCE (Note 8)	379,120	199,846
	\$35,404,991	\$24,149,946		\$35,404,991	\$24,149,946
	=====	=====		=====	=====

The accompanying notes to financial statements are an integral part of these balance sheets.

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 sheets of The New York City Community Preservation Corporation (a New York not-for-profit corporation) as of August 31, 1980 and 1979, and the related statements of support, revenue and expenses and changes in fund balance for the years then ended. Our examinations were 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 financial statements referred to above present fairly the financial position of The New York City Community Preservation Corporation as of August 31, 1980 and 1979, and the results of its operations and the changes in its fund balance for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Arthur Andersen & Co.*

New York, N.Y.,  
October 17, 1980.



THE NEW YORK CITY  
COMMUNITY PRESERVATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 1980 AND 1979

(1) Summary of significant accounting policies:

The significant accounting policies of the Corporation are as follows:

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.

Capital contributions pledged-

It is the Corporation's policy to record capital contributions pledged as receivables and deferred credits, respectively, in the balance sheet until received by the Corporation.

Income recognition-

Interest on construction loans and permanent loans in accumulation is accrued monthly based on the daily outstanding principal balances of such loans. Fee income from loans serviced by the Corporation is accrued based on the outstanding principal balances of such loans.

Commitment fees-

For financial statement purposes, commitment fees are recorded in income over the commitment period, provided that the period is reasonably determinable. Where such period is not determinable, commitment fees are recognized as income upon the closing of the mortgage loan.

Donations-

Donated furniture and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt.

THE NEW YORK CITY  
COMMUNITY PRESERVATION CORPORATION

STATEMENTS OF SUPPORT, REVENUE AND EXPENSES

AND CHANGES IN FUND BALANCE

	Year Ended August 31	
	1980	1979
<b>PUBLIC SUPPORT AND REVENUE:</b>		
Public support--contributions-		
Capital contributions (Note 8)	\$ -	\$ -
Materials and services	-	16,715
Other contributions	-	1,800
	-----	-----
Total public support	-	18,515
	-----	-----
Revenue-		
Interest on mortgage loans	1,751,422	969,249
Commitment fees	185,249	165,377
Servicing fee income	232,017	106,356
Interest on short-term investments	88,389	39,504
Other	24,048	16,168
	-----	-----
Total revenue	2,281,125	1,296,654
	-----	-----
Total public support and revenue	2,281,125	1,315,169
	-----	-----
<b>EXPENSES:</b>		
Interest (Note 4)	1,620,835	921,639
Employee compensation and benefits	363,415	281,437
Professional fees	32,656	30,639
Office expenses	55,483	42,253
Other	29,462	26,426
	-----	-----
Total expenses	2,101,851	1,302,394
	-----	-----
Excess of public support and revenue over expenses	179,274	12,775
	-----	-----
FUND BALANCE, beginning of period	199,846	187,071
	-----	-----
FUND BALANCE, end of period	\$ 379,120	\$ 199,846
	=====	=====

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



(3) Provision for possible investment losses:

The Corporation's purpose is to make mortgage loans for the rehabilitation and preservation of residential properties in certain areas of New York City. These lending areas have been designated by the Corporation as 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 Department of Housing Preservation and Development with respect to permissible rent increases for rent controlled apartments. While it is the opinion of the management of the Corporation that, when and if such governmental measures are implemented, the rental income authorized for each of the properties will be adequate to maintain the viability of each of the Corporation's loans on these properties, continuing increases in, among other things, the prime lending rate, to which the multifamily construction loan interest rate is tied and the cost of fuel, may unfavorably affect the economics of operating these properties.

No provision for possible investment losses on construction loans and permanent loans in accumulation has been reflected in the financial statements because, in the opinion of management, there is no evidence indicating the probability that the value of any such assets has been impaired at the present time.

(4) Revolving credit agreement:

The Corporation is a party to a revolving credit agreement with certain banks whereby the banks have agreed to lend the Corporation up to \$26,000,000 through August 31, 1983, generally for the purpose of financing construction loans made by the Corporation. Borrowings are evidenced by notes which mature no later than August 31, 1984. The notes bear interest at a maximum of 1/2% in excess of the prime lending rate of the agent bank. 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.

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.

(2) Mortgage loans and commitments:

The following is a summary of closed mortgage loans (net of interests of participating lenders) as of August 31, 1980 and 1979:

		Permanent		Total
		To be Pledged	Pledged	
1980	Construction			
Number of loans	31	7	97	135
Amount (in thousands):				
Funded balance				
(net of repayments)	\$ 8,467	\$2,278	\$23,817	\$34,562
Unfunded commitments	8,248	-	-	8,248
Total	\$16,715	\$2,278	\$23,817	\$42,810
	=====	=====	=====	=====
1979				
Number of loans	40	18	45	103
Amount (in thousands):				
Funded balance				
(net of repayments)	\$ 8,914	\$3,259	\$10,536	\$22,709
Unfunded commitments	8,345	92	-	8,437
Total	\$17,259	\$3,351	\$10,536	\$31,146
	=====	=====	=====	=====

Pending new mortgage commitments (net of participations) as of August 31, 1980 and 1979 were as follows:

	Mortgage Commitments For Loans Not Yet Closed		Mortgage Commitments Not Yet Accepted by Potential Borrowers	
	1980	1979	1980	1979
Number of loans	7	12	5	1
Amount (in thousands)	\$3,250	\$5,351	\$2,770	\$415
	=====	=====	=====	=====



At the time that the Corporation draws funds from the escrow agent, it draws the entire HPD commitment amount, plus any income earned on the funds while held by the escrow agent. However, when such funds are drawn during construction and HPD becomes a construction loan participant, only a portion of the committed amount is utilized for the initial funding of the mortgages. The balance of the funds drawn are recorded as deposits and are used for subsequent fundings of the mortgages as rehabilitation progresses. The Corporation pays interest on HPD participations at the rate of 1% per annum.

The following summarizes activity under this agreement through August 31, 1980:

Amounts drawn by Corporation from escrow agent	\$5,367,996
Amounts utilized to fund HPD mortgage loan commitments	( 3,749,510)
Interest credited to HPD	34,249
	-----
Amount on deposit at August 31, 1980	\$1,652,735
	=====

(7) Leased facilities:

The Corporation leases office space in two locations under agreements which expire on July 31, 1982 and April 30, 1983. The combined annual base rents of \$20,700 are subject to escalation and/or decrease as provided in the leases.

(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.

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. 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.

The Corporation has entered into agreements with the New York Clearing House and its member banks and the Savings Banks Association of New York State and certain of its member banks whereby the banks have agreed, subject to certain limitations, to make funds available to their respective associations for the purpose of making capital contributions to the Corporation.

Borrowings under this agreement during fiscal 1980 and 1979 were at interest rates which ranged from 11-1/2% to 20-1/2% and 9-3/4% to 12-3/4%, respectively. At August 31, 1980 and 1979, the interest rates on these borrowings were 12% and 12-3/4%, respectively.

(5) Nonrecourse collateral trust notes:

The Corporation is a party to a note purchase agreement with 38 banks, 37 of which are also parties to subscription agreements with the Corporation (see Note 8). Under this agreement the banks have agreed to purchase up to \$100,000,000 of nonrecourse collateral trust notes issued by the Corporation, subject to certain conditions. Notes issued pursuant to this agreement are secured entirely by the pledge of permanent mortgage loans made by the Corporation. The agreement, as amended, permits the Corporation to issue both permanent and interim notes. Interim notes are issued periodically and, when an amount sufficient to warrant the issue of a permanent note has been accumulated, are replaced by permanent notes. The principal and interest received by the Corporation on mortgages pledged on a permanent basis, net of allowable fees and expenses, are remitted to noteholders quarterly. The principal and interest received on mortgages pledged on an interim basis, also net of allowable fees and expenses, are remitted to the noteholders at the time that the mortgages are pledged on a permanent basis.

Pursuant to the terms of a servicing agreement dated January 10, 1978, the Corporation services the mortgages pledged as collateral for the notes. The Corporation receives an annual servicing fee based on the aggregate outstanding principal balances of the pledged mortgages. During fiscal 1979 and 1980, such fee was 1-1/4% of the balances.

(6) Participant's deposits:

On February 1, 1979, the Corporation entered into an agreement with the New York City Department of Housing Preservation and Development (HPD) whereby HPD has agreed to participate in certain of the Corporation's mortgage loans. In connection with this agreement, HPD has deposited funds with an escrow agent and the Corporation has the right to draw upon such funds in order to fund the HPD participation in such mortgage loans. In general, such funds are drawn at the time of conversion to permanent financing. In certain circumstances, however, the Corporation may draw the funds during the course of rehabilitation, with HPD thereupon becoming a participant in the construction loan.



# THE CORPORATION

## Directors

James O. Boisi  
Chairman of the Board, CPC  
Vice Chairman  
Morgan Guaranty Trust Company  
of New York

Joseph C. Brennan  
Chairman of Executive Committee  
Emigrant Savings Bank

William R. Brennan, Jr.  
President  
Harlem Savings Bank

Eugene J. Callan  
President  
The New York Bank for Savings

John A. Hooper  
Executive Vice President  
The Chase Manhattan Bank, N.A.

John F. Lee  
Executive Vice President  
New York Clearing House

Edgar A. Lampert  
Tishman Speyer Properties

Warren T. Lindquist  
President  
Scetam, Inc.

Robert I. Lipp  
Senior Executive Vice President  
Chemical Bank

John W. Raber  
Chairman  
The Green Point Savings Bank

Charles C. Smith  
Executive Vice President  
Bankers Trust Company

Donald L. Thomas  
Chairman  
Anchor Savings Bank

George F. Ulich  
President  
Williamsburgh Savings Bank

John H. Vogel  
Chairman of the Board  
National Bank of North America

## Mortgage Committee

Joseph C. Brennan, Chairman  
Mortgage Committee, CPC  
Chairman of Executive Committee  
Emigrant Savings Bank

Michael J. Wechsler  
Vice Chairman, Mortgage Com-  
mittee, CPC  
Senior Vice President  
Chemical Bank

Harry A. Baierlein, Jr.  
Vice President and Mortgage  
Officer  
The Brooklyn Savings Bank

Charles E. Forsberg  
Vice President  
Citibank

Michael D. Lappin  
President, CPC

Peter C. Underwood  
Senior Vice President  
The New York Bank for Savings

William R. Wright  
Vice President  
Morgan Guaranty Trust Company  
of New York

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At August 31, 1980, the status of these commitments was as follows:

Member	Capital Contributions		
	Total Capital Pledged	Collected Through August 31, 1980	Designated for Future Periods as of August 31, 1980
New York Clearing House	\$513,000	\$350,000	\$163,000
Savings Banks Association of New York State	413,000	258,877	154,123
Total	\$926,000 =====	\$608,877 =====	\$317,123 =====



## PARTICIPATING FINANCIAL INSTITUTIONS

### Commercial Banks

The Bank of New York	Manufacturers Hanover Trust Company
Bankers Trust Company	Marine Midland Bank
The Chase Manhattan Bank, N.A.	Morgan Guaranty Trust Company of New York
Chemical Bank	National Bank of North America
Citibank, N.A.	United States Trust Company of New York
European-American Bank & Trust Company	
Irving Trust Company	

### Savings Banks

American Savings Bank	Franklin Savings Bank of New York
Anchor Savings Bank	The Green Point Savings Bank
The Bowery Savings Bank	The Greenwich Savings Bank
The Brooklyn Savings Bank	Harlem Savings Bank
Central Savings Bank	Independence Savings Bank
The Dime Savings Bank of New York	Lincoln Savings Bank
The Dime Savings Bank of Williamsburgh	Metropolitan Savings Bank
Dry Dock Savings Bank	The New York Bank for Savings
The East New York Savings Bank	Ridgewood Savings Bank
Eastern Savings Bank	Roosevelt Savings Bank
Emigrant Savings Bank	The Seamen's Bank for Savings
Empire Savings Bank	Union Dime Savings Bank
Flushing Savings Bank	United Mutual Savings Bank
	The Williamsburgh Savings Bank

### Officers

Michael D. Lappin  
President

Donna Welensky  
Secretary

John M. McCarthy  
Executive Vice President  
and Treasurer

Dale F. McDonald  
Assistant Secretary

### Mortgage Staff

Marvin Goldberg  
Mortgage Officer

Jonathan Poole  
Neighborhood Mortgage Officer

Jack Freeman  
Neighborhood Mortgage Officer

Joanne S. Pugh  
Neighborhood Mortgage Officer

### Consulting Engineers

Daniel Frankfurt, P.C.

Peter Franzese, P.E.

### Auditors

Arthur Andersen & Co.

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### CPC's Offices

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122 East 42nd Street  
New York, N.Y. 10017

Manhattan-Bronx  
4951 Broadway  
New York, N.Y. 10034

Brooklyn-Queens  
2211 Church Avenue  
Brooklyn, N.Y. 11226