Housing the Hudson Valley

HUDSON VALLEY

PATTERN FOR PROGRESS

Improving Hudson Valley Quality of Life Through Regional Solutions Since 1965

HOMEOWNERSHIP SUFFERS: MORTGAGE APPLICATIONS, REFINANCING

The national homeownership rate is at its lowest point in nearly two decades. According to the US Census Bureau, the rate has declined from a peak of 69.2% in June 2004 to 65% at the end of the second quarter this year. The low, not seen since 1995, equates to some 7 million people no longer living in a home they own. This national trend has taken hold in the Hudson Valley.

The residents of the valley, to a large extent, have stopped the pursuit of the "American Dream" in the form of homeownership, or at least placed it on hold. This is clearly evidenced by the Home Mortgage Disclosure Act data. In the four county study area of Orange, Dutchess, Ulster and Rockland, the total number of conventional mortgage applications declined by over 80% from 2005 to 2011. Over the course of those six years, the number of conventional applications went from 30,327 to 5,909.

Orange County Activity	Conventional Mortgages			FHA, USDA, VA Mortgages		
	2005	2011	% change	2005	2011	% change
Applications	11,623	1,729	-85.1%	130	1,297	898%
Loans Closed	7,151	1,153		81	834	
Loans Denied	1,830	289		28	224	

Dutchess County Activity	Conventional Mortgages			FHA, USDA, VA Mortgages		
	2005	2011	% change	2005	2011	% change
Applications	7,793	1,566	-79.9%	48	787	1,540%
Loans Closed	4,936	1,055		21	523	
Loans Denied	1,038	227		7	99	

Ulster County Activity	Conventional Mortgages			FHA, USDA, VA Mortgages		
	2005	2011	% change	2005	2011	% change
Applications	4,385	953	-78.3%	73	404	453%
Loans Closed	2,851	650		39	259	
Loans Denied	632	155		17	85	

Rockland County Activity	Conventional Mortgages			FHA, USDA, VA Mortgages		
	2005	2011	% change	2005	2011	% change
Applications	6,526	1,661	-74.5%	20	615	2,975%
Loans Closed	4,087	1,102		9	384	
Loans Denied	937	307		6	111	

TOTAL STUDY AREA	Conventional Mortgages			FHA, USDA, VA Mortgages		
	2005	2011	% change	2005	2011	% change
Applications	30,327	5,909	-80.5%	271	3,103	1,045%
Loans Closed	19,025	3,960		150	2,007	
Loans Denied	4,437	978		59	522	

Source: Home Mortgage Disclosure Act (HMDA) data from the most recent year includes banks, credit unions, savings associations and for-profit lending institutions with assets above a specific amount and DOES NOT include private mortgages. HMDA does not include all counties.

Why is this happening?

The shift is dramatic and has resulted in overarching changes to the fabric of communities within the Hudson Valley. There are a number of reasons for this shift. The "Great Recession" prevented many would-be homebuyers from entering the market, regardless of historically low interest rates and substantially lower priced homes. Driving factors have been the lack of high paying jobs coupled with the loss of confidence in the job market and employment tenure. This translates into two of the major barriers to homeownership: down payment and affordability (wages cannot meet the income to debt ratio).

Some of the biggest additional barriers to homeownership have become rising real estate taxes and overwhelming student debt." *- Karen Fitzpatrick, VP, M&T Bank*

These barriers have resulted in a movement toward renting as opposed to owning. Those who are able to purchase a home are using government loan programs with low down payment requirements. This is clearly evidenced by the rise of government loan application activity in our four county study area of Orange, Dutchess, Ulster and Rockland.

The number of mortgages denied also present evidence of the trend. The percentage of conventional mortgage denials increased while the government loan programs decreased. The percentage of conventional mortgage denials increased from 14.6% in 2005 to 16.6% in 2011, while the FHA, USDA and VA mortgage denials fell from 21% to 16.8%.

Even when combining the conventional and government loan applications, there was a decrease of over 70% from 2005 to 2011. This further underscores the harsh new realities of obtaining a mortgage.

IMPROVEMENT LOANS FALL OFF THE CLIFF

Refinancing and Home Improvement

Mortgage applications, approvals and denials only tell part of the story. Two other trends that demonstrate a loss of confidence in the American Dream are mortgage refinancing and home improvement loans. In 2005, homeowners in the four-county study area submitted 59,015 applications to refinance their mortgages. Just six years later, the number of home mortgage refinance applications dropped to 18,993. Applications for home improvement loans show a similar precipitous decline. In 2005, homeowners in the four county study area submitted 12,477 home improvement loan applications. In 2011, that number had dropped to 2,337.

"There was a crisis of confidence in the lasting value of the home as an investment." - *Joe Czajka, executive director, Center for Housing Solutions*

The factors behind the declines are not so different from those that drove mortgage applications into the cellar in the same six years. Most can be attributed to the effects of the collapsed housing bubble.

Homeowners in general were unable to refinance their mortgages because the correction in home values from their previously inflated conditions meant owners did not have enough equity in their homes to make refinancing an option. At the same time, a rise in the use of consumer credit left homeowners with poor credit scores which in turn rendered them ineligible for refinancing.

Statistics in the study area show that homeowners could not or chose not to even apply for refinancing despite the federal Home Affordable Refinance Program (HARP) designed specifically to provide an avenue to a lower-rate mortgage. Data in Orange, Dutchess, Ulster and Rockland counties show a sharp and categorical fall off in these applications, to the tune of 67.8%.

Home improvement loan activity suffered much the same fate, and for many of the same reasons. Within the study area, home improvement loan applications declined by 81.3% in the six years from 2005 to 2011. With the decline in the value of homes, owners lost confidence in the long-term wisdom of an investment once thought to be unassailably sound. This is further evidenced by the percentage of home improvement loans denied by the lenders in each county.

In addition, some homeowners who had lost their jobs or failed to accrue equity, turned to consumer credit in order to pay for home improvements.

Taken together, the steep drop in mortgage applications plus the sharp decline in refinancing and home improvement loan activity have had a domino effect within the region's housing landscape.

Within the industry some home improvement contractors went to work on projects financed by homeowner credit cards. Others left the area altogether, creating an overall shortage of skilled home construction workers. All of this makes it harder for the housing market to recover even though we are now seeing signs of a modest comeback.

	ACTIVITY	REFINANCING			HOME IMPROVEMENT		
		2005	2011	Change	2005	2011	Change
Orange	Applications	21,471	5,577	-74%	4,356	596	-86.3%
	Loans Closed	8,278	2,263		1,740	256	
	Loans Denied	4,999	1,700		1,501	256	
	% Denied	23.3%	30.5%		34.5%	43%	
Dutchess	Applications	15,833	5,217	-67%	3,882	656	-83.1%
	Loans Closed	6,314	2,482		1,876	304	
	Loans Denied	3,493	1,335		974	267	
	% Denied	22.1%	25.6%		25.1%	40.7%	
Ulster	Applications	9,831	3,037	-69.1%	2,220	627	-71.8%
	Loans Closed	3,873	1,467		1,054	313	
	Loans Denied	2,307	857		717	225	
	% Denied	23.5%	28.2%		32.3%	35.9%	
Rockland	Applications	11,880	5,162	-56.5%	2,019	458	-77.3%
	Loans Closed	4,849	2,067		887	190	
	Loans Denied	2,463	1,557		611	173	
	% Denied	20.7%	30.2%		30.3%	37.8%	
Totals	Applications	59,015	18,993	-67.8%	12,477	2,337	-81.3%
	Loans Closed	23,314	8,279		5,557	1,063	
	Loans Denied	13,262	5,449		3,803	921	
	% Denied	22.5%	28.7%		30.5%	39.4%	

Source: Home Mortgage Disclosure Act (HMDA)

THE NEW AMERICAN DREAM - WHY THE SHIFT IS HAPPENING

When the Baby Boomers returned from college, it was typical for members of this generation to secure a job, get married, buy a home and start a family. Unemployment rates were low, homeownership rates high and student debt was negligible. Today's generation, the Millennials (ages 18 to 34), find themselves in a very different situation.

In an informal Hudson Valley regional survey conducted by the Center for Housing Solutions in July and August, the biggest barrier to homeownership was listed as the down payment with real estate taxes a close second. To compound the issue, lenders have tightened underwriting guidelines, so the diminished likelihood of meeting mortgage requirements has added another impediment to purchasing a home.

Based upon the reality of sub-par wages, an uncertain job market, staggering student debt, renewed rigor in underwriting criteria, high down payment requirements, and ever-increasing real estate taxes, renting has not only become a viable option, it has become the default American Dream. Whether you're a Millennial — fresh out of college and wanting a place of your own or you are a member of a working family trying to secure an affordable place to live, homeownership is not attainable for some residents in the Hudson Valley.

According to a recent Fannie Mae national survey, 9 out of 10 Millennials want to purchase a home, however, they simply cannot afford to and are waiting. Millennials are often forced to continue to live with family in "mom and dad's basement." Then there is the matter of choice: In many cases, Millennials are choosing to leave the Valley to take up residency in walkable communities that are close to employment centers, with mass transit and arts and cultural activities. In an even broader sense, mobility is important to the Millennials because jobs are no longer jobs for life as they once were. A job in New York today may lead to a job in Dallas tomorrow. A renter does not have to worry about selling a house in order to take a better job or achieve a better lifestyle across the country.

Median Real Estate Taxes Paid (2010)		
County	Amount	National Rank
Westchester	$9,945	1
Rockland	$8,861	4
Putnam	$7,841	11
Orange	$5,940	22
Dutchess	$5,282	32
Ulster	$4,486	52
Sullivan	$3,806	86

Source: Tax Foundation. Counties under 65,000 are not included (Columbia & Greene)

Student Debt: The Next Crisis of Housing Economics

An education is said to be an investment that lasts a lifetime. Statistics show that earnings are dramatically higher with a bachelor's degree and even higher with a master's degree. Increasingly, however, those earnings are realized on a delayed timetable. Today's graduating Millennials are coming home from college with enormous student debt and are faced with an economy that is still on shaky ground. On the national level, total federal student loan debt has now topped $1 trillion, the second largest source of household debt next to mortgages. The average student loan debt has grown to well over $26,000 and many are graduating with loans in excess of $50,000 with an economy that does not support the repayment. In the Center for Housing Solution's Hudson Valley informal poll, 77% of Millennials responding said they were making student loan payments of more than $100 a month and 19% said their student loan payments were higher than $500 a month. Student debt not only hampers the housing recovery, it slows the overall economic recovery, as the Millennials are not buying homes, are having a hard time paying the rent and simply have less to spend.

Loan Scenario

This affordability table represents the purchase of a typical Hudson Valley home. The income of $68,700 is average for a young, married couple just a few years out of college. The mortgage amount represents an average home of $242,000 with a down payment of 5% ($12,000). The taxes are also typical for a home valued at that amount, which represents an enormous monthly cost that drives down the affordability of a home.

To qualify for a mortgage, the back end ratio (monthly debt to income) is usually capped at 43%. Other common recurring monthly debts includes autos, consumer loans and credit cards. Student debt is shown here at a typical amount of $400 per month. The end result, an average home is not affordable due to real estate taxes and student debt.

The other barriers to this purchase are down payment and closing costs. In this scenario, the down payment is $12,000 and the closing costs would be an estimated $16,000. Therefore the young couple wanting to buy a home must have an estimated $28,000 cash in hand. There are some mortgage products with lower down payment requirements and some flexibility in the back end ratios, however, other underwriting criteria still must be met. Keep in mind that not everyone should be, or can be a homeowner. This typical couple must either rent an apartment or move away from low wages and high taxes. It is the responsibility of Hudson Valley policy makers and elected officials to keep them here.

Loan Scenario for $242,000 Purchase	
(a) Average Household Income (2 wage earners)	$68,700
(b) Monthly Income Available for Housing Debt @ 33%	$1,889
(c) Mortgage Amount (after $12,000 down payment)	$230,000
(d) Monthly Principle & Interest - 30 year loan @ 4.5%	$1,165
(e) Monthly Real Estate Taxes (Annual $7,200)	$600
(f) Monthly Homeowners Insurance and PMI	$255
(g) Monthly Principal & Interest, Taxes, Ins. (d+e+f)	***$2,020***
(h) Car Payments, Installment Loan, Credit Cards	$475
(i) Student Loan	$400
(j) Total Monthly Debt - typical averages (h+i)	***$875***
(k) Housing Debt to Income Ratio { MAX of 33% }	35%
(l) Total Debt to Income Ratio { MAX of 43%}	51%
(m) Total Monthly Debt (g+j)	***$2,895***
(n) Maximum Total Monthly Debt (a÷12*43%)	***$ 2,460***
MONTHLY SHORTFALL (m-n)	**$435**

Source: Center for Housing Solutions

THE GOOD NEWS? IT'S NOT ALL DOOM AND GLOOM

Despite the proliferation of barriers to rental and homeownership, there is a silver lining. A number of large scale multi-family apartment complexes are under construction in the Hudson Valley and are leasing up very quickly. These developments are forcing the older garden complexes to renovate and make improvements. Construction jobs are associated with this resurgence and ancillary businesses are benefitting. In the greater Middletown area, hundreds of units are under construction with waiting lists. Many new apartments are leasing in the Town of Newburgh, Kingston and Wappingers Falls. These rentals offer various amenities and create a real sense of place for the residents. Although not affordable to everyone, these new rentals are a viable and very desirable option for many.

An influx of renters creates positive impacts on the local economy. The renter may not spend as much as a new home owner, nonetheless, local economies do benefit. Renters purchase household goods and furniture for their new space. Also, renters do not need to spend time maintaining the grounds or physical structure as do home owners. Therefore renters have more available time and may then become involved as volunteers in their communities.

Modest Gains Noted in the Local Real Estate Market

The national trend shows a housing recovery. In major metropolitan areas, sales and prices are increasing, fewer homes are underwater and the number of foreclosures is declining. The locations that are showing signs of recovery have strengthening economies and an influx of people, especially Millennials and immigrants. This is not necessarily the case in all markets. Within the Hudson Valley, there are signs of recovery in some markets; new developments and existing single family homes sales are on an incremental rebound. Builders have also noted a pent-up demand for housing and are attempting to respond while also having to clear hurdles posed by banks that remain hesitant to lend and mortgage interest rates that are creeping upward. The gains are modest and are by no means a return to the pre-recession peak.

"Home builders are now able to keep their business afloat with greater certainty while providing work for their employees and subcontractors." - *Scott Wohl, executive officer, Builders Association of the Hudson Valley*

Second quarter statistics on the sale of existing homes in the Hudson Valley speak to a modest recovery as well. The number of sales is up from 2011 to 2013 in eight of nine counties. Median sale prices have edged up from 2012 to 2013 in most cases.

2nd Quarter	Inventory			Existing Home Sales*			Median Sale Price		
County	2011	2012	2013	2011	2012	2013	2011	2012	2013
Orange	3,700	3,205	3,213	437	466	607	$236,800	$229,900	$232,100
Putnam	1,141	1,007	980	143	177	203	$308,300	$291,400	$294,300
Rockland	1,984	1,762	1,665	354	387	420	$342,200	$340,100	$346,500
Westchester	5,687	4,899	4,251	1,205	1,398	1,721	$572,900	$569,400	$597,500
Ulster	2,557	2,354	2,252	276	378	376	$189,000	$205,000	$210,000
Dutchess	3,387	3,033	2,878	444	489	556	$247,500	$240,000	$231,750
Sullivan	1,989	1,692	1,687	151	148	170	$120,000	$115,500	$118,000
Columbia	1,165	1,168	1,103	101	139	140	$181,500	$185,000	$222,500
Greene	1,516	1,140	1,171	133	106	107	$159,900	$151,500	$201,500

Source: NYS Association of Realtors, Ulster, Sullivan, Columbia-Greene Board of Realtors, Mid-Hudson Multiple Listing Services, LLC, Hudson Gateway Assoc of Realtors and Rand Realty. *includes pending sales

The smaller home market, in particular, is showing signs of recovery, a critical element of the turn around. Boomers were previously reluctant to sell until they recouped the equity they lost in the housing bubble.

The local housing market is slowly gaining ground. Short sales and foreclosures remain a drag on the local housing recovery. Appraised values are an estimated six to nine months behind a market that hopes to make a rebound.

Streamlined Processes, Stronger Infrastructure Needed

Local municipalities must recognize the trend toward renting and take steps to improve and streamline the approval process for both market rate and affordable rental developments. For developers of multi-family housing, extended delays at the municipal level accomplish one thing: increased costs of development. The net effect is higher rents. Subsequently, after decades of slow approval processes or outright denials on multi-family construction, local municipalities are now feeling the unintended consequences. Local school enrollments are shrinking; schools are shutting their doors. The local tax burden is shifting more and more toward renters in the form of higher rents. Modernized, streamlined planning and zoning approval processes can help remove barriers to this sector of the economy and reduce costs.

Municipalities must also invest in their infrastructure. The Hudson Valley is riddled with crumbling water and sewer systems. Investment in infrastructure creates opportunities for new development and attracts corporations to urbanized centers, where Millennials want to live. The effect of strong infrastructure is new jobs and an even higher demand for housing. A close look at infrastructure and a needs analysis is required for many of our cities, towns and villages.

After Slowing to A Trickle, Funding Flows to Hudson Valley

Last year we reported on the declining New York State Homes and Community Renewal funding received in the Hudson Valley. In 2007, the valley received 36.7% of the state's allocation for capital projects and by 2011, the valley received only 11.2%. The Center for Housing Solutions made it very clear to agencies and state officials that this was not acceptable and that the need for funding in the Hudson Valley is astronomical and largely unmet.

The Center for Housing Solutions, in last year's report, focused on four very successful multi-family projects in the Hudson Valley that leveraged over $57million of investment and produced 295 homes. The Unified Funding Awards for Multi-Family Developments in 2013 painted a much better picture. As evidenced in the table below, the Hudson Valley region received the largest amount of funding in the state under the Unified Funding Round for multi-family housing. The valley received over $20 million in state funding which will leverage an additional investment of approximately $50 million. These seven much needed developments will provide a total of $70 million of new investment and produce over 360 new homes for the region.

New York State Unified Funding 2013

REGION	# of HOMES	HTF	HOME	LIHC	SLIHC	UI, RARP, IDDP	TOTAL
Hudson Valley	361	$8,651,631	$5,754,425	$5,280,959	$530,000	$291,649	$20,508,664
Capital Region	167	$2,400,000	$0	$2,096,817	$1,382,677	$450,000	$6,329,494
Long Island	98	$0	$0	$1,154,390	$984,718	$0	$2,139,108
NYC	439	$0	$0	$9,118,611	$180,64	$0	$9,299,255
Mohawk Valley	71	$2,250,000	$0	$960,571	$716,631	$0	$3,927,202
Central NY	124	$1,320,000	$3,480,000	$1,876,215	$0	$200,000	$6,876,215
Southern Tier	34	$2,400,000	$0	$618,964	$0	$0	$3,018,964
Finger Lakes	122	$7,081,525	$2,400,000	$1,410,417	$0	$400,000	$11,291,942
Western NY	144	$7,132,189	$0	$2,777,423	$333,511	$200,000	$10,443,123
North Country	50	$750,000	$0	$1,083,542	$0	$0	$1,833,542

CAUTION **The need for funding and the demand for affordable housing is at an all-time high in the Hudson Valley, especially in the wake of sequestration.** CAUTION

Our report also placed the spotlight on the loss of local program funding such as CDBG, HOME LPA, Main Street, Access to Home and Restore funding in prior years. The valley was awarded almost $5 million of local program funding in 2012, which represented 11.75% of the state's total awards. This can in part be attributed to awareness raised by the Center for Housing Solutions of the need for housing grants in the valley.

Harsh Impact of Sequestration

On March 1, 2013, the federal program of funding cuts known as "sequestration" began across the nation. It meant cuts to numerous programs including Head Start; the Women, Infants, and Children (WIC) program; the Low Income Home Energy Assistance Program and National Institutes for Health (NIH) research, to name a few. The sequester also began to take its toll in terms of setbacks to federal housing assistance. Most notably, the sequester continues to cut the Housing Choice Vouchers program, a part of Section 8 assistance. Across the nation, some 140,000 low-income individual and families are projected to lose housing assistance through this program by early 2014. Senior citizens, disabled renters and families with children are those most heavily affected in the sequester of voucher and other programs targeting these populations. Community Development Block Grants and the HOME program have been cut through the sequester as well.

Fallout from sequestration in the housing sector includes:

- Renters default on their rental payments
- These individuals and families may become homeless at a time of cuts to shelter funding
- Landlords cannot collect rent and must consider evictions
- Landlords lack the funds to maintain the housing
- Landlords may lose their investment to foreclosure or in a tax sale
- Public housing complexes must use reserves, if any, to continue operating

In the face of federal sequestration, other funding offered through the New York State Unified Funding programs becomes a critical source of survival for renters, landlords and for income-eligible housing in general. Keep in mind, a majority of the NYS housing budget is a product of the federal housing budget and therefore sequestration negatively impacts this resource.

POLICY RECOMMENDATION: FEDERAL RENTER'S TAX CREDIT

For decades housing policy has been focused on homeownership. As the American Dream is shifting from home ownership to renting, so must housing policy. According to the Congressional Joint Commission on Taxation, when combining direct spending and tax subsidies, 75% of the federal housing dollar supports homeownership, yet only 64% of the nation's households own a home. These subsidies are primarily comprised of the mortgage interest and real estate tax deduction and capital gains exclusions. In addition to that inequity, federal housing spending mostly benefits higher income households. More than half of federal spending on housing benefits households with incomes above $100,000.

The Federal Renter's Tax Credit concept offers a potential revenue neutral solution to provide rental assistance to low-income families. Low-income renters pay a significantly higher percentage of their income toward rent. Rental assistance programs reduce the likelihood of homelessness and housing instability. However, an estimated one in four eligible low-income renters receive federal housing assistance due to funding limitations according to the US Department of Housing and Urban Development. Rental assistance falls under programs such as Low Income Housing Tax Credit, Public Housing, Section 8, HOME and CDBG; however, these programs have been substantially reduced, while the needs of the populations they serve have drastically increased.

In a proposal developed by the private non profit Center on Budget and Policy Priorities, under such a program, the federal government would authorize states to allocate a capped amount of credits. Credits would be administered by each state. The program implementation and accountability measures would be established through a public-private partnership between property owners and banks.

In order for this to occur, there may be a need to slightly shift a small portion of the homeownership subsidy known as the Mortgage Interest Deduction (MID). This is by no means an argument to eliminate the MID, as it is a policy that provides an opportunity for many middle income families to purchase and own a home. Instead, it is an opportunity to provide some relief to a population that now only receives 25% of the federal housing dollar, yet needs the most assistance.

The Center on Budget and Policy Priorities, predicts a $5 billion federal credit allocation to the states could assist 1.2 million of the lowest income renter households. This equates to an average rent reduction of $400 per month. The program has the potential to lift 250,000 families out of poverty. The program would complement and work in conjunction with properties built with Low Income Housing Tax Credits and other rental assistance and capital programs.

Affordability Remains Out of Reach for Many

Regardless of the fact that there is a shift toward renting, affordability still remains an issue. As evidenced by this year's Out of Reach study conducted by the National Low Income Housing Coalition, wages are falling further and further behind the Fair Market Rents. The inventory of quality affordable housing is extremely limited in the Hudson Valley for the aging population, Millennials and families, especially large families. In Orange County alone, 60% of renters are unable to afford a 2BR FMR. Hence the need for CDBG and HOME grants leveraged with the Low Income Housing Tax Credits have become even more critical for this population in the Hudson Valley.

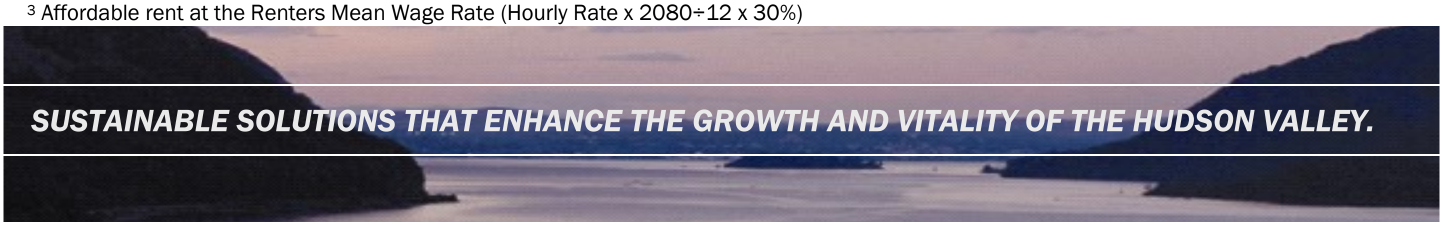
OUT OF REACH 2013	Columbia	Dutchess	Greene	Orange	Putnam	Rockland	Sullivan	Ulster	Westchester
2BR Fair Market Rents (FMR)	$819	$1,211	$792	$1,211	$1,474	$1,474	$857	$1,197	$1,468
Hourly Living Wage Rate to Afford 2BR FMR[1]	$15.75	$23.29	$15.23	$23.29	$28.35	$28.35	$16.48	$23.02	$28.23
Annual Living Wage Rate needed to afford 2BR FMR (Wage Rate x 2080 hours)	$32,760	$48,440	$31,680	$48,440	$58,960	$58,960	$34,280	$47,880	$58,720
Estimated Mean Renters Hourly Wage Rate[2]	$10.90	$12.91	$10.15	$9.91	$10.60	$12.29	$10.12	$9.82	$17.60
Rent Affordable at the Mean Renters Hourly Wage Rate[3]	$567	$671	$528	$515	$551	$639	$526	$511	$915
Difference between FMR and Affordable Rent at the Mean Renters Wage Rate	($252)	($540)	($264)	($696)	($923)	($835)	($331)	($686)	($553)
Weekly Hours Needed at Renters Mean Hourly Wage to Afford 2BR FMR	60	74	62	97	110	95	67	97	66
% of Renters unable to Afford 2BR FMR	**46%**	**59%**	**52%**	**60%**	**61%**	**62%**	**55%**	**65%**	**62%**

Notes: According to HUD, "affordable" rents represent the generally accepted standard of spending not more than 30% of gross income on gross housing costs. Fiscal Year 2013 Fair Market Rent.

1 Hourly wage rate required to afford the Fair Market Rent for a 2BR unit, assumes 30% of income toward rent

2 The ACS 2007-2011 median renter household income, projected to 2012 using HUD's adjustments through 2013 based on estimated AMIs

3 Affordable rent at the Renters Mean Wage Rate (Hourly Rate x 2080÷12 x 30%)



Accomplishments 2013

The Center for Housing Solutions kicked off in September 2012 at the Annual Housing Luncheon in Newburgh. Here is an overview of the Center's accomplishments:

"Thanks to the support of our investors, we have had a very busy and productive 8 months. One of our many goals is the distribution of relevant and critical information promoting affordable housing, community development and the revitalization of our urbanized centers."
- Joe Czajka, executive director, Center for Housing Solutions

- Held a roundtable discussion with NYS Homes and Community Renewal Commissioner Darryl C. Towns
- Distributed over 140 emails containing federal, state and local updates on housing programs, regulations, articles and reports on housing policy and trends, funding notices, grant opportunities, statistics, demographics and market data
- Hosted an HCR training on the Unified Funding Round and explored best practices with three senior HCR staff members
- Welcomed two new investors
- Conducted 5 presentations on the State of Housing in the Hudson Valley for municipal zoning and planning board members, neighborhood preservation corporations, rural preservation corporations, mortgage brokers and Realtors
- Promoted the need for affordable housing through a featured segment on YNN and highlighted the issue in the Times Herald-Record, Poughkeepsie Journal, Journal News and Hudson Valley Magazine
- Responded to and assisted with more than 40 requests for statistics, demographics and narrative reviews from municipalities, not-for-profit housing agencies and for-profit developers in support of affordable and market rate housing development
- Assisted the Pattern for Progress Fellows class with project papers titled, "Successfully Marketing Affordable Housing" and "Envision Brewster"

The Center would like to thank its investors:

Jacobowitz & Gubits, LLP — TD Bank — Regan Development Corporation — MJJ Builders Corp. — Kearney Realty & Development Group — Kent Companies — Cannon Heyman & Weiss, LLP — RUPCO

To learn more about investment opportunities, contact Joe Czajka.

This report represents a snapshot in time and is based upon available information and the analysis of existing markets, demographics, data and statistics. The report is not meant to be used as a financial forecasting model or for any financial decisions now or in the future.

Pattern for Progress is the Hudson Valley's public policy, planning and advocacy organization that creates regional solutions to quality-of-life issues by bringing together business, nonprofit, academic and government leaders from across nine counties to collaborate on regional approaches to affordable/workforce housing, municipal sharing and local government efficiency, land use policy, transportation and other infrastructure issues that most impact the growth and vitality of the regional economy.

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