

FOR CONSIDERATION

December 18, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Loan Servicing Contract for Housing Portfolio

REQUEST FOR: Authorization to Amend the Terms of the Contract for Loan Servicing with Greystone Servicing Corporation.

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**I. Contract Summary**

Contractor: Greystone Servicing Corporation (“Greystone”)

Scope of Services: To provide loan servicing for the Corporation’s affordable housing portfolio (the “Housing Portfolio” or “Portfolio”).

Contract Term: To extend the term of the current contract for up to three years.

Termination: Cancelable at any time during the contract period with 90 days notice.

Amended Contract Amount: Not to exceed \$230,000 annually.

Funding Source: Corporate Funds (Housing Repair Fund)

**II. Background**

In 1997, the New York State Mortgage Loan Enforcement and Administration Corporation (“MLC”), a subsidiary of ESDC that is now inactive, entered into a three-year contract with Greystone, commencing January 1, 1997 and terminating December 31, 1999, to perform loan servicing for ESDC’s Housing Portfolio. The contract was further extended for five years in 2000, with an option to extend for an additional five years, which option was exercised. The current contract is due to expire on December 31, 2009.

### **III. Scope of Work**

At the inception of the contract, Greystone developed an online system, highly customized to the specific needs of the Corporation's Portfolio, and for the past 13 years has been providing loan servicing functions in a cost effective and professional manner. Some of the major loan servicing functions handled by Greystone include billing and collections, excess cash analysis, workout compliance, disclosure reporting, annual audit confirmations, annual site inspections to monitor the physical condition of each project, and the development and maintenance of an online database capable of generating all needed reports.

Since a great deal of time and effort has been invested by ESDC in the customization of the Greystone loan servicing system for the Portfolio's needs, there is no clear economic benefit to advertising for these services again. Accordingly, a Contract Reporter exemption was approved allowing the staff to negotiate an amendment to the current contract. Greystone has become very familiar with the specific needs of the Portfolio and is best able to efficiently provide the desired services. ESDC staff is trained on the system and fully utilizes its capabilities. Given the great amount of time and effort that went into implementing the Greystone loan servicing system and training its users, staff believes that it is in the best interest of the Corporation to extend this contract.

### **IV. Contract Term, Pricing and Funding**

Pursuant to the current terms of the contract, as amended, Greystone charges ESDC \$717,504 per annum to service the Portfolio, which includes 267 debt obligations on 62 projects, as well as continuing debt obligations on 5 projects that have prepaid their UDC mortgages and are no longer in the Portfolio. The current contract provides for a sliding scale fee arrangement, based on the number of projects in the Portfolio, with a minimum annual contract amount of \$612,504 for 54 or fewer projects.

In recognition of the fact that there has been a more than 40% reduction in the number of projects in the Portfolio since 1997 and in light of the unprecedented economic challenges now confronting the State and ESDC, the staff was able to negotiate with Greystone a 68% reduction in the annual contract price for the next three years. Thus, for the period from January 2010 through December 2012, the annual contract amount will be in an amount not to exceed \$230,000. This annual amount is subject to a \$2,000 reduction for each project that exits the portfolio subsequent to execution of this contract extension.

### **V. Non-Discrimination/Affirmative Action**

ESDC's Non-discrimination and Affirmative Action policy will apply. Greystone is encouraged to use its best efforts to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with this contract, and to include minorities and women in any job opportunities created.

## **VI. Environmental Review**

ESDC staff has determined that this request authorization constitutes a Type II action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations for the New York State Department of Environmental Conservation. No further environmental review is required in connection with the action.

## **VII. Requested Action**

The Directors are requested to authorize ESDC to amend the contract for Loan Servicing with Greystone Servicing Corporation by extending the term for up to three years with annual compensation not to exceed \$230,000.

## **VIII. Recommendation**

Based on the foregoing, I recommend approval of the attached resolution.

## **IX. Attachment**

Resolution

December 18, 2009

Empire State Development Corporation - Loan Servicing Contract for Housing Portfolio - Authorization to Amend the Terms of the Contract for Loan Servicing with Greystone Servicing Corporation

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BE IT RESOLVED, that upon the basis of the materials presented to this meeting (the "Materials"), a copy of which is hereby ordered filed with the records of the Corporation, the Corporation hereby finds Greystone Servicing Corporation to be responsible; and be it further

RESOLVED, that the Corporation is hereby authorized to amend the contract for Loan Servicing with Greystone Servicing Corporation by extending the term for up to three years with annual compensation not to exceed \$230,000. Such servicing contract shall be for the purposes, services and conditions as set forth in the Materials; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to take such action and execute such documents as may be necessary or appropriate to carry out the foregoing resolution.

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