NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
Trenton, New Jersey

FINANCIAL STATEMENTS
December 31, 2011
(With Comparative Information for December 31, 2010)

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CliftonLarsonAllen LLP
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Independent Auditor's Report

To the Agency Members
New Jersey Housing and Mortgage Finance Agency
Trenton, New Jersey

We have audited the accompanying financial statements of the business-type activities, each major fund and the discretely presented component units of the New Jersey Housing and Mortgage Finance Agency (the Agency), a component unit of the State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2010 financial statements and, in our report dated June 28, 2011, we expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the discretely presented component units of the Agency as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 10 and page 58 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The program financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
May 30, 2012

Introduction to the Financial Report

This financial report consists of five parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplemental Information and Supplemental Information. The New Jersey Housing and Mortgage Finance Agency (NJHMFA or Agency), as referred to throughout Management's Discussion and Analysis, is for financial reporting purposes, the primary government.

The Financial Statements include

The Statement of Net Assets which provide information about the nature and amounts of investments in resources (assets) and the obligations to Agency creditors (liabilities).

The Statement of Revenues, Expenses and Changes in Net Assets which accounts for all of the current year's revenue and expenses, measures the success of the Agency's operations over the past year and can be used to determine how the Agency has funded its costs.

The Statement of Cash Flows which provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Financial Statements provide

Information that is essential to understanding the basic financial statements, such as the Agency's accounting methods and policies.

Details of contractual obligations, future commitments and contingencies of the Agency.

Information about any other events or developing situations that could materially affect the Agency's financial position.

Required Supplementary Information

Presents the information regarding the Agency's progress in funding its obligation to provide postemployment benefits other than pensions to its employees.

Supplemental Information

Provides presentations of the Agency's financial information in accordance with the requirements of the various Bond Resolutions.

Management's Discussion and Analysis

This section of the Agency's financial statements, the Management's Discussion and Analysis (MD&A), presents an overview of the Agency's financial performance for the years ended December 31, 2011 and 2010. It provides an assessment of how the Agency's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Agency's overall financial position.

The Agency's Business

The Agency was created to provide a strong unified advocate for housing production, financing and improvement. The Agency is established under, but is not a part of, the Department of Community Affairs, and is constituted as a body politic and corporate and an instrumentality of the State exercising public and essential governmental functions. Included in the Agency's powers is the ability, *inter alia*, to provide to housing sponsors, through eligible loans or otherwise, financing, refinancing or financial assistance for fully completed, as well as partially completed projects; to issue negotiable bonds and to secure the payment thereof; and to make and enter into and enforce all contracts and agreements necessary, convenient or desirable to the performance of its duties and the execution of its powers.

NJHMFA has two subsidiaries that are discretely presented as component units in the financial statements. The Statewide Acquisition and Redevelopment Corporation (STAR) was formed to act as a housing service Agency under the Shore Easy Program, the AFL-CIO Demonstration Program and/or any other project or program as authorized by the Agency. A Better Camden Corporation (ABC) was formed to stimulate and encourage the construction, rehabilitation and improvement of adequate and affordable housing in the City of Camden. Financial statements for ABC and STAR may be obtained by contacting NJHMFA.

Overall Financial Highlights – Year Ended December 31, 2011

Standard and Poors (S&P) reaffirmed the Agency's AA rating with a stable outlook on July 5, 2011.

The Agency contributed $9 million of unencumbered reserves to the State's General Fund for appropriation to the Department of Community Affairs for the State Rental Assistance Program, which provides rental assistance for Low-Income individuals.

The Agency's Annual Required Contribution (ARC) for Other Postemployment Benefits (OPEB) increased by $14.18 million in 2011 compared to $2.34 million in 2010 as a result of modifications to the actuarial assumptions used for the 2011 valuation. The adjustments were primarily in response to (1) the Healthcare Reform Excise tax, (2) the change to the Society of Actuaries' Getzen model, resulting in increased expense assumptions from year to year, and (3) a change in rates of retirement as a result of New Jersey Pension and Benefit Reform. This also accounts for the corresponding increase in salaries and related benefits expense.

The Agency had an overall decrease in net assets of 5.8% primarily due to the increase in OPEB liability, contribution to the State of New Jersey, and an increase in the reserve for loan loss.

Single Family loan production increased 30% as 888 loans were funded in 2011 compared to 679 in 2010.

Total overall mortgage loans outstanding were relatively flat from 2010 levels as new production offset runoff.

In September 2010, the U.S. Treasury Department awarded the Agency a total of $300.6 million from its Hardest Hit Fund (HHF) to be used for programs developed by the Agency that assist homeowners in danger of foreclosure. The awarded amount and any recycled funds are to be used through December 31, 2017. Of the total awarded amount, $112.2 million must be used for assistance to eligible borrowers who are in danger of foreclosure as a direct result of unemployment or underemployment; $38.6 million is for administrative costs through December 31, 2017; the balance, $149.8 million, may be used for additional unemployment and/or underemployment-related assistance or for other Treasury-approved HHF programs that the Agency may develop. The Agency received the first advance of $7.5 million in 2011 and closed 85 loans.

In July 2011 the Agency released $152.35 million of Single Family Home Mortgage Bonds from escrow under the US Treasury's New Issue Bond Program (NIBP), $45.7 million of which was used to refund a portion of the Agency's SF HRB Resolution 2004 Series I Bonds while $106.65 million was used to fund new single family loans. Also in July 2011 the Agency issued $101.57 million of Single Family Home Mortgage Bonds under the NIBP (market bonds) to fund the purchase of loans made to first-time home buyers for single family residences.

In December 2011 the Agency released $156.2 million of Single Family Home Mortgage Bonds from escrow under the U.S. Treasury's NIBP, $59.3 million of which was used to refund a portion of the Agency's SF HRB Resolution 2005 Series O and Q Bonds, while $96.91 million was used to fund single family loans. The Agency issued $104.15 million Single Family Home Mortgage Bonds under the NIBP (market bonds), $31.065 million of which was used to refund the Agency's SF HBP Resolution 2000 Series BB and CC Bonds, and $73.09 million of Single Family Home Mortgage Bonds were used to fund the purchase of loans made to first-time home buyers for single family residences.

The Agency reduced its variable rate debt exposure during fiscal year 2011 by 13.5% as a result of the above mentioned variable rate bond refunding and scheduled bond maturities.

The Single Family provision for loan loss expense increased $13.01 million as a result of increased delinquencies and the inability to process foreclosures due to the State of New Jersey's 2010 administrative order, which discontinued residential foreclosure activity in the state for a 12 month period. Since it was lifted in 2011 the Agency resumed its foreclosure proceedings and estimates the processing time per foreclosure to be approximately 300 days.

The Multi Family provision for loan loss expense increased $13.6 million primarily due to Whitlock Mills mortgage being fully reserved.

As of January 1, 2011, the Agency had total variable rate bonds outstanding in the amount of $633.6 million (excluding bond maturities scheduled to occur in 2011) whose related liquidity facilities were scheduled to expire in 2011. The Agency successfully resolved its entire 2011 liquidity expiration exposure of $633.6 million by taking the following actions during 2011:

July 2011 - Refunded $45.7 million of SF variable rate bonds to fixed rate bonds

August 2011 - Renewed $177.9 million MF liquidity facility with current provider (Bank of America)

August 2011 - Extended $195.4 million MF liquidity facility with current provider (Dexia)

October 2011 - Replaced $135.5 million SF liquidity facility with new provider (Royal Bank of Canada)

November 2011 - Renewed $79.1 million SF liquidity facility with current provider (TD Bank)

Additionally, during 2011, the Agency received proposals from several liquidity providers to provide replacement liquidity facilities for several of the Agency's SF liquidity facilities that are scheduled to expire in 2012.

Overall Financial Highlights – Year Ended December 31, 2010

The Agency had an overall decrease in net assets of $23.1 million primarily due to reduced interest income from mortgage loans, and further reductions in investment interest income due to a sustained low interest rate environment.

Total assets declined 3.1% as a result of a net decline in mortgage loans receivable, principally due to reduced loan production along with routine principal repayments and prepayments.

Restricted cash and cash equivalents declined approximately (18.7%) from 2009, due in part to the normal course of business of the Agency funding new Single Family loans with available lendable bond proceeds.

Single Family loan production continued to decline in 2010 with 679 loans originated compared to 979 in 2009, representing a reduction of more than 38%. This decline reflects the continued slowdown in the economy as a whole and the housing market in particular.

The Agency received $22.0 million in federal grant funds for the Tax Credit Assistance (TCAP) and Tax Credit Exchange (TCX) programs, which are recorded as grant income and offset by grant expense as the funds are disbursed.

The Agency issued $350.0 million in escrowed Single Family Program Bonds under the U.S. Treasury's NIBP. Under the NIBP, a portion of or all of these Single Family Program bonds will be released from escrow in 2011.

The Agency issued $88.9 million of Multi-Family Revenue Bonds to finance 30 housing developments containing a total of 2,322 multifamily units.

Senior management successfully adopted a 2011 General Fund operating budget with no projected increase in expenses from fiscal year 2010.

Standard and Poors reaffirmed the Agency's AA rating with a stable outlook.

In 2010, the Agency transferred interest rate swaps valued in excess of $165.0 million notional amount from Lehman Brothers (which filed for bankruptcy in September 2008) to Wells Fargo Bank, at no cost to the Agency. Wells Fargo paid the Lehman Brothers Bankruptcy Estate a total of $27.1 million to replace Lehman Brothers as Swap Counterparty to the Agency. This payment represented the market value termination fee which the Agency would otherwise have paid to Lehman Brothers. Wells Fargo also reimbursed the Agency for all of its legal services and swap advisory fees incurred as a result of this matter.

Due to requirements of Governmental Accounting Standard No. 53, *Accounting and Reporting for Derivative Instruments*, the Agency changed how it accounted and reported for its interest rate swaps in fiscal year 2010. In prior years, these swaps were only disclosed. Beginning in 2010, these swaps are evaluated for their effectiveness and recorded, recognizing a gain or loss if they are determined to be ineffective. This change resulted in the recording of approximately $25.5 million in derivatives on the statement of net assets and a loss of approximately $1.1 million on the statements of revenues, expenses and changes in net assets.

Overview of the Financial Statements

The Agency is a self-supporting entity and follows enterprise fund reporting. An enterprise fund reports activity that is financed with debt that is secured solely by a pledge of the net revenue from that activity as well as activity that is not supported by taxes or similar revenues. NJHMFA's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting matches revenues and expenses to the time period in which they are earned or attributable, respectively, which may differ from the period in which the associated cash is received or expended.

Enterprise fund statements offer short-term and long-term financial information about the Agency's activities. While detailed sub-fund information is not presented in the Agency's financial statements, separate accounts are maintained for each bond issue and component unit, as well as the Agency's general operating fund, known as the General Fund. These sub-funds permit NJHMFA to control and manage money for particular purposes and to determine that the Agency is properly using specific resources.

Financial Analysis

The following sections will discuss the Agency's financial results for 2011 compared to 2010. Additionally, an examination of major economic factors that have contributed to the Agency's operations is provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented are in conformity with the Agency's financial statements, which are presented in accordance with accounting principles generally accepted in the United States. All dollar amounts are in thousands.

NJHMFA's Assets and Liabilities

The Statement of Net Assets in the financial statements present the Agency's assets, liabilities, and net assets as of December 31, 2011. The following table represents the comparison of net assets as of December 31, 2011, 2010 and 2009. The change between December 31, 2011 and December 31, 2010 should be read in conjunction with the financial statements.

Condensed Statement of Net Assets
(In Thousands)

				% Change	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
Current and other assets	$ 1,061,668	$ 855,032	$ 1,011,514	24.2%	-15.5%
Other noncurrent assets	3,304,017	3,370,345	3,348,719	-2.0%	0.6%
Capital assets	10,730	11,289	12,027	-5.0%	-6.1%
Total assets	4,376,415	4,236,666	4,372,260	3.3%	-3.1%
Current liabilities	382,997	350,120	395,768	9.4%	-11.5%
Long-term liabilities	3,095,272	2,932,632	2,999,488	5.5%	-2.2%
Total liabilities	3,478,269	3,282,752	3,395,256	6.0%	-3.3%
Net assets:					
Invested in capital assets, net of related debt	10,730	11,289	12,027	-5.0%	-6.1%
Restricted	382,722	426,085	454,603	-10.2%	-6.3%
Unrestricted	504,694	516,540	510,374	-2.3%	1.2%
Total net assets	$ 898,146	$ 953,914	$ 977,004	-5.8%	-2.4%

The Agency's overall 5.8% decrease in net assets is primarily due to the 14.25 million increase in Other Postemployment Benefits (OPEB) liability. The Agency's core operations remained stable with only slight increases in assets and liabilities.

NJHMFA's Revenues and Expenses

The Statements of Revenues, Expenses and Changes in Net Assets reports revenues recognized and expenses incurred for the years ended December 31, 2011, 2010, and 2009. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2011, 2010 and 2009. It should be read in conjunction with the financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended December 31, 2011, 2010 and 2009

(In Thousands)

	2011	2010	2009	2011/2010	2010/2009
Operating revenues:					
Interest income on mortgage loans	$ 155,883	$ 159,511	$ 174,006	-2.3%	-8.3%
Fees and charges	31,196	33,836	32,858	-7.8%	3.0%
Other	74,205	131,205	13,817	-43.4%	849.6%
	261,284	324,552	220,681	-19.5%	47.1%
Operating expenses	324,941	365,576	256,888	-11.1%	42.3%
Operating loss	(63,657)	(41,024)	(36,207)	55.2%	13.3%
Non-operating revenues, net	7,889	17,934	14,858	-56.0%	20.7%
(Decrease) increase in net assets	(55,768)	(23,090)	(21,349)	141.5%	8.2%
Total net assets - beginning of year	953,914	977,004	998,353	-2.4%	-2.1%
Total net assets - end of year	$ 898,146	$ 953,914	$ 977,004	-5.8%	-2.4%

Summary of Operating Expenses for the Years Ended December 31, 2011, 2010 and 2009

(In Thousands)

				% Change	
	2011	2010	2009	2011/2010	2010/2009
Operating expenses:					
Interest	$ 130,250	$ 127,893	$ 136,156	1.8%	-6.1%
Insurance costs	1,053	1,064	1,275	-1.0%	-16.5%
Servicing fees and other	5,224	5,239	5,252	-0.3%	-0.2%
Salaries and related benefits	41,101	26,736	24,872	53.7%	7.5%
Professional services and financing costs	3,481	1,899	962	83.3%	97.4%
General and administrative expenses	7,407	7,198	7,822	2.9%	-8.0%
Grant expense	82,872	147,924	30,918	-44.0%	378.4%
Provision for loan losses	53,553	47,623	49,631	12.5%	-4.0%
Total operating expenses	$ 324,941	$ 365,576	$ 256,888	-11.1%	42.3%

The 43.4% decrease in other operating revenue and the 44.0% decrease in grant expense are a result of the final receipt and disbursement of Federal Stimulus funds for tax credit programs. They were recorded as grant income and offset by grant expense.

Debt Administration

At December 31, 2011, the Agency had $2.7 billion of bond principal outstanding, net of deferral on refunding, discount and premium, an increase of 8% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2011, 2010 and 2009, and the changes in bonds payable. Dollars are in thousands.

				% Change	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
Bonds payable, net	$ 2,703,831	$ 2,502,834	$ 2,617,929	8.0%	-4.4%

Additional information about the Agency's debt is presented in Note 8 of the financial statements.

Single Family Programs

The Agency provides a variety of residential mortgage financing programs that primarily serve low to moderate and middle-income first time homebuyers and homebuyers purchasing in certain designated urban areas. For the most part, the programs are funded with Mortgage Revenue Bond proceeds.

Multi-Family Programs

The Agency did not issue any Multi Family Program Bonds in 2011.

Contacting The Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's business, financial position, and fiscal accountability for the funds it generates and receives. If you have questions about any information in this report, contact the Finance Division of the New Jersey Housing and Mortgage Finance Agency.

BASIC FINANCIAL STATEMENTS

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET ASSETS
December 31, 2011
(With Comparative Summarized Financial Information as of December 31, 2010)
(In Thousands)

	Primary Government				Discretely Presented Component Units			Reporting Entity	
	Bonds and Obligation Funds								
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	Eliminations	2011	2010
CURRENT ASSETS									
Cash and cash equivalents	$ -	$ -	$ 21,296	$ 21,296	$ 456	$ 75	$ -	$ 21,827	$ 71,948
Restricted cash and cash equivalents	317,371	101,288	475,953	894,612	-	-	-	894,612	665,580
Investments	-	-	18,276	18,276	-	-	-	18,276	11,995
Restricted investments	-	14,719	-	14,719	-	-	-	14,719	16,008
Accrued interest receivable on investments	561	1,156	2,163	3,880	-	-	-	3,880	3,670
Mortgage loans receivable, net	30,050	63,127	4,898	98,075	-	-	-	98,075	72,382
Supplemental mortgages and other loans, net	-	-	-	-	-	-	-	-	736
Fees and other charges receivable	-	-	1,689	1,689	-	-	-	1,689	3,890
Due from loan services and insurers	1,650	-	75	1,725	-	-	-	1,725	2,028
Interfund allocation	-	-	5,772	5,772	-	-	(5,772)	-	-
Other assets	-	155	1,469	1,624	-	-	-	1,624	1,379
Total current assets	349,632	180,445	531,591	1,061,668	456	75	(5,772)	1,056,427	849,616
NONCURRENT ASSETS									
Investments	-	-	254,953	254,953	-	-	-	254,953	118,506
Restricted investments	56,191	141,458	19,007	216,656	-	-	-	216,656	354,396
Escrow deposits	-	-	-	-	-	-	-	-	141
Mortgage loans receivable, net	1,322,508	954,318	184,244	2,461,070	-	240	(1,770)	2,459,540	2,505,786
Debt service arrears receivable, net	8,497	1,664	151	10,312	-	-	-	10,312	9,630
Interest receivable on construction advances and mortgages	-	-	1,675	1,675	-	-	-	1,675	1,675
Supplemental mortgages and other loans, net	20,170	56,866	240,966	318,002	-	-	-	318,002	311,119
Deferred outflow of resources	3,688	19,696	-	23,384	-	-	-	23,384	25,508
Deferred bond issuance costs, net	9,032	6,261	-	15,293	-	-	-	15,293	15,432
Real estate owned	1,513	-	153	1,666	-	-	-	1,666	5,094
Real estate held for redevelopment	-	-	-	-	-	826	-	826	1,229
Capital assets, net	-	-	10,730	10,730	120	-	-	10,850	11,409
Due from other funds	-	-	1,006	1,006	-	(240)	-	766	-
Total non-current assets	1,421,599	1,180,263	712,885	3,314,747	120	826	(1,770)	3,313,923	3,359,925
TOTAL ASSETS	$ 1,771,231	$ 1,360,708	1,244,476	$ 4,376,415	$ 576	$ 901	$ (7,542)	$ 4,370,350	$ 4,209,541

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2011
(With Comparative Summarized Financial Information as of December 31, 2010)
(In Thousands)

	Primary Government				Discretely Presented Component Units			Reporting Entity	
	Bonds and Obligation Funds								
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	Eliminations	2011	2010
CURRENT LIABILITIES									
Bonds and obligations, net	$ 32,375	$ 69,230	$ -	$ 101,605	$ -	$ -	$ -	$ 101,605	$ 71,980
Accrued interest payable on bonds and obligations	15,736	10,068	-	25,804	-	-	-	25,804	25,209
Subsidy payments received in advance	-	-	3,142	3,142	-	-	-	3,142	3,099
Advances from State of NJ for bond and housing assistance	-	-	20,828	20,828	-	-	-	20,828	21,223
Due to the State of New Jersey	-	-	-	-	-	-	-	-	-
Other current liabilities	1,344	91	4,455	5,890	248	68	-	6,206	5,484
Interfund allocation	2,413	3,359	-	5,772	-	-	(5,772)	-	-
Mortgagor escrow deposits	-	4,609	215,347	219,956	-	-	-	219,956	217,597
Total current liabilities	51,868	87,357	243,772	382,997	248	68	(5,772)	377,541	344,592
NONCURRENT LIABILITIES									
Bonds and obligations, net	1,546,674	1,055,552	-	2,602,226	-	-	-	2,602,226	2,430,854
Interest rate swaps	3,688	19,696	-	23,384	-	-	-	23,384	26,578
Minimum escrow requirement	-	8,954	976	9,930	-	-	-	9,930	9,722
Funds held in trust for mortgagors	-	39,920	327,525	367,445	-	3	-	367,448	373,291
Unearned revenues	-	-	22,762	22,762	-	-	-	22,762	18,301
Other non-current liabilities	-	2,207	18,526	20,733	250	-	-	20,983	18,822
OPEB liability	-	-	48,026	48,026	-	-	-	48,026	33,851
Due to other funds	-	766	-	766	1,770	-	(1,770)	766	-
Total noncurrent liabilities	1,550,362	1,127,095	417,815	3,095,272	2,020	3	(1,770)	3,095,525	2,911,419
Total liabilities	1,602,230	1,214,452	661,587	3,478,269	2,268	71	(7,542)	3,473,066	3,256,011
NET ASSETS (DEFICIT)									
Invested in capital assets	-	-	10,730	10,730	120	-	-	10,850	11,409
Restricted under bond and obligation resolutions	169,001	146,256	-	315,257	-	-	-	315,257	336,359
Restricted	-	-	67,465	67,465	(1,616)	-	-	65,849	89,726
Unrestricted	-	-	504,694	504,694	(196)	830	-	505,328	516,036
TOTAL NET ASSETS (DEFICIT)	$ 169,001	$ 146,256	$ 582,889	$ 898,146	$ (1,692)	$ 830	$ -	$ 897,284	$ 953,530

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2011
(With Comparative Summarized Financial Information for the Year Ended December 31, 2010)
(In Thousands)

	Primary Government				Discretely Presented Component Units			Reporting Entity	
	Bonds and Obligation Funds								
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	Eliminations	2011	2010
OPERATING REVENUES									
Interest income on mortgage loans	$ 77,704	$ 70,498	$ 7,681	$ 155,883	$ -	$ -	$ -	$ 155,883	$ 159,511
Fees and charges	-	7,294	23,902	31,196	-	-	-	31,196	33,836
Other income - net	2,824	766	70,615	74,205	279	28	-	74,512	131,820
Total operating revenues	80,528	78,558	102,198	261,284	279	28	-	261,591	325,167
OPERATING EXPENSES									
Interest and amortization of bond premium and discounts	64,244	65,568	438	130,250	-	-	-	130,250	127,893
Insurance costs	39	500	514	1,053	-	-	-	1,053	1,064
Servicing fees and other	4,858	270	96	5,224	-	-	-	5,224	5,239
Salaries and related benefits	3,820	4,717	32,564	41,101	-	-	-	41,101	26,736
Professional services and financing costs	1,248	1,055	1,178	3,481	-	-	-	3,481	1,899
General and administrative expenses	1,070	1,406	4,931	7,407	295	430	-	8,132	7,597
Other expenses	-	-	-	-	60	-	-	60	234
Grant expense	-	-	82,872	82,872	-	-	-	82,872	147,924
Provision for loan losses	22,448	20,146	10,959	53,553	-	-	-	53,553	47,623
Total operating expenses	97,727	93,662	133,552	324,941	355	430	-	325,726	366,209
Operating loss	(17,199)	(15,104)	(31,354)	(63,657)	(76)	(402)	-	(64,135)	(41,042)
NONOPERATING REVENUES (EXPENSES)									
Investment income	3,413	7,867	6,967	18,247	-	-	-	18,247	18,543
Payments to the State of New Jersey	-	-	(9,000)	(9,000)	-	-	-	(9,000)	-
Loss on sale of real estate owned	(776)	-	-	(776)	-	-	-	(776)	(254)
Loss on early extinguishment of old debt	(560)	(22)	-	(582)	-	-	-	(582)	(354)
Total nonoperating revenues/ (expenses), net	2,077	7,845	(2,033)	7,889	-	-	-	7,889	17,935
Loss before transfers	(15,122)	(7,259)	(33,387)	(55,768)	(76)	(402)	-	(56,246)	(23,107)
TRANSFERS	1,471	(192)	(1,279)	-	-	-	-	-	-
DECREASE IN NET ASSETS	(13,651)	(7,451)	(34,666)	(55,768)	(76)	(402)	-	(56,246)	(23,107)
NET ASSETS, BEGINNING OF YEAR	182,652	153,707	617,555	953,914	(1,616)	1,232	-	953,530	976,637
NET ASSETS, END OF YEAR	$ 169,001	$ 146,256	$ 582,889	$ 898,146	$ (1,692)	$ 830	$ -	$ 897,284	$ 953,530

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2011
(With Comparative Summarized Financial Information for the Year Ended December 31, 2010)
(In Thousands)

	Primary Government				Discretely Presented Component Units		Reporting Entity	
	Bonds and Obligation Funds							
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from interest on mortgages and loans	$ 69,998	$ 69,651	$ 7,505	$ 147,154	$ -	$ -	$ 147,154	$ 154,637
Receipts from fees, charges and other	4,329	10,035	35,338	49,702	279	-	49,981	36,278
Receipts from principal payments on mortgage receivables	325,725	70,195	103,649	499,569	9	72	499,650	459,231
Payments to vendors and employees	(12,193)	(7,592)	(55,551)	(75,336)	(398)	(226)	(75,960)	(60,964)
Payments to mortgage purchases and advances	(362,831)	(30,769)	(125,749)	(519,349)	-	(312)	(519,661)	(411,964)
Payments for interest and amortization of bond premium and discounts	(63,779)	(65,915)	-	(129,694)	-	-	(129,694)	(126,728)
(Payments) receipts for other	(7,529)	(4,225)	(3,812)	(15,566)	-	-	(15,566)	(38,015)
Receipts (payments) for funds held in trust	-	(1,146)	18,043	16,897	-	-	16,897	(3,246)
Net cash provided by (used in) operating activities	(46,280)	40,234	(20,577)	(26,623)	(110)	(466)	(27,199)	9,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Receipts from proceeds of sale of bonds and obligations	514,285	-	-	514,285	-	-	514,285	88,915
Payments for retirement of bonds	(248,785)	(67,045)	-	(315,830)	-	-	(315,830)	(204,495)
Contributions	-	-	(9,000)	(9,000)	-	-	(9,000)	-
Transfers and others	3,651	20,831	(22,116)	2,366	148	467	2,981	(784)
Net cash provided by (used in) noncapital financing activities	269,151	(46,214)	(31,116)	191,821	148	467	192,436	(116,364)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES								
Additions to capital assets	-	-	(544)	(544)	-	-	(544)	(284)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investments	(81,074)	(129,058)	(58,923)	(269,055)	-	-	(269,055)	(245,171)
Sales/maturities of investments	95,406	127,693	41,366	264,465	-	-	264,465	230,273
Earnings on investments	2,873	7,633	8,235	18,741	67	-	18,808	20,994
Net cash provided by (used in) investing activities	17,205	6,268	(9,322)	14,151	67	-	14,218	6,096
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	240,076	288	(61,559)	178,805	105	1	178,911	(101,323)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,295	101,000	558,808	737,103	351	74	737,528	838,851
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 317,371	$ 101,288	$ 497,249	$ 915,908	$ 456	$ 75	$ 916,439	$ 737,528

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2011
(With Comparative Summarized Financial Information for the Year Ended December 31, 2010)
(In Thousands)

	Primary Government				Discretely Presented Component Units		Reporting Entity	
	Bonds and Obligation Funds							
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating loss	$ (17,199)	$ (15,104)	$ (31,354)	$ (63,657)	$ (76)	$ (402)	$ (64,135)	$ (41,042)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:								
Depreciation expense	-	-	1,103	1,103	-	-	1,103	1,089
Amortization of prem/disc, refunding costs, bond issue costs	53	960	-	1,013	-	-	1,013	1,026
Changes in operating assets and liabilities:								
Loans, net	(25,079)	56,773	(15,202)	16,492	(9)	(312)	16,171	88,552
Fees and other charges receivable	-	-	2,201	2,201	-	-	2,201	(401)
Due from loan servicers and insurers	368	-	(66)	302	-	-	302	93
Deferred charges - bond issuance costs, net	1,594	(12,760)	-	(11,166)	-	-	(11,166)	542
Deferred outflow of resources	(2,130)	14,471	-	12,341	-	-	12,341	
Other assets	9	(29)	(224)	(244)	-	-	(244)	114
Due to/from other funds	(3,099)	146	2,714	(239)	-	240	1	22
Accrued interest payable on bonds	(1,157)	(261)	-	(1,418)	-	-	(1,418)	415
Advance from the State of New Jersey	-	-	(395)	(395)	-	-	(395)	(390)
Funds held in trust for mortgagor	-	(3,812)	(2,039)	(5,851)	-	-	(5,851)	2,462
Minimum escrow requirement	-	57	151	208	-	-	208	140
Mortgagor escrow deposits	-	(116)	2,483	2,367	47	-	2,414	5,440
Subsidy payments received in advance	-	-	43	43	-	-	43	(8,435)
Unearned revenue	-	-	4,461	4,461	-	-	4,461	(2,285)
OPEB liability	-	-	14,175	14,175	-	-	14,175	2,335
Interest rate swap	-	(2,106)	-	(2,106)	-	-	(2,106)	
Other liabilites	360	2,015	1,372	3,747	(72)	8	3,683	(40,448)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (46,280)	$ 40,234	$ (20,577)	$ (26,623)	$ (110)	$ (466)	$ (27,199)	$ 9,229

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Agency

Authorizing Legislation and Organization – The New Jersey Housing and Mortgage Finance Agency (the Agency), which is established in, but not part of, the Department of Community Affairs, is a body, corporate and politic, created by the New Jersey Housing and Mortgage Finance Agency Law of 1983, constituting Chapter 530, Laws of New Jersey, 1983 (the Act), which combined the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency into a single agency.

The initial legislation and subsequent amendment grant the Agency the power to issue debt to finance the construction and rehabilitation of housing projects for families of low and moderate income by providing mortgage loans to qualified housing sponsors or to increase the funds available for residential mortgage and rehabilitation or improvement loans. In addition, the Agency is authorized to make loans to boarding home operators for life safety improvements.

The Agency is governed by nine members: the Commissioner of the Department of Community Affairs who serves as Chair, the State Treasurer, the Attorney General, the Commissioner of Banking and Insurance, and the Commissioner of the Department of Human Services who are members of the New Jersey Housing and Mortgage Finance Agency ex officio, and four persons appointed by the Governor with the advice and consent of the State Senate for terms of three years.

Certain bonds and other obligations issued under the provisions of the Act are general obligations of the Agency to which its full faith and credit are pledged. Certain mortgages issued from the proceeds of Multi-Family Housing Revenue Bonds are insured by the Federal Housing Administration. The Agency has no taxing power; however, certain bonds issued are separately secured, special and limited obligations of the Agency. See Note 8 to the financial statements for a more detailed discussion of the Agency's bonds, notes and obligations.

Federal Subsidy Programs – Many of the Agency-financed Multi-Family Housing projects (the projects) have entered into subsidy contracts with the U.S. Department of Housing and Urban Development (HUD) under Section 236 of the National Housing Act, as amended, or under Section 8 of the United States Housing Act of 1937, as amended (see Note 8). The subsidies, paid to the Agency for the account of the respective projects, have been pledged, under the terms of the bond resolutions, for the security of the bondholders.

The Section 8 program provides for payment of housing assistance payments to or for the account of the owners of projects assisted under such program. The housing assistance payments represent the difference between the total contract rents (an average of 141% of fair market rents as determined by HUD) for such developments and the eligible tenants' rental payments, which are up to 30% of each such tenant's adjusted income. The housing assistance payments, as adjusted from time to time by HUD to reflect changing economic conditions and subject to the limitations of the Section 8 program, together with the tenants' rental payments, are used to pay all operating costs of the project and debt service on the project's mortgage.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of the Agency

The Section 8 Housing Assistance Payments (HAP) received by the Projects amounted to approximately $435,139 and $415,797 for the years ended December 31, 2011 and 2010, respectively.

The Section 236 program provides for interest reductions on mortgages of projects assisted under the program. HUD subsidizes the difference between the actual amortization schedule on the mortgages and an amortization schedule based upon a 1% interest rate. Several Section 236 projects also receive additional rental assistance for eligible tenants. The payments represent the difference between contract rent (as defined above) and the tenants' eligible rental payments.

The Section 236 Interest Reduction Payments (IRP) received by the Agency amounted to approximately $18,258 and $18,448 for the years ended December 31, 2011 and 2010, respectively.

Reporting Entity

Component Unit – The Agency is a component unit of the State of New Jersey as described in Government Auditing Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These financial statements are discretely presented as part of the State's financial statements.

Discretely Presented Component Units – Discretely presented component units are entities which are legally separate from the Agency, but are financially accountable to the Agency, or whose relationship with the Agency is such that exclusion would cause the Agency's financial statements to be misleading or incomplete. GASB Statement No. 14, as amended by GASB Statement No. 39 also provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39. The component unit columns in the financial statements include the financial data of the component units of the Agency. They are reported in separate columns. Because of the nature of the services they provide and the Agency's ability to impose its will on them, the following component units are discretely presented in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39.

STAR

On April 29, 1996, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the Statewide Acquisition and Redevelopment Corporation (STAR). The Board of Trustees and the officers of STAR are Agency employees. The Agency Board has authorized STAR to act as interim owner of certain multi-family projects including Amity Village I and II and Phase II of the Scattered Site AIDS Program.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

STAR was formed to act as a housing service corporation to purchase, finance, own, operate, maintain, develop, rehabilitate, construct, transfer, or resell properties under the Shore Easy Program, the AFL-CIO Demonstration Program and/or any other project or program as authorized by the Agency, particularly any project or program where the Agency administers Section 8 or other federal subsidies.

ABC

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the A Better Camden Corporation (ABC). The Board consists of four State Directors and three Camden Directors as follows: The Commissioner of the New Jersey Department of Community Affairs, ex officio, or his or her designee; the Executive Director of the Agency, ex officio, or his or her designee; two employees of the Agency appointed by, and serving at the pleasure of the Executive Director of the Agency; the Mayor of the City of Camden, ex officio, or his or her designee; the Executive Director of the Camden Redevelopment Agency, ex officio, or his or her designee; and one resident of Camden appointed by a majority of the other directors to serve for a term of two years. ABC was formed to stimulate and encourage the construction, rehabilitation and improvement of adequate and affordable housing in Camden, particularly for persons of low and moderate income.

Separate financial statements are issued for each of the component units and can be obtained by contacting the New Jersey Housing and Mortgage Finance Agency, 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085.

Basis of Accounting

The financial statements of the Agency and its component units are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred, except those directly related to mortgage loan or program originations, which are deferred, netted against fee income for mortgage loans originated, and amortized over the contractual life of the related mortgage loan or program.

The Agency is required to follow all statements of the GASB. GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, was issued to give guidance in determining Generally Accepted Accounting Principles (GAAP) for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board (FASB) Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements after that date.

The Agency has elected not to follow any FASB pronouncements issued after November 30, 1989.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Comparative Financial Information

The basic financial statements include certain prior year partial comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2010, from which the partial information was derived.

Descriptions of Funds

The accounts of the Agency are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, and revenues and expenses. Within each fund there are accounts required by the respective bond resolutions.

General Fund – The General Fund is utilized to record transactions which are not directly related to a specific bond resolution. All Agency expenses are recorded in this fund except provisions for potential loan losses, and specific program expenses which are charged to the loan-related funds.

Multi-Family Program – The Multi-Family Program transactions relate to the construction, rehabilitation and permanent financing of multi-family rental housing developments generally designed for persons and families of low and moderate income or the elderly. The Multi-Family Program also provides funds for the bridge loan program. This program provides funds to multi-family construction projects, to be used as owner's equity. These funds assist the construction project to finance pre-construction costs. Assets under the bond resolution are restricted and are not available for any other purpose other than as provided.

Single Family Program – The Single Family Program transactions relate to the purchase of mortgage loans for owner-occupied single-family residences for persons and families of low and moderate income. Assets under the bond resolution are restricted and are not available for any other purpose other than as provided.

The financial statements include the accounts of the Agency, STAR and ABC. All significant interfund accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash equivalents are considered highly liquid investments with a maturity of three months or less when purchased and include short-term highly liquid money market funds, overnight repurchase agreements and amounts held in a tax-free cash management fund, all of which are readily convertible to known amounts of cash.

Investments

Investments are accounted for in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Therefore, United States Government and Agency securities, asset-backed securities, corporate notes and commercial paper are reported at fair value. The Agency's investment agreements are reported at an amount equal to principal and accrued interest.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Related Depreciation

The Agency capitalizes all assets greater than $500 at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

Asset Class	Useful Lives
Buildings and building improvements	25
Motor vehicles	4
Machinery and equipment	4-10
Furniture and equipment	5

Expenses for maintenance and repairs are charged to operating expenses. Renewals and betterments are capitalized. At the time properties are retired or otherwise disposed of, their cost and related accumulated depreciation are eliminated from the accounts and the gains or losses from such disposals are credited or charged to operations.

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value.

Funds and Deposits Held for Projects

Certain funds and deposits are held by the Agency's General Fund for projects in interest-bearing accounts. Such interest accrues to the benefit of the projects and is not recorded as Agency revenue.

Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs are deferred and amortized over the life of the related bonds using a straight line method. Discount and premium on bonds are deferred and amortized to interest expense using a method approximating the effective interest method. Deferred bond refunding costs are amortized over the shorter of the life of the refunding bonds or the refunded bonds.

Mortgage Loans

Mortgage loans are stated at principal amounts outstanding, net of unearned discount. Interest income on first mortgage loans is accrued and credited to interest income as earned. Loan origination costs and commitment fees are deferred and recognized over the life of the mortgage loan as an adjustment to the loan's yield. The Agency is involved in foreclosure proceedings relating to both single and multi-family mortgages. For single-family mortgages, the Agency allows its outside servicers to represent them in Agency-approved foreclosure proceedings. The Agency enacts foreclosure proceedings against Multi-Family loans at the direction of its executive director with the approval of the Agency's Board. The Agency is the first lien holder for all supplemental mortgages. Interest income on supplemental mortgages is not accrued, but is credited to income as collected.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

Certain projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's General Fund. In addition, the Single Family home owners may face similar cash flow issues causing loans to become uncollectible. The Agency has provided allowances for loan losses aggregating $439,792 and $394,095 as of December 31, 2011 and 2010, respectively, against mortgage loans receivable, debt service arrears receivable, supplemental mortgages, other loans, and fees and charges including provision for negative cash flows and cost overruns for these projects. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of the loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Economic conditions may result in the necessity to change the allowance quickly in order to react to deteriorating financial conditions of the Agency's borrowers. As a result, additional provisions on existing loans may be required in the future if borrowers' financial conditions deteriorate or if real estate values decline.

Advances from the State of New Jersey for Bond and Housing Assistance

Pursuant to the provisions of agreements with the State of New Jersey Department of Community Affairs, the Agency has received funds from the 1968 and 1976 State of New Jersey General Obligation Bond Assistance Funds. These funds have been pledged as security for the bonds of certain bond resolutions and to provide supplemental financing to certain housing projects (see Note 8).

Advances from the State of New Jersey for Affordable Housing

Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low income projects. The amount available for the program is $3,081 as of December 31, 2011 and 2010 which is included in restricted cash and cash equivalents

Minimum Escrow Requirement

In accordance with the bond resolutions and/or deed and regulatory agreements, substantially all permanently financed projects are required to deposit with the Agency one month's principal and interest on their mortgage loans as security against the late payment of subsequent remittances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets comprise the excess of revenues over expenses from operating income, non-operating revenues, expenses and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any.

Restricted – Net assets are reported as restricted when constraints placed on net asset use either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets. This component includes net assets that may be designated for specific purposes by the Board.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first and unrestricted resources as needed.

Operating and Non-Operating Revenues and Expenses

Operating revenues consist primarily of all revenues derived from interest income on mortgage loans, fees and charges on mortgages and loans issued and gains on the sale of real estate owned. Investment income, which consists of interest income earned on various interest-bearing accounts and on investments in debt securities is reported as non-operating revenues.

Operating expenses include general and administrative expenses of the Agency; salaries and benefits; costs and expenses incurred in connection with the amortization, issuance and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and other costs associated with the Agency's various loan programs. Non-operating expenses principally include loss on early extinguishment of debt.

Interest Rate Swaps

The Agency enters into various interest rate swaps in order to manage risks associated with interest on its bond portfolio.

Tax Status

The Agency is exempt from federal income taxes under the Internal Revenue Code Section 115 and from state income taxes under N.J.S.A. 27-25-16. Accordingly, no provision is recorded for federal and state income taxes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation.

New Accounting Pronouncements

In fiscal year 2011, the Agency implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this new standard had no impact on the Agency's fiscal year 2011 financial statements.

NOTE 2 – EARLY EXTINGUISHMENT OF DEBT

During the years ended December 31, 2011 and 2010, as a result of the prepayment of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $105,430 and $126,960, respectively. Net losses of $576 and $354 for the years ended December 31, 2011 and 2010, respectively, on early extinguishment of debt have been recorded as a non-operating expense. These losses arise as a result of immediate recognition of deferred bond issuance costs, bond discounts that would have been amortized over the life of the applicable bond issues had they not been retired, and call premiums as required by the bond resolutions.

NOTE 3 – INVESTMENTS AND DEPOSITS

Investment Policy – Agency General Fund

The Agency has established an investment policy, which pertains to assets of the Agency, such as the General Fund assets, which are held outside of the Agency's Bond Resolutions. The primary investment objectives of the Agency's investment activities are to preserve principal, meet liquidity needs, further purposes of the Agency and provide a suitable return in relationship to current market conditions and the established investment policy. The Agency's investment policy includes guidelines as to liquidity and duration, eligible investments, concentration limits, credit quality and currency. The Agency's General Fund cash and equivalents are managed by BlackRock pursuant to an agreement between the Agency and BlackRock. BlackRock has been instructed to follow the Agency's aforementioned investment policy.

The investment policy permits investments in obligations issued by U.S. Treasury or guaranteed by the U.S. government as well as obligations issued by or guaranteed by U.S. federal agencies, commercial paper, repurchase agreements having maximum maturities of seven days or less that are fully collateralized by U.S. government and/or agency securities, money market mutual funds and commercial bank obligations including time deposits, bank notes and bankers' acceptances, certain triple-A rated asset-backed and mortgage-backed securities, highly rated corporate bonds and bond obligations of the Agency.

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Policy – Bond Resolutions

The Agency's Single Family and Multi Family Bond Resolutions govern the investment of assets and funds held under the Resolutions and, as such, establish permitted investments in which funds held under the Resolutions may be invested. The Agency currently has three Single Family Bond Resolutions and four Multi-Family Resolutions, all of which govern the types of investments in which monies held under each resolution may be invested. Generally, the Agency's Bond Resolutions permit the deposit of funds with commercial banks and the investment of funds in time deposits and certificates of deposits, U.S. government obligations, obligations of certain U.S. Government Agencies or obligations that are guaranteed by the U.S. Government. Additionally, certain of the Agency's Resolutions also permit the investment in money market funds with stipulated rating and maturity levels, as well as repurchase agreements, certain federal funds, commercial paper, bankers acceptances and funds of which the N.J. treasurer is custodian.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency has no formal policy as to custodial credit risk as to cash and equivalents held outside of its Bond Resolutions. Certain of the Agency's Bond Resolutions have varying provisions which relate to custodial credit risk including requirements that certain monies and certain deposits of funds held under Resolutions be insured by federal deposit insurance or collateralized or secured by the U.S. government, or U.S. government agency

obligations. In some cases, the Trustee or paying agent is excluded from these requirements related to funds held by them in trust. In some cases certain of the Agency's Bond Resolutions require that the holders (banks and other entities) of certain deposits have certain minimum long-term or short-term credit rating levels. All funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA).

As of December 31, 2011, the Agency's bank balance amounted to $320,110, of which $286,778 was uninsured and uncollateralized.

New Jersey Cash Management Fund and Merrill Lynch Cash Management Fund

During the year, the Agency invested certain funds in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants.

Investments with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. The Fund does not have a credit rating. The Agency also utilizes Merrill Lynch Cash Management Funds for certain project escrow accounts. These funds are invested in government securities and NJ municipal securities. At December 31, 2011 and 2010, the Agency's investment in Cash Management Funds amounted to $597,249 and $588,572, respectively.

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure

The Agency holds various investments, outside of the Bond Resolutions, within the Agency's General Fund. As discussed, these investments are currently managed by BlackRock. In addition to the eligible investments permitted by the Agency's Investment Policy discussed above, the aforementioned Investment Policy also permits corporate bonds, notes and medium term notes.

Also permitted are asset backed securities, mortgage backed securities and collateralized mortgage obligations, however, these securities must be rated triple A by at least one of the national rating agencies. Equity investments in project-specific housing and housing-related developments which further the purposes of the Agency are also permitted with approval from the Agency Board. However, these investments may not exceed $10 million. Further, excluding the aforementioned equity investments, the Agency's Investment Policy indicates that the average effective duration of the portfolio is not to exceed 2.5 years and the maximum effective duration of any individual security is not to exceed 6 years.

In addition to those investments discussed above, certain of the Agency's Bond Resolutions also permit guaranteed investment contracts or investment agreements, obligations or notes of certain U.S. government agencies which are not backed by the U.S. government, certain short-term and long-term debt providing the issuers fall within permissible rating categories, direct and general obligations of the State of New Jersey guaranteed by the State, obligations of states and municipalities which are fully secured by contributions contracts with the U.S. government, certain stripped U.S. Treasury securities, shares of open-end, diversified investment companies having certain minimum credit ratings and Federal Housing Administration debentures.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's investment policy as to monies held outside the bond resolutions does impose concentration limits on certain types of investments which may limit the Agency's exposure to market interest rate risk. Certain investment types may evidence varying sensitivity to changes in interest rates. Corporate Bonds and notes and Medium term Notes may not exceed 50% of the aggregate market value of the portfolio. Asset Backed Securities may not exceed 30% of the aggregate market value of the portfolio and mortgage backed securities and collateralized mortgage obligations may not exceed 30% of the aggregate market value of the portfolio.

The average effective duration of the General Fund investment portfolio is not to exceed 2.5 years.

Within the Agency's Bond Resolutions, the Agency generally manages overall exposure to interest rate risk by the use of derivative instruments. In this regard, the Agency has utilized both interest rate swap agreements and interest rate cap agreements within the Multi-Family Revenue Bond Resolution, the Multi-Family Housing Revenue Bond Resolution and the Single Family Housing Revenue Bond Resolution. For a further discussion of the Agency's use of derivatives, please refer to Note 18 – Derivative Instruments.

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

As of December 31, 2011 and 2010, the Agency had the following investments, maturities and credit quality.

	Fair Value		Weighted Average Maturity	Credit Ratings	
	2011	2010	(years)	S&P	Moody's
Investment type:					
Guaranteed Investment Contracts	$ 192,923	$ 205,471	20.89	Unrated	Unrated
U.S. Treasury Securities	92,174	52,443	2.78	AA+	Aaa
Federal Agency Notes	-	3,135	-		
U.S. Government and Agency-Backed Securities	58,273	45,965	3.29	AA+	Aaa
Non-Agency Mortgage-Backed Securities	28	5,245	4.27	Unrated	Aa1
Commercial Paper	-	200	-		
Asset Backed Securities	24,827	30,400	1.05	AAA to AA+	Aaa
Corporate Notes	113,198	129,918	2.29	AAA to BBB	Aaa to Baa1
Municipal Bonds	18,720	19,010	17.58	A+	Unrated
Other Short-Term Instruments	4,461	9,118	-	Unrated	Unrated
Total investments	$ 504,604	$ 500,905			

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Agency's investment policy specifies minimum rating levels for certain types of eligible investments. Asset backed securities, mortgage backed securities and collateralized mortgage obligations must have a minimum rating of triple A. Further, the minimum short-term debt rating of money market instruments or other instruments with maturities of less than one year is Tier Two while the minimum long-term debt rating for all other instruments, excluding the permitted equity investments, is single A.

The Agency's Bond Resolutions establish varying minimum rating levels for different types of investments. Generally, commercial paper must be rated in the highest rating category or A-1 / P-1 and money market funds must be rated in the highest rating category or in some cases must be rated at least the unenhanced rating on the bonds. Also, certain resolutions require that certain deposits or various short-term investments or cash equivalents may only be held by providers in either the highest or two highest rating categories. In some cases, certain debt obligations and state obligations must be rated in either the highest or the two highest rating categories. The Agency's guaranteed investment contracts which are permitted by certain of the Agency's Bond Resolutions are not rated, however, the Bond Resolutions which allow guaranteed investment contracts require either that the provider of such contracts have either a long-term rating of double A or in some cases A-1 if the agreement term is less than one year or be rated within the two highest credit rating categories by two national credit rating agencies, must not affect the rating of the bonds or must be rated at least the unenhanced rating on the bonds.

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

On December 5, 2008, certain Single Family guaranteed investment contracts (GICs) with Natixis Funding Corp. and IXIS Funding Corp. were collateralized. The value of the collateralized investments at December 31, 2011 and 2010 was $40,694 and $50,905, respectively.

Concentration of Credit Risk

The Agency's aforementioned investment policy does place limits on the amounts that may be invested in any one issuer relating to certain types of investments. There are no concentration limits on obligations of the U.S. government and U.S. federal agencies; however, obligations of all other issuers are limited such that those with any one issuer may not exceed 5% of the aggregate market value of the portfolio.

The following table shows investments in issuers that represent 5 percent or more of total investments at December 31, 2011:

Issuer	December 31, 2011		
NATIXIS Funding Corporation	$	115,720	54.00%
Monumental Life		26,735	13.00%
Bayerische Landesbank		17,387	8.00%
GE Capital Corporation		11,770	6.00%
AEGON		11,763	5.54%

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the years ended December 31, 2011 and 2010, the Agency did not invest in any repurchase agreements.

Pursuant to most bond resolutions, the Agency is required to maintain certain invested debt service reserves with the Trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. These debt service reserve investments for the Multi-Family Program (funded by bond proceeds) are included in the restricted balances of $141,458 and aggregate a fair value of approximately $54,537 and $29,158 as of December 31, 2011 and 2010, respectively. The debt service reserve for several of the Multi-Family issues is called the Housing Finance Fund. The debt service reserve investments for the Single-Family Program (funded by bond proceeds or contributed cash) are included in the restricted investment balances of $56,191 and had an aggregate a fair value of approximately $25,360 and $27,680 as of December 31, 2011 and 2010, respectively. In addition to the above investments, the debt service reserves may be satisfied with a Surety Bond issued by a qualified insurer. The Multi-Family component had $73,614 and the Single-Family component had $0 and $2,156 of Surety Bonds outstanding as of December 31, 2011 and 2010, respectively.

Investment Income

Investment income is comprised of the following elements described below:

Interest Income – is the return on the original principal amount invested and the amortization of premium/discount on short-term investments.

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Income (continued)

Unrealized Gain (Loss) on Investments – takes into account all changes in fair value that occurred during the year.

The Agency's investment income for the years ended December 31 is:

	2011	2010
Interest income on investments	$ 17,449	$ 18,833
Unrealized loss on investments	798	(290)
Total	$ 18,247	$ 18,543

NOTE 4 – MORTGAGE LOANS RECEIVABLE

Single-Family Mortgage Component

Mortgage loans held by the Single-Family Mortgage Program of the Agency have stated interest rates and are secured by first liens on the related real property. The outstanding balances by type of loan as of December 31 are as follows:

	2011	2010
Mortgage loans receivable	$ 1,344,757	$ 1,312,050
Loan origination costs - net	23,671	20,200
Commitment fees - net	(1,506)	(1,701)
Allowance for loan losses	(14,364)	(8,881)
Mortgage receivable - net	1,352,558	1,321,668
Less current portion	(30,050)	(17,375)
Long term portion	$ 1,322,508	$ 1,304,293

NOTE 4 – MORTGAGE LOANS RECEIVABLE (CONTINUED)

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31 consisted of the following:

	2011	2010
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 174,609	$ 193,758
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	218,632	201,477
Unsubsidized mortgage loans	730,242	762,298
Subtotal	1,123,483	1,157,533
Allowance for loan losses	(100,771)	(85,812)
Undisbursed mortgage loans	(5,267)	(143)
Mortgage receivable - net	1,017,445	1,071,578
Less current portion	(63,127)	(50,134)
Long term portion	$ 954,318	$ 1,021,444

General Fund Component

The General Fund mortgage loans receivable as of December 31 consisted of the following:

	2011	2010
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 16,764	$ 18,568
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	23,419	24,284
Unsubsidized mortgage loans	232,739	211,388
Unearned discounts - net	(5)	(10)
Loan origination costs - net	11	11
Subtotal	272,928	254,241
Allowance for loan losses	(70,597)	(67,344)
Advanced (undisbursed) mortgage proceeds	(13,189)	(214)
Mortgage receivable - net	189,142	186,683
Less current portion	(4,898)	(4,873)
Long term portion	$ 184,244	$ 181,810

The Multi-Family Housing Component mortgage loans are repayable over terms originally up to 48 years and bear interest at rates from 0% to 13% per annum. Substantially all mortgage loans receivable are collateralized by first mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors.

NOTE 4 – MORTGAGE LOANS RECEIVABLE (CONTINUED)

Construction advances made from the proceeds of the sale of bonds and obligations are recorded as mortgage loans receivable. These funds are disbursed for construction costs, interest, carrying fees, working capital advances and other project-related expenses. Upon substantial completion and occupancy of the project, amortization of the loan will commence.

NOTE 5 – DEBT SERVICE ARREARS RECEIVABLE

Debt service arrears consist of mortgage principal, interest payments and fees in arrears on permanently financed loans, net of the allowance for loan losses as described in Note 4. The debt service arrears receivable was $109,527 and $99,509 at December 31, 2011 and 2010, respectively. The debt service allowance for loan losses was $100,879 and $91,495 as of December 31, 2011 and 2010, respectively. A subsidy payment receivable of $1,703 and $1,616 was due at December 31, 2011 and 2010, respectively.

The Agency requires FHA guarantees, VA insurance, private mortgage insurance, pool insurance and other features to increase the security of Single-Family mortgage loans depending on the individual bond resolution and individual mortgages.

For the Single-Family component, the Agency's allowance is based on historical loss percentages applied to all mortgage loan principal balances. Accrued interest in excess of 180 days is fully reserved.

For the Multi-Family Housing Component, the Agency's policy is to provide an allowance for substantially all interest receivable on first mortgage loans when interest payments become past due, except for Section 8 program loans for which no allowance is recorded. An allowance of approximately $50,371 and $49,611 against interest receivable was recorded at December 31, 2011 and 2010. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $348,103 and $255,950 as of December 31, 2011 and 2010, respectively.

NOTE 6 – SUPPLEMENTAL MORTGAGES AND OTHER LOANS

Certain projects have received supplemental mortgages and other loans from the Agency's General Fund and/or from the State of New Jersey Bond and Housing Assistance Funds. An allowance for loan losses has not been provided on supplemental mortgages funded from the State Bond and Housing Assistance Funds because the Agency is not obligated to repay the State until the projects repay the Agency.

NOTE 6 – SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

General Fund Component

The General Fund supplemental mortgages and other loans receivable as of December 31 consisted of the following:

	2011	2010
Mortgage loans subject to subsidy contracts under Section 8 of the National Housing Act	$ 844	$ 844
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	3,841	4,378
Agency supplemental mortgages	236,713	229,809
Special Needs Housing Trust Fund mortgages	116,838	101,801
HUD supplemental mortgages	881	881
Loans to projects	16,232	16,299
State of New Jersey supplemental mortgages	14,843	15,165
Other	5,371	4,250
Subtotal	395,563	373,427
Allowance for loan losses	(30,295)	(28,354)
Allowance for Special Needs Housing Trust	(106,831)	(98,551)
Undisbursed supplemental mortgage proceeds	(15,812)	(17,340)
Supplemental mortgages and other loans receivable, net	242,625	229,182
Less current portion	(869)	(736)
Long term portion	$ 241,756	$ 228,446

Multi Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31 consisted of the following:

	2011	2010
Supplemental mortgages	$ 72,920	$ 72,423
Construction advances	-	790
Subtotal	72,920	73,213
Allowance for loan losses	(16,054)	(13,658)
Long term portion	$ 56,866	$ 59,555

Single-Family Housing Component

The Single-Family Housing Component of the Agency's supplemental mortgage receivable was $20,170 and $23,016 as of December 31, 2011 and 2010, respectively.

NOTE 7 – CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Non-depreciable capital assets:				
Land	$ 1,225	$ -	$ -	$ 1,225
Depreciable capital assets:				
Building and building improvements	22,945	-	-	22,945
Motor vehicles	663	154	(141)	676
Machinery and equipment	5,666	367	(49)	5,984
Furniture and fixtures	392	23	-	415
Total	29,666	544	(190)	30,020
Less accumulated depreciation:				
Building and building improvements	(13,816)	(674)	-	(14,490)
Motor vehicles	(448)	(65)	141	(372)
Machinery and equipment	(5,002)	(330)	49	(5,283)
Furniture and fixtures	(336)	(34)	-	(370)
Total	(19,602)	(1,103)	190	(20,515)
Total capital assets, net	$ 11,289	$ (559)	$ -	$ 10,730

	Balance December 31, 2009	Additions	Deletions	Balance December 31, 2010
Non-depreciable capital assets:				
Land	$ 1,225	$ -	$ -	$ 1,225
Depreciable capital assets:				
Building and building improvements	22,827	118	-	22,945
Motor vehicles	563	116	(16)	663
Machinery and equipment	5,637	108	(79)	5,666
Furniture and fixtures	383	9	-	392
Total	29,410	351	(95)	29,666
Less accumulated depreciation:				
Building and building improvements	(13,145)	(671)	-	(13,816)
Motor vehicles	(427)	(37)	16	(448)
Machinery and equipment	(4,732)	(349)	79	(5,002)
Furniture and fixtures	(304)	(32)	-	(336)
Total	(18,608)	(1,089)	95	(19,602)
Total capital assets, net	$ 12,027	$ (738)	$ -	$ 11,289

Depreciation expense was $1,103 and $1,089 for the years ended December 31, 2011 and 2010, respectively.

NOTE 8 – BONDS AND OBLIGATIONS

The Agency obtains funds to finance its various mortgage programs through the sale of bonds and other obligations. Interest on Agency bonds and obligations is generally payable monthly, quarterly or semiannually. Generally, bond principal is due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of December 31, 2011 the following bonds and obligations:

NOTE 8 – BONDS AND OBLIGATIONS

Description of Bonds as Issued	Bonds Outstanding December 31, 2010	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2011	Amount Due Within One Year
Single Family					
Home Buyer Revenue Bonds:					
2000 Series BB, 4.35% to 5.30%, 2004 to 2017	$ 12,215	$ -	$ 12,215	$ -	$ -
2000 Series CC, 4.90% to 5.875%, 2017 to 2031	30,910	-	30,910	-	-
2003 Series FF, variable rate, 2009 to 2025	10,985	-	10,985	-	-
Total Home Buyer Revenue Bonds	54,110	-	54,110	-	-
Housing Revenue Bonds:					
2003 Series C, 1.65% to 5.00%, due 2005 to 2033	1,970	-	990	980	1,235
2004 Series G, 1.60% to 4.25%, due 2005 to 2015	-	-	-	-	-
2004 Series H, 3.95% to 5.25%, due 2011 to 2034	9,285	-	3,690	5,595	-
2004 Series I, variable rate, due 2025 to 2034	68,490	-	48,690	19,800	-
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	9,005	-	995	8,010	-
2005 Series M, 4.87% to 5.00%, due 2026 to 2036	11,040	-	-	11,040	-
2005 Series N., variable rate, due 2017	24,160	-	2,740	21,420	2,635
2005 Series O, variable rate, due 2026 to 2031	75,660	-	36,635	39,025	-
2005 Series P, variable rate, due 2008 to 2025	17,460	-	1,705	15,755	1,810
2005 Series Q, variable rate, due 2010 to 2032	59,410	-	35,440	23,970	585
2005 Series R, variable rate, due 2031 to 2038	24,565	-	-	24,565	-
2007 Series S, 3.60% to 4.05%, due 2008 to 2017	39,505	-	4,955	34,550	5,145
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	127,330	-	6,545	120,785	-
2007 Series U, 3.60% to 5%, due 2008 to 2037	76,380	-	975	75,405	1,020
2007 Series V, variable rate, due 2037	96,375	-	-	96,375	-
2007 Series W, 5.27%, due 2032	27,605	-	15,670	11,935	985
2008 Series X, 3.25% to 5.375%, due 2030	61,550	-	10,160	51,390	2,500
2008 Series Y, variable rate, due 2039	78,130	-	-	78,130	-
2008 Series Z, variable rate, due 2034	37,580	-	-	37,580	-
2008 Series AA, 3.00% to 6.50%, due 2038	153,345	-	13,595	139,750	3,280
2008 Series BB, variable rate, due 2039	79,085	-	-	79,085	550
2009 Series CC, .88% to 5.25%, due 2038	73,305	-	2,790	70,515	315
2009 Series DD, .75% to 3.50%, due 2017	18,285	-	-	18,285	-
2009 Series EE, 2.00% to 5.20%, due 2025	44,835	-	7,125	37,710	3,465
2009 Series FF, 4.00% to 5.05%, due 2039	16,570	-	1,180	15,390	-
2009 Series GG, 1.00% to 5.00%, due 2039	24,765	-	795	23,970	480
Total housing revenue bonds	1,255,690	-	194,675	1,061,015	24,005
Single Family Home Mortgage Bonds:					
2009 Series A1, 3.63%, due 10/01/2041	-	106,650	-	106,650	-
2009 Series A2, 3.63%, due 10/01/2029	-	45,700	-	45,700	-
2011 Series A, .50% to 4.65%, due 10/01/2029	-	101,570	-	101,570	5,510
2009 Series B1, 2.64%, due 10/01/2041	-	96,910	-	96,910	-
2009 Series B2, 2.64%, due 10/01/2025	-	59,300	-	59,300	-
2011 Series B, 4.00% to 4.50%, due 10/01/2032	-	73,090	-	73,090	-
2011 Series C, .3% to 2.25%, due 04/01/2017	-	9,015	-	9,015	2,860
2011 Series D, 1.2% to 3.25%, due 04/01/2018	-	22,050	-	22,050	-
Total single family home mortgage bonds	-	514,285	-	514,285	8,370
Total single family	1,309,800	514,285	248,785	1,575,300	32,375
Net premium on bonds payable	2,953	-	-	4,520	-
Deferred bond refunding costs	(762)	-	-	(771)	-
Total single family bonds payable (net)	1,311,991	514,285	248,785	1,579,049	32,375

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2010	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2011	Amount Due Within One Year
Multi Family					
General housing loan bonds:					
1970 Series A, 4.50%, due 2004 to 2019	$ 1,860	$ -	$ 170	$ 1,690	$ 180
1971 Series A, 5.35% to 5.40%, due 2004 to 2019	11,905	-	1,345	10,560	1,400
1972 Series A, 5.70% to 5.80%, due 2004 to 2013	530	-	530	-	-
1972 Series B, 5.20% to 5.25%, due 2004 to 2021	13,950	-	1,695	12,255	1,790
Total general housing loan bonds	28,245	-	3,740	24,505	3,370
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	111,250	-	2,940	108,310	3,145
Multi-Family Housing Revenue Bonds 1995 Resolution:					
1997 Series A, 4.45% to 5.65%, due 2004 to 2040	44,100	-	725	43,375	770
1997 Series C, 6.47% to 7.42%, due 2004 to 2040	5,455	-	170	5,285	200
1999 Series A, 3.95% to 5.15%, due 2004 to 2030	16,445	-	485	15,960	510
1999 Series B, 3.85% to 4.70%, due 2004 to 2013	370	-	170	200	145
1999 Series C, 5.97% to 7.12%, due 2004 to 2030	4,855	-	125	4,730	140
2000 Series A1, 5.10% to 6.35%, due 2004 to 2032	13,280	-	320	12,960	330
2000 Series A2, 5.10% to 6.35%, due 2004 to 2029	2,425	-	2,425	-	-
2000 Series B, 5.00% to 6.25%, due 2004 to 2026	23,570	-	2,370	21,200	2,635
2000 Series C1, 8.38%, due 2004 to 2032	38,260	-	14,215	24,045	480
2000 Series C2, variable rate, due 2004 to 2032	5,365	-	95	5,270	110
2000 Series E1, 4.65% to 5.75%, due 2004 to 2025	32,700	-	5,625	27,075	3,650
2000 Series E2, 4.65% to 5.75%, due 2004 to 2025	2,395	-	140	2,255	150
2000 Series F, 7.93%, due 2004 to 2031	14,870	-	290	14,580	315
2000 Series G, 4.65% to 5.35%, due 2004 to 2013	930	-	295	635	305
2001 Series A, 3.10% to 5.05%, due 2004 to 2034	17,300	-	1,710	15,590	-
2001 Series B, 6.64%, due 2004 to 2032	12,005	-	275	11,730	295
2002 Series A, 2.40% to 4.25%, due 2004 to 2010	-	-	-	-	-
2002 Series B, variable rate, due 2004 to 2023	12,855	-	730	12,125	760
2002 Series C, 2.90% to 4.95%, due 2004 to 2015	18,100	-	5,485	12,615	5,740
2002 Series D, 5.50%, due 2004 to 2022	1,370	-	90	1,280	95
2002 Series E, 7.00%, due 2004 to 2022	3,210	-	190	3,020	200
2002 Series F, 3.75% to 5.40%, due 2004 to 2016	12,720	-	4,130	8,590	4,415
2002 Series G, variable rate, due 2004 to 2025	4,845	-	220	4,625	230
2003 Series A, 1.40% to 5.05%, due 2004 to 2044	26,970	-	800	26,170	790
2003 Series C, 1.20% to 4.70%, due 2004 to 2033	3,225	-	70	3,155	80
2004 Series A, 1.80% to 3.75%, due 2006 to 2014	7,975	-	2,205	5,770	2,280
2004 Series D, 1.70% to 5.20%, due 2006 to 2046	20,795	-	775	20,020	810
2008 Series 1, 5.75%, due 2038	4,110	-	600	3,510	-
2008 Series 2, variable rate, due 2046	6,490	-	-	6,490	120
2008 Series 3, variable rate, due 2046	167,640	-	1,200	166,440	3,080
2008 Series 4, variable rate, due 2037	22,075	-	480	21,595	495
Total 1995 Resolution	546,705	-	46,410	500,295	29,130

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2010	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2011	Amount Due Within One Year
Multi-Family Housing Revenue Bonds					
2005 Resolution:					
2005 Series A1, 2.20% to4.95%, due 2005 to 2046	$ 22,425	$ -	$ 380	$ 22,045	$ 400
2005 Series A2, 4.95%, due 2040 to 2046	4,365	-	-	4,365	-
2005 Series D, 2.00% to 4.70%, due 2005 to 2030	26,825	-	1,660	25,165	1,755
2005 Series F, variable rate, due 2005 to 2040	12,260	-	405	11,855	425
2005 Series G, variable rate, due 2007 to 2047	4,655	-	60	4,595	65
2006 Sesries A, variable rate, due 2006 to 2028	21,400	-	880	20,520	910
2006 Series B, variable rate, due 2006 to 2028	7,525	-	610	6,915	635
2006 Series C, 4.90% to 5.00%, due 2007 to 2026	2,845	-	50	2,795	55
2006 Series E, 4.65% to 4.80%, due 2007 to 2036	4,985	-	85	4,900	95
2007 Series A, 3.75% to 4.95%, due 2008 to 2048	23,780	-	-	23,780	-
2007 Series B, 5.39% to 61.3%, due 2017 to 2037	4,570	-	70	4,500	70
2007 Series G, variable rate, due 2008 to 2034	14,325	-	455	13,870	485
2007 Series H, variable rate, due 2008 to 2028	-	-	-	-	-
2007 Series I, variable rate, due 2008 to 2029	7,550	-	280	7,270	90
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,930	-	125	9,805	515
2008 Series B, variable rate, due 2008 to 2048	56,745	-	485	56,260	140
2008 Series C, variable rate, due 2009 to 2039	10,445	-	125	10,320	530
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	5,105	-	510	4,595	1,470
2008 Series E, 2.00% to 5.63%, due 2008 to 2029	17,320	-	1,350	15,970	-
2008 Series F, variable rate, due 2019 to 2048	96,125	-	-	96,125	185
2008 Series G, variable rate, due 2008 to 2039	14,950	-	180	14,770	-
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	30,510	-	115	30,395	50
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	4,055	-	50	4,005	-
2009 Series C, 2.55%, due 2012	2,740	-	2,740	-	310
2009 Series D, variable rate, due 2010 to 2048	19,010	-	290	18,720	275
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	7,235	-	155	7,080	24,295
2010 Series B, 1.10% to 1.70%, due 2012 to 2014	36,330	-	2,640	33,690	565
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	45,350	-	255	45,095	265
Total 2005 bond resolution	513,360	-	13,955	499,405	33,585
Total multi-family bonds program	1,199,560	-	67,045	1,132,515	69,230
Net discount on bonds payable	(259)	-	-	(234)	-
Deferred bond refunding costs	(8,458)	-	-	(7,499)	-
Total multi-family bonds payable (net)	1,190,843	-	67,045	1,124,782	69,230
Total bonds payable	$ 2,502,834			$ 2,703,831	

Simultaneously with the issuance of the Multi-Family Revenue Bonds, 2009 Series A, B, C and D, the agency issued and delivered to the trustee, for the benefit of the holders of all bonds outstanding under the Multi-family 2005 Resolution a surety bond up to an amount not to exceed $25,000 which is included as pledged funds under the resolution. The Agency Surety is a limited, general obligation of the Agency, and has a term expiring no later than November 1, 2016.

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

In July 2011, the Agency released $152,350 of Single Family Home Mortgage bonds from escrow under the US Treasury's New Issue Bond Program (NIBP), of which $45,700 refunded a portion of the Agency's SF HRB Resolution 2004 Series I Bonds and $106,650 to fund the purchase of loans made to first-time home buyers for single family residences. Also in July 2011 the Agency issued $101,570 of Single Family Home Mortgage Bonds under the NIBP (market bonds) to fund the purchase of loans made to first-time home buyers for single family residences Program.

In December 2011 the Agency released $156,200 of Single Family Home Mortgage bonds from escrow under the US treasury's NIBP, $59,300 of which was used to refund a portion of the Agency's SF HRB Resolution 2005 Series O and Q Bonds, while $96,910 was used to fund single family loans. The Agency issued $104,155 Single Family Home Mortgage bonds under the NIBP (market bonds), $31,065 of which was used to refund the Agency's SF HBP Resolution 2000 Series BB and CC Bonds and $73,090 of single family market bonds to fund the purchase of loans made to first-time home buyers for single family residences.

Interest paid on variable-rate tax-exempt bonds is closely correlated with The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Rate and taxable bond rates are closely correlated with LIBOR or the FHLB Discount Note rate plus a fixed spread. Generally, note resets occur quarterly, monthly or weekly.

The net proceeds of the aforementioned bonds and obligations were used to make qualified mortgage loans, purchase eligible residential mortgage and home improvements loans and/or establish debt service reserve accounts.

As of December 31, 2011 and 2010, there was $18,695 and $45,475, respectively, of undisbursed proceeds from the sale of bonds and obligations. Such funds represent initial mortgage loan funds committed to Multi-Family Housing sponsors authorized under various resolutions.

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

Future Principal and Interest Requirements

The approximate principal and interest payments required on outstanding bonds and obligations over the next five years and thereafter are as follows:

	Fixed and Unhedged Variable Rate		Hedged Variable Rate				Related Interest and Interest Rate Swaps, Net
Agency Component	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Principal	
Single Family							
2012	$ 27,345	$ 44,375	$ 5,030	$ 3,464	$ 16,153	$ 32,375	$ 63,992
2013	31,055	44,630	5,660	3,279	16,078	36,715	63,987
2014	32,840	43,649	6,990	3,158	15,858	39,830	62,665
2015	34,310	42,529	8,770	3,028	15,584	43,080	61,141
2016	35,590	41,279	9,430	2,894	15,254	45,020	59,427
2017-2021	186,815	185,228	48,325	12,559	70,588	235,140	268,375
2021-2026	226,510	142,907	52,265	10,468	60,776	278,775	214,151
2027-2031	229,065	87,559	96,040	6,691	47,127	325,105	141,377
2032-2036	204,735	41,306	138,670	2,687	25,239	343,405	69,232
2037-2041	131,330	7,594	64,525	181	3,699	195,855	11,474
Total	$ 1,139,595	$ 681,056	$ 435,705	$ 48,409	$ 286,356	1,575,300	
Add unamortized premium						4,520	
Less unamortized deferral on refunding						(771)	
Total						$ 1,579,049	

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

	Variable Rate		Hedged Variable Rate				Interest
Agency Component	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Principal	Rate Swaps, Net
Multi-Family							
2012	$ 61,490	$ 36,338	$ 7,740	$ 5,052	$ 19,260	$ 69,230	$ 60,650
2013	40,610	34,227	7,850	4,927	18,941	48,460	58,095
2014	33,125	32,384	9,025	4,830	18,613	42,150	55,827
2015	23,825	30,954	10,495	4,692	18,212	34,320	53,858
2016	25,095	29,679	10,970	4,541	17,779	36,065	51,999
2017-2021	128,425	126,844	68,940	20,122	81,272	197,365	228,238
2022-2026	120,625	89,964	86,655	15,101	64,666	207,280	169,731
2027-2031	119,730	53,188	79,875	9,665	45,624	199,605	108,477
2032-2036	64,260	26,073	71,225	5,551	29,332	135,485	60,956
2037-2041	43,660	10,745	49,360	2,966	15,603	93,020	29,314
2042-2046	12,745	2,938	42,495	971	6,426	55,240	10,335
2047-2050	5,045	546	9,250	11	487	14,295	1,044
Total	$ 678,635	$ 473,880	$ 453,880	$ 78,429	$ 336,215	1,132,515	
Net discount on bonds payable						(234)	
Unamortized deferral on refunding						(7,499)	
Total						$ 1,124,782	

NOTE 9 – CONDUIT DEBT OBLIGATIONS

On September 7, 2006, the Agency closed on $8,350 in Variable Rate Demand Multifamily Housing Revenue Bonds (Meadow Brook Apartments Project) consisting of 2006 Series A Bonds. The bond issue will finance 96 rental units. At December 31, 2011 and 2010 the bonds outstanding were $6,830.

During the fiscal year ended June 30, 2005, the Agency issued 2004 Series A Capital Fund Program Bonds and on August 15, 2007, the Agency issued 2007 Series A Capital Fund Program Revenue Bonds. These bonds were issued to provide funds to local Housing Authorities to finance on an accelerated basis certain capital renovations and an improvement to each of the Authority's public housing developments. The bonds are payable from and secured primarily by Capital Fund Program monies, subject to the availability of appropriations to be paid by the United States Department of HUD to each Authority. These bonds are special and limited obligations of the Agency. The bonds, which are considered conduit debt obligations by GASB, do not constitute a debt or pledge of the faith and credit of the Agency and, accordingly, have not been reported in the accompanying financial statements.

At December 31, 2011 and 2010, Capital Fund Program Bonds outstanding aggregated $76,025 and $79,755, respectively.

On December 21, 2011, the Agency closed on $4,550 of fixed rate bonds to finance a single Multifamily project, (Woodbury Oakwood Housing Project), consisting of 2011 Series Bonds. At December 31, 2011 the bonds outstanding were $4,550.

NOTE 10 – FUNDS HELD IN TRUST FOR MORTGAGORS

Funds held by the Agency for its projects include proceeds from conversion of projects from non-profit to limited dividend status in the form of development cost and community development escrows and unspent subsidies. These funds are available to absorb initial operating deficits, construction overruns, provide additional amenities to the projects, and for other contingencies.

Funds held in trust for mortgagors as of December 31 include the following:

	2011	2010
Multi-family housing component	$ 39,920	$ 43,727
General fund:		
Community development escrows	3,748	4,917
Development cost escrows	7,068	7,859
Other funds held in trust	316,709	316,788
Total general fund	327,525	329,564
Total	$ 367,445	$ 373,291

NOTE 11 – MORTGAGOR ESCROW DEPOSITS

The Agency holds, in escrow, monthly deposits from the projects for payments of property and liability insurance, hazard insurance, payments in lieu of taxes, and major repairs and replacements and undisbursed earnings. Mortgagor escrow deposits as of December 31 include the following:

	2011	2010
Multi-family housing component	$ 4,609	$ 4,733
General fund:		
Reserve for repairs and replacements	171,781	168,679
Tax and insurance escrows	43,566	44,185
Total general fund	215,347	212,864
Total	$ 219,956	$ 217,597

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Bonds and obligations, net	$ 2,502,834	$ 514,285	$ 313,288	$ 2,703,831	$ 101,605
Minimum escrow requirement	9,722	370	162	9,930	-
Funds held in trust for mortgagor	373,288	465,787	471,630	367,445	-
Unearned revenues	18,301	13,157	8,696	22,762	-
Other non-current liabilities	18,498	3,793	1,558	20,733	-
Total	$ 2,922,643	$ 997,392	$ 795,334	$ 3,124,701	$ 101,605

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Bonds and obligations, net	$ 2,617,929	$ 88,915	$ 204,010	$ 2,502,834	$ 71,980
Minimum escrow requirement	9,582	370	230	9,722	-
Funds held in trust for mortgagor	370,826	430,790	428,328	373,288	-
Unearned revenues	20,587	3,466	5,752	18,301	-
Other non-current liabilities	23,844	7,119	12,465	18,498	-
Total	$ 3,042,768	$ 530,660	$ 650,785	$ 2,922,643	$ 71,980

NOTE 13 – NET ASSETS

Restricted Under Bond and Obligation Resolutions

As described in Note 3, monies within each Bond and Obligation Fund are pledged as security for the respective bondholders, and thus are restricted as to their application.

Restricted

Restricted net assets represent the portion of total net assets restricted by the various programs established for the sole purpose of providing housing and residential opportunities for individuals with special needs. All restricted amounts are net of related liabilities.

Appropriated General Fund Net Assets

Appropriated General Fund net assets are unrestricted net assets that have been designated by the Agency's members for the following purposes at December 31, 2011 and 2010.

NOTE 13 – NET ASSETS (CONTINUED)

Appropriated General Fund Net Assets (continued)

	2011	2010
ABC Corporation	$ 1,461	$ 1,466
Affordable Rental Housing Subsidy Loan Program	2	2
Agency CIAP	1,025	928
Aging Out of Foster Care	1,300	1,300
At Home Downtown	154	154
Bond Refunding Proceeds	1,715	1,724
Camden Initiative	468	491
Cash Flow Cash Advisory	199	-
CHOICE	52,977	61,867
CIAP Loan Program	6,631	7,682
City Living	14,000	14,000
Developmental Disabilities Partnership	13,000	-
Energy Benchmarking	50	50
Ex-Offenders Re-Entry Housing Program	37	37
Foreclosure Prevention/Homeownership Refinance	-	1
Homeless Management Information System	100	100
HOPE	500	500
Information Technology	244	501
Life Safety Rehabilitation	153	153
Live Where You Work	249	1,096
MONI HIF	771	974
NJHMFA Portion of Undisbursed Mtg. Proceeds	555	555
Non-Bond Multi-Family Program	6,575	28,091
Paragon Village #1316	-	80
PLAN Fund	5,000	5,000
Policy and Community Initiatives	45	47
Portfolio Disposition	8	15
Portfolio Reserve Balance	2,993	3,312
Preservation Initiatives	10	10
Project Remediation	709	750
Public Outreach Initiatives	270	281
Reserve for Loan Losses	-	5,700
Whitlock Mills #1388	5,700	-
Shore Easy	82	87
Single Family Counseling	113	119
Small Rental Project Preservation Loan Program	18,024	18,246
Social Investment Policy	250	250
Strategic Zone Lending Pool	9,538	20,101
Transitional Housing Loans	309	258
UHORP HIF	1,173	1,173
UHORP Mortgage Commitment	18,547	14,903
Urban Statewide Acquisition - NJUSA	3,074	3,074
Welcome Home Program	467	1,316
Total	$ 168,478	$ 196,394

NOTE 13 – NET ASSETS (CONTINUED)

Changes in net assets are summarized as follows:

	Invested in Capital Assets,	Restricted	Unrestricted	Total
Net assets at December 31, 2009	$ 12,027	$ 454,603	$ 510,374	$ 977,004
Income	-	-	(23,090)	(23,090)
Acquisition of capital assets	351	-	(351)	-
Transfer	-	(28,518)	28,518	-
Depreciation on capital assets	(1,089)	-	1,089	-
Net assets at December 31, 2010	11,289	426,085	516,540	953,914
Income	-	-	(55,768)	(55,768)
Acquisition of capital assets	544	-	(544)	-
Transfer	-	(43,363)	43,363	-
Depreciation on capital assets	(1,103)	-	1,103	-
Net assets at December 31, 2011	$ 10,730	$ 382,722	$ 504,694	$ 898,146

NOTE 14 – PENSION PLAN

The Agency contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B. The plan has a Board of Trustees that is primarily responsible for its administration.

The contribution requirements of plan members are determined by State statute. Effective July 1, 2007, in accordance with Chapter 103, P.L. 2007, plan members enrolled in the Public Employees' Retirement System are required to contribute 5.5% of their annual covered salary. Prior to that, the contribution rate was 5% as stated in Chapter 62, P.L. 1994. In 2004 N.J.S.A. 43:15A-24 authorized the reduction in member rates based on the existence of surplus pension assets in the retirement system to 3% for calendar year 2004, returning to the 5% rate on January 1, 2005. The Agency is billed annually for its normal contribution plus any accrued liability.

The Agency's contributions to the plan, equal to the required contributions, were as follows:

Public Employees Retirement System

Period	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by Agency
Fiscal year ended December 31, 2011	$ 692	$ 1,103	$ 1,795	$ -	$ 1,795
Fiscal year ended December 31, 2010	649	833	1,482	-	1,482
Fiscal year ended December 31, 2009	466	539	1,005	-	1,005

NOTE 14 – PENSION PLAN (CONTINUED)

Early Retirement Incentive Program

The Agency has approved Early Retirement Incentive Programs known as ERI 1 and ERI 3, as permitted by State legislation for certain members of the Public Employees' Retirement System. These members had to meet certain age and service requirements and had to apply for retirement between certain dates. Three (3) employees participated in ERI 1 and fifteen (15) employees participated in ERI 3. The Agency is assessed annually for the actuarially determined contribution to fund this program. The Agency is obligated to make annual installments with each subsequent year payment increasing every year by 4% (ERI 1) and 5.95% for 2006 and 4% beginning in 2007 (ERI 3). Payments for the years ended December 31, 2011, 2010, and 2009, were $118, $114, and $109, respectively.

Installments due by the Agency at December 31, 2011 are as follows:

2012	$	123
2013		128
2014		133
2015		138
2016		144
2017-2021		811
2022-2026		787
2027-2031		958
2032-2034		671
Total	$	3,893

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

NOTE 15 – POST EMPLOYMENT BENEFITS

The Agency follows the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with "other post-employment benefits" (OPEB). OPEB costs are actuarially calculated based on plan benefits (other than pensions) that current and retired employees have accrued as a result of their respective years of employment service and to what extent progress is being made in funding the plan.

The Agency elected to recognize the entire liability of $28,146 as of January 1, 2007.

NOTE 15 – POST EMPLOYMENT BENEFITS (CONTINUED)

The Plan

The Agency is responsible for the cost of health benefits provided to members of PERS who retired from the Agency with 25 years of service along with their spouses, and some dependent children. The plan offers comprehensive benefits through various plan providers consisting of hospital, medical, health, substance abuse and prescription drug programs. The State administers the plan and has the authority to establish and amend certain benefit provisions offered. The State's plan is considered a single employer defined benefit plan, is not a separate entity or trust and does not issue stand-alone financial statements. The Agency, as a participant in the plan, recognizes OPEB expenses on an accrual basis.

Funding Policy

On June 28, 2011 the State of New Jersey Legislature passed Pension and Health Benefits Reform. This legislation requires all employees to contribute a certain percentage of their health benefit premiums towards the cost of their coverage. The percentage is tiered based on coverage type and salary. The percentages will be phased in over 4 years with the full amount becoming effective July 1, 2014. The percentages for 2011 range from 1% - 8.75% of the insurance premium based on salary, with a minimum of 1.5% of salary to be contributed. The Agency implemented this plan in October 2011, and prior to that as of July 1, 2008 current employees contributed 1.5% of their salary toward medical benefits. During the years ended December 31, 2011 and 2010, the Agency paid $2,725 and $2,976, respectively, in health insurance premiums for current employees. The Agency also paid $735 and $664 for the years ended December 31, 2011 and 2010, respectively, towards benefits for 58 and 55 eligible retired members. Retired employees who are eligible for Medicare are also reimbursed for their portion of Medicare insurance premiums on a pay-as-you-go basis.

The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. The Agency has elected to amortize the UAAL over one year. The Agency's annual OPEB cost for the years ended December 31, 2011 and 2010 and the related information for the plan are as follows (dollar amounts in thousands):

	2011	2010
Annual required contribution	$ 13,555	$ 1,738
Interest on net OPEB obligation	1,355	1,261
Annual OPEB cost	14,910	2,999
Contributions made	(735)	(664)
Increase in net OPEB obligation	14,175	2,335
Net OPEB obligation, beginning of year	33,851	31,516
Net OPEB obligation, end of year	$ 48,026	$ 33,851

NOTE 15 – POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (continued)

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011, 2010 and 2009 were as follows (dollar amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	$ 4,507	17.8%	$ 48,026
December 31, 2010	2,999	22.1%	33,851
December 31, 2009	2,262	24.4%	31,516

The actuarial accrued liability for benefits was $45,393 at January 1, 2011, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $18,209 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 249.3%.

The actuarial valuation date is January 1, 2011. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions
Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2011 actuarial valuation, the projected unit credit cost method was used with the unfunded liability immediately recognized. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate based on the Society of Actuaries – Getzen Model with some adjustments to the baseline assumptions and for administrative costs and reflective of the Excise Tax (Cadillac Tax) beginning in 2018 due to healthcare reform. The trend rates for pre and post age 65 participants are 10.5% and 2.0%, respectively, for 2011 and 2010 grading to 5.4% and 5.8% by 2055, respectively.

NOTE 16 – DEFERRED COMPENSATION ACCOUNT

The Agency offers its employees a choice of two Deferred Compensation Plans in accordance with Internal Revenue Code Section 457. The Plans, available to all full time employees at their option, permit employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Agency or its creditors.

NOTE 17 – RESERVE FOR INTEREST REBATE

The Tax Reform Act of 1986 placed restrictions on the investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of the bond settlement.

The Agency has various issues of bonds outstanding (see Note 8), which also had various settlement dates. Rebate calculations on these bonds are required to be made at least once every five years. However, the Agency prepares annual rebate calculations for purposes of determining any contingent liability for rebate.

The Agency has elected to establish a reserve account in the amount of $365 and $472 for the years December 31, 2011 and 2010, respectively, for the Multi-Family Bond Resolution Fund and $0 at December 31, 2011 and 2010,, for the Single-Family Bond Resolution Fund in case a rebate may be required as the result of the occurrence of future events.

NOTE 18 – DERIVATIVE INSTRUMENTS

The Agency has several variable rate bond series currently outstanding. In order to protect against the potential of rising interest rates, the Agency entered into various pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what the Agency would have paid to issue fixed-rate debt. The notional principal of the swaps in some cases initially increase as the borrowed funds are anticipated to be loaned out. The Agency also entered into various interest rate cap agreements that were anticipated to effectively limit the Agency's interest rate exposure during the period before the swaps fully hedge the exposure. For footnote purposes, the fair values of the Agency's derivatives have been presented.

The Agency used the synthetic instrument method to evaluate the hedge effectiveness of the interest rate swaps. This method evaluates effectiveness by combining the cash flows on the derivative with the cash flows on the hedged item to create a new instrument. The synthetic rate on the cash flows is calculated based on the combination of all the cash flows and is compared against the fixed rate on the derivative. A potential hedging derivative instrument is effective if the actual synthetic rate is within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed.

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Terms, Fair Values and Credit Risk

At December 31, 2011, single family derivatives and all multi-family derivatives met the criteria for effectiveness.

The terms, fair values, and credit ratings of the outstanding swaps and caps as of December 31, 2011, are summarized in the table below. The caps and the swaps are utilized together to hedge the risk from the associated variable rate debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category. The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. The Agency receives either 1-month LIBOR times the notional amount for the taxable borrowings, or a percentage of 1-month LIBOR plus a fixed spread or The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Index times the notional amount for the tax-exempt borrowings from the counterparty, plus a fixed spread as applicable, as listed below. Where possible, only the net difference will be exchanged with the counterparty and the Agency continues to pay interest to the certificate-holders at the variable rate provided on the bonds. The purpose of the swap is to mitigate interest rate risk. The Agency will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated.

As prescribed by use of the synthetic instrument method under GASB 53, upon association with a variable-rate asset or liability, the potential hedging derivative instrument has a zero fair value and as such the financial statements reflect off-market loan balances at December 31, 2011. The following tables present both the hedging derivative value and the off market loan balances for Single Family and Multi Family Bond Component Swaps at December 31, 2011. This presentation has no effect on the net assets of the Agency.

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Single Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty
SHRB* 2004 I-1	$ 19,800	$ 21,125	8/5/2004	4/1/2025	4.145%	68.2% of 1-Mo LIBOR + 27bp	$ (1,707)	$ 808	JPMorgan Chase Bank, N.A.
SHRB* 2005 N	21,420	18,785	10/1/2006	10/1/2017	4.055%	68% of 1-Mo LIBOR + 8bp**	(2,496)	30	JPMorgan Chase Bank, N.A.
SHRB* 2005 O-2	32,925	32,925	4/1/2006	4/1/2031	4.332%	68% of 1-Mo LIBOR + 8bp***	(1,143)	794	JPMorgan Chase Bank, N.A.
SHRB* 2005 P/Q/R	64,290	41,615	11/1/2006	4/1/2038	4.797%	USD-SIFMA Municipal Swap Index	(4,752)	282	UBS AG
SHRB* 2005 P/Q/R	-	22,670	4/1/2007	4/1/2038	3.927%	68% of 1-Mo LIBOR + 18bp	(2,661)	90	Goldman Sachs Mitsui Marine Derivative Products, L.P.
SHRB* 2007 V	96,375	96,375	11/8/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	(13,497)	425	Royal Bank of Canada, New York
SHRB* 2008 BB	79,085	79,085	3/1/2009	10/1/2039	3.504%	68% of 1-Mo LIBOR	(11,513)	336	The Bank of New York
SHRB* 2008 Y	78,130	78,130	5/1/2008	10/1/2039	3.757%	69% of 1-Mo LIBOR	(9,111)	442	The Bank of New York
SHRB* 2008 Z-1	13,565	13,565	5/1/2008	10/1/2023	3.893%	67% of 1-Mo LIBOR + 16 bp	(753)	370	Goldman Sachs Mitsui Marine Derivative Products, L.P.
SHRB* 2008 Z-2	24,015	24,015	10/1/2008	10/1/2034	4.025%	69% of 1-Mo LIBOR	(1,408)	111	Bank of America, N.A.
								$ 3,688	

* Single-Family Housing Revenue Bonds

** If the weighted average of weekly one-month LIBOR rates are equal to or greater than 3.50%, then the variable rate received will be 68% of the USD-LIBOR-BBA; otherwise the variable rate received will be SIFMA + 1bp

*** If the weighted average of weekly one-month LIBOR rates are equal to or greater than 3.50%, then the variable rate received will be 68% of the USD-LIBOR-BBA; otherwise the variable rate received will be SIFMA + 8bp

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Multi-Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty
Cash Flow Hedges:									
MHRB* 2002-G	$ 4,625	$ 4,625	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	$ (1,495)	$ 5	Merrill Lynch Capital Services, Inc. (MLCS)
MHRB 2008-3	166,440	47,970	11/1/2002	5/1/2029	1.9888%	USD-SIFMA Municipal Swap Index	(7,445)	5,710	Merrill Lynch Capital Services, Inc. (MLCS)
MHRB 2008-3	-	27,600	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	(4,224)	1,996	Goldman Sachs Mitsui Marine Derivative Products, L.P.
MHRB 2008-3	-	90,590	5/1/2005	11/1/2046	1.0010%	67% of 1-Mo LIBOR + 18bp	(13,409)	3,299	Bank of America, N.A.
MHRB 2008-4	21,595	12,000	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(2,621)	465	Bank of America, N.A.
MHRB 2008-4	-	9,330	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	(2,325)	500	JPMorgan Chase Bank, N.A.
MRB** 2005-F	11,855	11,605	8/10/2005	5/1/2040	4.2190%	USD-SIFMA Municipal Swap Index + 5bp	(1,239)	39	Wells Fargo Bank, N.A.
MRB 2005-G	4,595	4,785	11/1/2006	11/1/2047	5.4830%	1-Mo LIBOR	(878)	21	Bank of America, N.A.
MRB 2006-A	20,520	20,520	3/15/2006	5/1/2028	3.7150%	63% of 1-Mo LIBOR + 20.5 bp	(2,280)	55	Royal Bank of Canada, New York
MRB 2006 B	6,915	6,915	3/15/2006	5/1/2028	5.4220%	1-Mo LIBOR	(1,094)	15	Bank of America, N.A.
MRB 2007-G	13,870	23,335	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(2,118)	64	Wells Fargo Bank, N.A.
MRB 2007-I	7,270	7,270	11/1/2007	5/1/2029	5.9100%	1-Mo LIBOR	(1,687)	18	Wells Fargo Bank, N.A.
MRB 2008-B	56,260	54,205	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(15,123)	406	Wells Fargo Bank, N.A.
MRB 2008-B-HMFA #2190 - Royal Crescent	-	3,545	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(807)	-	Wells Fargo Bank, N.A.
MRB 2008-B-HMFA #1426 - Heritage Village at Manalapan	-	2,960	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(653)	-	Wells Fargo Bank, N.A.
MRB 2008-C	10,320	7,680	11/1/2008	5/1/2040	5.7120%	1-Mo LIBOR	(1,796)	33	Wells Fargo Bank, N.A.
MRB 2008-C- HMFA #2265 - Sharp Road	-	2,640	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(980)	-	Wells Fargo Bank, N.A.
MRB 2008-F	96,125	12,500	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(1,723)	767	JPMorgan Chase Bank, N.A.
MRB 2008-F	-	33,150	2/10/2005	11/1/2029	3.4800%	67% of 1-Mo LIBOR + 18bp	(2,328)	-	Wells Fargo Bank, N.A.
MRB 2008-F	-	31,940	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(4,938)	2,269	Bank of America, N.A.
MRB 2008-F	-	14,000	10/30/2007	5/1/2042	4.6120%	USD-SIFMA Municipal Swap Index + 5bp	(876)	232	Merrill Lynch Capital Services, Inc. (MLCS)
MRB 2008-G	14,770	4,050	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(1,113)	-	JPMorgan Chase Bank, N.A.
MRB 2008-G	-	3,400	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(977)	261	Bank of America, N.A.
MRB 2008-G	-	7,325	10/30/2007	11/1/2039	5.8715%	1-Mo LIBOR	(921)	359	Bank of America, N.A.
MRB 2009D HMFA 1437	18,720	1,480	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(230)	296	Wells Fargo Bank, N.A.
MRB 2009D HMFA 1352	-	8,170	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(1,286)	1,610	Wells Fargo Bank, N.A.
MRB 2009D HMFA 2101	-	1,560	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	(253)	333	Wells Fargo Bank, N.A.
MRB 2009D HMFA 2171	-	1,445	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(262)	308	Wells Fargo Bank, N.A.
MRB 2009D HMDA 2272	-	3,965	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(658)	635	Wells Fargo Bank, N.A.
Investment Derivatives:									
MRB 2007-G	-	9,780	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(1,408)		Wells Fargo Bank, N.A.
								$ 19,696	

* Multi-Family Housing Revenue Bonds

** Multi-Family Revenue Bonds

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

The Agency entered into interest rate cap agreements to protect against rising interest rates in the initial years of the bonds listed on the chart below. The swaps and the caps worked together to hedge the interest rate risk associated with the variable rate bonds. The caps' notional amounts decrease in size as the swaps' notional amounts increase, and finally the caps mature, as the size of the swaps is sufficient to hedge the bonds. Under the cap agreement, the counterparty made payments to the Agency if interest rates based on the SIFMA Index exceeded the strike rate, as listed below. In exchange, the Agency paid an upfront premium to the counterparty upon entering the agreement. The caps expired in May, 2011 and are no longer outstanding.

Multi-Family Bond Component Caps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Cap Notional Amount Outstanding	Cap Effective Date	Cap Maturity Date	Strike Rate	Variable Rate Index	Fair Values	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
MRB ** 2008-F	-	$ 9,370	4/18/2007	5/1/2011	4.6420%	USD-SIFMA Municipal Swap Index	1	JPMorgan Chase Bank, N.A	Aa3 / A+ / AA-
MRB 2008-F	-	4,285	10/30/2007	5/1/2011	4.5000%	USD-SIFMA Municipal Swap Index	2	The Bank of New York	AA2 / AA- / AA-

** Multi-Family Revenue Bonds

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate fair value of hedging derivative instruments in assets positions at December 31, 2011 was $124,780. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is negated by $13,276 of liabilities included in netting arrangements with those counterparties, resulting in no exposure to credit risk.

The swap agreements contain varying collateral agreements with the counterparties. At any point in time in which the outstanding swaps have positive fair values, each swap counterparty is required to post collateral to a third party when their credit rating, as determined by the specified nationally recognized credit rating agencies, falls below a trigger level as defined in the swap agreements. This protects the agency by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

Although the Agency executes swap transactions with various counterparties, approximately 81% percent of the notional amount of swaps outstanding is held by five counterparties. All other swaps are held with separate counterparties. All counterparties are rated Baa1/A-/A or better.

Basis Risk

Basis risk exists to the extent the Agency's variable-rate bond coupon payments do not exactly equal the index on the swap. The Agency's tax-exempt bonds are hedged with tax-exempt SIFMA based swaps and percentage of LIBOR swaps. The Agency's taxable bonds are hedged with taxable, LIBOR-based swaps. In this way, basis risk should be minimized.

Interest Rate Risk

The Agency's interest rate swaps serve to guard against a rise in variable interest rates associated with its outstanding variable rate bonds. The Agency's interest rate caps serve to eliminate interest rate risk above the strike rate on each contract. In addition, certain bond proceeds are invested in variable rate Guaranteed Investment Contracts (GICs) or other variable rate investment obligations in order to further mitigate interest rate risk on the variable rate bonds.

The Agency is invested in a pay-fixed, receive-variable interest rate swap with a notional amount of $23,335 and $24,105 at December 31, 2011 and 2010, respectively . The Agency makes semiannual fixed payments to the counterparty of 4.01 percent and receives variable payments based on 63 percent of LIBOR, plus 20.5 basis points. This interest rate swap was executed in November 2007 and matures in May 2034. At December 31, 2011 and 2010, this interest rate swap had a fair value of $(1,408) and ($1,070), respectively.

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Termination Risk

The Agency retains the right to terminate any swap agreement at the market value prior to maturity, and the Agency was granted the right to cancel certain agreements, in whole or in part, at Par. The Agency has termination risk under the contract particularly if an Additional Termination Event (ATE) as defined in the swap documents were to occur. An ATE occurs if either the credit rating of the bonds associated with a specific swap, or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. The Agency has purchased termination payment insurance on certain swap contracts, which acts as a buffer against a portion of potential termination payments if an ATE was to occur. As long as the swap insurer maintains at least a minimal rating as defined in the swap documents, the insurance policy will allow the Agency to avoid termination due to a decline in the credit rating of the agency bonds. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap’s fair value.

NOTE 19 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to move revenues that the Agency must account for in other funds in accordance with various bond and obligation resolutions.

Payable fund:		
Multi-Family Housing Revenue Bond Resolution	$	889
Other Multi-Family Revenue Bond Resolution		3
Total payable fund	$	892
Receivable fund:		
Single Family Housing Revenue Bond Resolution	$	126
General Fund		766
Total receivable fund	$	892
Interfund transfers:		
Transfers in:		
Single-Family Housing Revenue Bond Resolution	$	78,995
Single-Family Home Mortgage Bond Resolution		17,286
Multi-Family Housing Revenue Bond Resolution		36
Total interfund transfers	$	96,317
Transfers out:		
Single-Family Home Buyer Revenue Bond Resolution	$	94,810
Multi-Family Revenue Bond Resolution		228
General Fund		1,279
Total transfers out	$	96,317

NOTE 20 – COMMITMENTS AND CONTINGENCIES

On March 15, 1994, the Agency entered into an Advances, Collateral Pledge and Security Agreement (the Agreement) with the Federal Home Loan Bank of New York. As of December 31, 2011, the available line of credit was $3,285 and had $7,515 aggregate amount outstanding which was comprised of four (4) separate fixed rate amortizing advances. Repayments on the advances vary from remaining periods amortizing over 6 years to 30 years, payable monthly at rates ranging from 4.88% to 6.57%.

NOTE 20 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Agency is a defendant in various legal actions arising in the ordinary course of business. The Agency is represented in these actions by the Attorney General of the State of New Jersey, acting as general counsel to the Agency, and by counsel to the Agency's various insurers. In the opinion of management and legal counsel, the ultimate disposition of these legal actions will not have a material adverse effect on the Agency's financial position.

NOTE 21 – SUBSEQUENT EVENTS

On January 10, 2012 the Agency received all right, title, and interest in the Whitlock Mills Project which the Agency originally financed with proceeds of the Multi Family Housing Revenue Bond Resolution and General Funds. The Agency is working with contractors to continue construction to repair all deficiencies and move to complete the project. During this period the project is being marketed to obtain a developer and owner prior to completion.

The Agency has liquidity facilities in place with multiple providers in order to provide liquidity support for the payment of its variable rate bonds in the event that they cannot be remarketed. Due to their significantly impaired credit ratings, on March 21, 2012 the Agency terminated the Standby Bond Purchase Agreement liquidity facility provided by Dexia Credit Local that supplied credit enhancement for the Agency's SF 2005 Series N, O, P and Q bond series. The Dexia facility was replaced by a Standby Bond Purchase Agreement liquidity facility provided by Barclays Bank PLC. On May 29, 2012, the Agency terminated the Standby Bond Purchase Agreement liquidity facility provided by Dexia Credit Local that supplies credit enhancement for the Agency's SF 2005 Series R bond series. The Dexia facility will be replaced by a Standby Bond Purchase Agreement liquidity facility provided by TD Bank, N.A.

The Agency issued $93,155 in new money Multi-Family Revenue Bonds. All of the bond series included in this bond issue were issued in fixed rate mode. This bond issue included bond series sold both via public underwriting and via private placement, and financed 15 multi-family developments containing approximately 1,079 rental units. Bond pricing occurred on May 23, 2012, with the bond closing anticipated to occur on June 6, 2012.

In the summer of 2012, the Agency is expected to issue approximately $343,265 in Multi-Family Housing Revenue Bonds to economically refund various bond series previously issued under the Multi-Family Housing Revenue Bonds Resolution. This bond issue is expected to include several bond series, issued in floating rate note mode, variable rate demand note mode, and fixed rate mode. The Agency expects to sell the bonds in this issue both via public underwriting and via private placement. Bond pricing is expected to take place in June 2012, with the bond closing anticipated to occur in July 2012. Also in July 2012, and in conjunction with this bond issue, the Agency expects to terminate the Direct Pay Letter of Credit liquidity facility provided by Dexia Credit Local that supplies credit enhancement for the Agency's MF 2008 Series 2, 3 and 4 bond series. It is expected that the Dexia facility will be replaced by a Direct Pay Letter of Credit liquidity facility provided by Citibank, N.A.; and/or replaced by the issuance of Floating Rate Notes which will not require liquidity support; or some combination thereof.

REQUIRED SUPPLEMENTAL INFORMATION

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF FUNDING PROGRESS
As of December 31, 2011
(In Thousands)

Actuarial Valuation Date	Actuarial Vaule of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Ratio (b-a)	Funded Payroll (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2007	$ -	$ 25,597	$ 25,597	0.00%	$ 14,163	180.70%
January 1, 2009	-	29,199	29,199	0.00%	18,466	158.10%
January 1, 2011	-	45,393	45,393	0.00%	18,209	249.30%

SUPPLEMENTAL INFORMATION

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET ASSETS – SINGLE-FAMILY HOUSING PROGRAM
As of December 31, 2011
(In Thousands)

	FY 2011				
	Home Buyer Revenue Bond Resolution	Housing Revenue Bond Resolution	Housing Mortgage Bonds	Total	2010 Total
ASSETS					
CURRENT ASSETS					
Restricted cash and cash equivalents	$ -	$ 100,714	$ 216,657	$ 317,371	$ 77,295
Accrued interest receivable on investments	-	551	10	561	622
Mortgage loans receivable, net	-	19,589	10,461	30,050	17,375
Due from loan servicers and insurers	-	1,379	271	1,650	2,019
Other assets	-	-	-	-	7
Total current assets	-	122,233	227,399	349,632	97,318
NONCURRENT ASSETS					
Restricted investments	-	56,191	-	56,191	69,923
Mortgage loans receivable, net	-	1,024,897	297,611	1,322,508	1,304,293
Debt service arrears receivable, net	-	6,892	1,605	8,497	7,899
Supplemental mortgages and other loans, net	-	17,545	2,625	20,170	23,016
Deferred outflow of resources	-	3,688	-	3,688	4,776
Deferred bond issuance costs, net	-	6,906	2,126	9,032	8,496
Real estate owned	-	1,239	274	1,513	5,075
Due from other funds	-	-	-	-	623
Total noncurrent assets	-	1,117,358	304,241	1,421,599	1,424,101
TOTAL ASSETS	$ -	$ 1,239,591	$ 531,640	$ 1,771,231	$ 1,521,419
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Bonds and obligations, net	$ -	$ 24,005	$ 8,370	$ 32,375	$ 28,100
Accrued interest payable on bonds and obligations	-	13,345	2,391	15,736	14,880
Interfund allocation	-	2,413	-	2,413	2,754
Other current liabilities	-	1,122	222	1,344	985
Total current liabilities	-	40,885	10,983	51,868	46,719
NONCURRENT LIABILITIES					
Bonds and obligations, net	-	1,038,808	507,866	1,546,674	1,283,891
Interest rate swaps	-	3,688	-	3,688	4,776
Other noncurrent liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	3,381
Total non-current liabilities	-	1,042,496	507,866	1,550,362	1,292,048
Total liabilities	-	1,083,381	518,849	1,602,230	1,338,767
NET ASSET					
Restricted under bond and obligation resolutions	-	156,210	12,791	169,001	182,652
TOTAL NET ASSETS	$ -	$ 156,210	$ 12,791	$ 169,001	$ 182,652

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – SINGLE-FAMILY HOUSING PROGRAM
Year Ended December 31, 2011
(In Thousands)

	FY 2011				
	Home Buyer Revenue Bond Resolution	**Housing Revenue Bond Resolution**	**Housing Mortgage Bonds**	**Total**	**2010 Total**
OPERATING REVENUES					
Interest income on mortgages loans	$ 4,079	$ 65,401	$ 8,224	$ 77,704	$ 74,190
Other income, net	2,762	60	2	2,824	82
Total revenues	6,841	65,461	8,226	80,528	74,272
OPERATING EXPENSES					
Interest and amortization of bond prem/disc	2,029	58,788	3,427	64,244	62,798
Insurance costs	39	-	-	39	53
Servicing fees and other	272	4,067	519	4,858	4,924
Salaries and related benefits	64	3,756	-	3,820	4,224
Professional services and financing costs	322	897	29	1,248	826
General and administrative expenses	18	1,052	-	1,070	1,162
Provision for loan losses	(178)	13,845	8,781	22,448	9,434
Total operating expenses	2,566	82,405	12,756	97,727	83,421
Operating income (loss)	4,275	(16,944)	(4,530)	(17,199)	(9,149)
NONOPERATING REVENUES (EXPENSES)					
Investment income	156	3,217	40	3,413	3,179
Gain (loss) on sale of real estate owned	(93)	(683)	-	(776)	(150)
Loss on early extinguishment of old debt	(27)	(527)	(6)	(560)	(277)
Total nonoperating revenues (expenses), net	36	2,007	34	2,077	2,752
Income (loss) before transfers	4,311	(14,937)	(4,496)	(15,122)	(6,397)
Transfers	(94,811)	78,995	17,287	1,471	-
INCREASE (DECREASE) IN NET ASSETS	(90,500)	64,058	12,791	(13,651)	(6,397)
NET ASSETS, BEGINNING OF YEAR	90,500	92,152	-	182,652	189,049
NET ASSETS, END OF YEAR	$ -	$ 156,210	$ 12,791	$ 169,001	$ 182,652

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET ASSETS – MULTI-FAMILY HOUSING PROGRAM
Year Ended December 31, 2011
(In Thousands)

	FY 2011					
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	2010 Total
ASSETS						
CURRENT ASSETS						
Restricted cash and cash equivalents	$ 7,049	$ 4	$ 28,080	$ 66,155	$ 101,288	$ 101,000
Restricted investments	14,719	-	-	-	14,719	16,008
Accrued interest receivable on investments	-	66	733	357	1,156	1,053
Mortgage loans receivable, net	3,585	3,167	27,235	29,140	63,127	50,134
Other assets	-	-	95	60	155	126
Total current assets	25,353	3,237	56,143	95,712	180,445	168,321
NONCURRENT ASSETS						
Restricted investments	992	7,355	76,467	56,644	141,458	138,779
Mortgage loans receivable, net	13,708	98,930	433,331	408,349	954,318	1,021,444
Debt service arrears receivable, net	9	-	1,591	64	1,664	1,615
Supplemental mortgages and other loans, net	-	-	12,462	44,404	56,866	59,555
Deferred outflow of resources	-	-	11,975	7,721	19,696	20,732
Deferred bond issuance costs, net	-	-	2,712	3,549	6,261	6,936
Due from other funds	-	-	-	-	-	20,917
Total noncurrent assets	14,709	106,285	538,538	520,731	1,180,263	1,269,978
TOTAL ASSETS	$ 40,062	$ 109,522	$ 594,681	$ 616,443	$ 1,360,708	$ 1,438,299
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Bonds and obligations, net	$ 3,370	$ 3,145	$ 29,130	$ 33,585	$ 69,230	$ 43,880
Accrued interest payable on bonds and obligations	215	1,263	4,886	3,704	10,068	10,329
Mortgagor escrow deposits	4,609	-	-	-	4,609	4,733
Interfund allocation	150	-	1,833	1,376	3,359	3,087
Other current liabilities	-	-	50	41	91	59
Total current liabilities	8,344	4,408	35,899	38,706	87,357	62,088
NONCURRENT LIABILITIES						
Bonds and obligations, net	21,135	105,165	468,645	460,607	1,055,552	1,146,963
Interest rate swaps	-	-	11,975	7,721	19,696	21,802
Minimum escrow requirement	427	-	5,268	3,259	8,954	8,897
Funds held in trust for mortgagor	8,347	-	3,276	28,297	39,920	43,724
Other noncurrent liabilities	-	-	289	1,918	2,207	226
Due to other funds	-	3	889	(126)	766	892
Total noncurrent liabilities	29,909	105,168	490,342	501,676	1,127,095	1,222,504
Total liabilities	38,253	109,576	526,241	540,382	1,214,452	1,284,592
NET ASSETS (DEFICIT)						
Unrestricted deficit	-	-	-	-	-	-
Restricted under bond and obligation resolutions	1,809	(54)	68,440	76,061	146,256	153,707
TOTAL NET ASSETS	$ 1,809	$ (54)	$ 68,440	$ 76,061	$ 146,256	$ 153,707

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS –
MULTI-FAMILY HOUSING PROGRAM
Year Ended December 31, 2011
(In Thousands)

	FY 2011					
	General Housing Loan Bond Bunds	**1991-I**	**1995**	**2005**	**Total**	**2010 Total**
OPERATING REVENUES						
Interest income on mortgages loans	$ 1,518	$ 7,250	$ 34,389	$ 27,341	$ 70,498	$ 78,312
Fees and charges	485	135	3,878	2,796	7,294	7,127
Other income - net	18	-	44	704	766	2,175
Total operating revenues	2,021	7,385	38,311	30,841	78,558	87,614
OPERATING EXPENSES						
Interest and amortization of bond premium/discounts	1,456	7,699	31,319	25,094	65,568	64,691
Insurance costs	-	-	321	179	500	485
Servicing fees and other	-	270	-	-	270	270
Salaries and related benefits	-	-	2,744	1,973	4,717	4,374
Professional services and financing costs	54	8	476	517	1,055	903
General and administrative expenses	-	-	816	590	1,406	1,304
Provision for loan losses	(308)	-	19,935	519	20,146	6,585
Total operating expenses	1,202	7,977	55,611	28,872	93,662	78,612
Operating income (loss)	819	(592)	(17,300)	1,969	(15,104)	9,002
NONOPERATING REVENUES (EXPENSES)						
Investment income	27	497	3,925	3,418	7,867	5,152
Loss on early extinguishment of old debt	-	-	-	(22)	(22)	(77)
Total nonoperating revenues (expenses), net	27	497	3,925	3,396	7,845	5,075
Income (loss) before transfers	846	(95)	(13,375)	5,365	(7,259)	14,077
TRANFERS	-	-	36	(228)	(192)	449
INCREASE (DECREASE) IN NET ASSETS	846	(95)	(13,339)	5,137	(7,451)	14,526
NET ASSETS, BEGINNING OF YEAR	963	41	81,779	70,924	153,707	139,181
NET ASSETS, END OF YEAR	$ 1,809	$ (54)	$ 68,440	$ 76,061	$ 146,256	$ 153,707

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Board of Directors
New Jersey Housing and Mortgage Finance Agency
Trenton, New Jersey

We have audited the financial statements of the New Jersey Housing and Mortgage Finance Agency (the Agency) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Agency in a separate letter dated May 30, 2012.

This report is intended solely for the information and use of management, the Agency members, and others within the entity and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
May 30, 2012