New Jersey Housing and Mortgage Finance Agency

Financial Statements for the Years
Ended June 30, 2001 and 2000
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the New Jersey Housing & Mortgage Finance Agency, which includes its wholly-owned subsidiaries, (the "Agency"), (a component unit of the State of New Jersey), as of June 30, 2001 and 2000, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, which is the responsibility of the Agency's management, presented in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Deloitte & Touche LLP

August 17, 2001

Deloitte Touche Tohmatsu

BALANCE SHEETS
JUNE 30, 2001 AND 2000
(In Thousands)

	Bond and Obligation Funds Single-Family Mortgage Component	Bond and Obligation Funds Multi-Family Housing Component	Administrative Fund	STAR Corporation	ABC Corporation	2001 Total	2000 Total
ASSETS							
CASH AND CASH EQUIVALENTS - SUBSTANTIALLY RESTRICTED (Note 4)	$ 25,676	$ 92,232	$ 630,094	$ 1	$ 117	$ 748,120	$ 686,667
INVESTMENTS - SUBSTANTIALLY RESTRICTED (Note 4)	347,390	211,810	24,132	-	-	583,332	674,296
ESCROW DEPOSITS	-	-	-	-	93	93	121
ACCRUED INTEREST RECEIVABLE ON INVESTMENTS	5,257	2,356	480	-	-	8,093	9,662
CITY OF CAMDEN RCA RECEIVABLE	-	-	-	-	45	45	-
MORTGAGE LOANS RECEIVABLE - Net (Note 5)	1,218,071	1,072,104	63,777	-	-	2,353,952	2,352,886
DEBT SERVICE ARREARS RECEIVABLE - Net (Note 6)	6,534	1,096	174	-	-	7,804	8,451
INTEREST RECEIVABLE ON CONSTRUCTION ADVANCES AND MORTGAGES	-	-	1,675	-	-	1,675	1,675
DUE FROM LOAN SERVICERS AND INSURERS	4,030	-	9	-	-	4,039	4,175
SUPPLEMENTAL MORTGAGES AND OTHER LOANS - Net (Note 7)	-	-	174,989	-	-	174,989	159,009
DEFERRED CHARGES - BOND ISSUANCE COSTS - Net	9,132	6,660	3,428	-	-	19,220	20,348
DEFERRED ECONOMIC LOSS ON DEFEASANCE OF BONDS	-	11,820	-	-	-	11,820	10,772
REAL ESTATE OWNED	3,039	-	254	-	-	3,293	3,662
PROPERTY, PLANT AND EQUIPMENT - Net (Note 8)	-	-	13,531	4,078	983	18,592	19,059
OTHER ASSETS	360	283	1,110	216	976	2,945	3,075
DUE FROM OTHER FUNDS	-	-	16,606	-	-	16,606	14,252
TOTAL ASSETS	$ 1,619,489	$ 1,398,361	$ 930,259	$ 4,295	$ 2,214	$ 3,954,618	$ 3,968,110
LIABILITIES AND RETAINED EARNINGS							
LIABILITIES:							
Bonds and obligations - net (Note 9)	$ 1,457,215	$ 1,206,795	$ -	$ -	$ -	$ 2,664,010	$ 2,755,620
Due to Camden RCA Fund and 1997 Unsafe Building Demolition Bond Act	-	-	-	-	976	976	1,233
Accrued interest payable on bonds and obligations	20,320	12,543				32,863	36,364
Advances from the State of New Jersey for bond and housing assistance	-	1,779	25,473	-	-	27,252	27,338
Minimum escrow requirement	-	8,730	642	-	-	9,372	8,684
Funds held in trust for mortgagors (Note 10)	-	8,322	185,732	-	-	194,054	190,142
Mortgagor escrow deposits (Note 11)	-	7,485	196,838	-	-	204,323	194,691
Subsidy payments received in advance	-	-	44,022	-	-	44,022	28,315
Deferred revenues	-	-	2,324	-	-	2,324	2,445
Other liabilities	2,018	927	7,270	942	-	11,157	9,238
Due to HUD	-	317	-	-	-	317	623
Due to other funds	6,247	6,711	-	3,603	45	16,606	14,252
Total liabilities	1,485,800	1,253,609	462,301	4,545	1,021	3,207,276	3,268,945
RETAINED EARNINGS (Note 12):							
Restricted under bond and obligation resolutions	133,689	144,752	-	-	-	278,441	287,291
Appropriated administrative fund retained earnings	-	-	191,528	-	-	191,528	135,375
Administrative fund retained earnings	-	-	276,430	(250)	1,193	277,373	276,499
Total retained earnings	133,689	144,752	467,958	(250)	1,193	747,342	699,165
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 1,619,489	$ 1,398,361	$ 930,259	$ 4,295	$ 2,214	$ 3,954,618	$ 3,968,110

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

INCOME STATEMENTS
YEARS ENDED JUNE 30, 2001 AND 2000
(In Thousands)

	Bond and Obligation Funds						
	Single-Family Mortgage Component	Multi-Family Housing Component	Adminis-trative Fund	STAR Corporation	ABC Corporation	2001 Total	2000 Total
OPERATING REVENUES:							
Interest income:							
Mortgage loans	$ 86,669	$ 81,776	$ 6,576	$ -	$ -	$ 175,021	$ 176,869
Investments	22,686	22,989	17,842	-	-	63,517	58,828
Total interest income	109,355	104,765	24,418	-	-	238,538	235,697
Equity in earnings of partnership interest						-	632
Fees and charges	-	5,908	8,047	-	-	13,955	12,627
Other income - net	-	454	557	-	467	1,478	5,364
Unrealized (loss) gain in investment securities	-	740	45	-	-	785	(3,881)
Total operating revenues	109,355	111,867	33,067	-	467	254,756	250,439
OPERATING EXPENSES:							
Interest	83,235	81,068	-	-	-	164,303	169,483
Insurance costs	1,522	512	444	-	-	2,478	2,458
Servicing fees and other	4,385	283	69	-	-	4,737	4,678
Salaries and related benefits	1,741	5,832	6,050	-	-	13,623	12,681
Professional services and financing costs	234	739	908	-	-	1,881	1,754
General and administrative expenses	1,098	1,938	3,483	2,116	-	8,635	5,487
Amortization of economic loss on defeasance of bonds	-	700	-	-	-	700	632
Loss on sale of real estate owned	1,894	-		-	-	1,894	1,102
Provision for loan losses (Note 2)	786	3,168	1,919	-	-	5,873	2,753
Transfer of interest of Norman Towers to general partner (Note 2)	-	-	-	-	-	-	3,883
Other	-	-	-	454	1,289	1,743	823
Total operating expenses	94,895	94,240	12,873	2,570	1,289	205,867	205,734
OPERATING INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	14,460	17,627	20,194	(2,570)	(822)	48,889	44,705
EXTRAORDINARY ITEM (Note 3):							
Loss on early extinguishment of debt	712	-	-	-	-	712	9,389
Operating income (loss) after extraordinary item and before operating transfers	13,748	17,627	20,194	(2,570)	(822)	48,177	35,316
OPERATING TRANSFERS (TO) FROM OTHER FUNDS	295	(40,520)	38,163	997	1,065	-	-
Net income (loss)	14,043	(22,893)	58,357	(1,573)	243	48,177	35,316
RETAINED EARNINGS, BEGINNING OF YEAR	119,646	167,645	409,601	1,323	950	699,165	663,849
RETAINED EARNINGS, END OF YEAR	$ 133,689	$ 144,752	$ 467,958	$ (250)	$ 1,193	$ 747,342	$ 699,165

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2001 AND 2000
(In Thousands)

	Bond and Obligation Funds: Single-Family Mortgage Component	Bond and Obligation Funds: Multi-Family Housing Component	Administrative Fund	STAR Corporation	ABC Corporation	2001 Total	2000 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Operating income (loss) before extraordinary item	$ 14,460	$ 17,627	$ 20,194	$ (2,569)	$ (822)	$ 48,890	$ 44,705
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Provision for loan losses	786	3,168	-	-	-	3,954	2,753
Amortization of economic loss on defeasance of bonds	-	700	-	-	-	700	632
Depreciation expense	-	-	1,280	2,117	-	3,397	1,277
Equity in earnings of partnership interest	-	-	-	-	-	-	(632)
Net (increase) decrease in loans	30,567	(26,725)	(24,195)	-	-	(20,353)	(52,787)
Decrease (increase) in accrued interest receivable on investments	(640)	2,215	(6)	-	-	1,569	(1,355)
Decrease (increase) in due from loan servicers and insurers	105	-	31	-	-	136	(485)
Decrease in deferred charges bond issuance cost - net	(20)	409	739	-	-	1,128	10,779
Increase in economic loss on defeasance of bonds	-	(1,748)	-	-	-	(1,748)	-
Decrease in fees and charges	-	-	-	-	-	-	14
Disposal of real estate	310		59	-	-	369	179
Increase in due to Norman Towers	-	-	-	-	-	-	2,724
Decrease in due to Norman Towers	-	-	-	-	-	-	(2,724)
Decrease (increase) in other assets	22	(104)	91	(136)	213	86	(1,064)
(Increase) decrease in due to/due from other funds	423	1,887	(2,354)		44	-	-
Decrease in advance from the State of New Jersey for bond and housing assistance	-	-	(86)	-	-	(86)	(3,599)
(Decrease) increase in minimum escrow requirement	-	502	186	-	-	688	133
Increase (decrease) in funds held in trust for mortgagors	-	158	3,754	-	-	3,912	40,895
Decrease in escrow deposits	-	-	-	-	28	28	63
Increase in mortgagor escrow deposits	-	250	9,382	-	-	9,632	11,342
Decrease in subsidy payments received in advance	-	-	15,707	-	-	15,707	(4,148)
Decrease in deferred revenue	-	-	(121)	-	-	(121)	(1,698)
(Decrease) increase in other liabilities	652	(221)	1,386	107	(264)	1,660	676
(Decrease) increase in accrued interest payable on bonds	(380)	(3,121)	-	-	-	(3,501)	4,243
Operating transfers (to) from other funds	295	(40,520)	38,163	997	1,065	-	-
Net cash provided by operating activities	46,580	(45,523)	64,210	516	264	66,047	51,923
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Proceeds from the sale of bonds and obligations	150,000	125,132	-	-	-	275,132	427,770
Retirement of bonds and obligations	(170,710)	(196,032)	-	-	-	(366,742)	(371,478)
Loss on early extinguishment of debt	(712)	-	-	-	-	(712)	(9,389)
(Decrease) increase in due to HUD	-	(306)	-	-	-	(306)	623
Interest paid on bonds	-	-	-	-	-	-	-
Net cash used in noncapital financing activities	(21,422)	(71,206)	-	-	-	(92,628)	47,526
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIE							
Additions to property, plant and equipment	-	-	(2,229)	(536)	(1,172)	(3,937)	(2,518)
Proceeds from insurance from stolen capital assets	-	-	6	-		6	-
Proceeds from disposal of land	-	-	-	-	1,007	1,007	-
Net cash used in capital and related financing activities	-	-	(2,223)	(536)	(165)	(2,924)	(2,518)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of investments	(467,132)	(301,650)	(500)	-	-	(769,282)	(927,490)
Sales/maturities of investments	425,923	434,554	-	-	-	860,477	893,135
Interest on investments	-	-	-	-	-	-	-
Market value adjustment/premium discount	-	(151)	(86)	-	-	(237)	4,162
Proceeds from partnership interest	-	-	-	-	-	-	3,883
Net cash provided by (used in) investing activities	(41,209)	132,753	(586)	-	-	90,958	(26,310)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,051)	16,024	61,401	(20)	99	61,453	70,621
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,727	76,208	568,693	21	18	686,667	616,046
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 25,676	$ 92,232	$ 630,094	$ 1	$ 117	$ 748,120	$ 686,667

See notes to financial statements.

1. DESCRIPTION OF THE AGENCY

Authorizing Legislation and Organization - The New Jersey Housing & 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 & 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 Agency is considered to be a component unit of the State of New Jersey and, as such, is a nontaxable entity.

The initial legislation and subsequent amendment grant the Agency the power to obtain funds through bond sales and to use the proceeds 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 & 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 and one of these issues is Government National Mortgage Association ("GNMA") backed. The Agency has no taxing power, however, certain bonds issued are separately secured, special and limited obligations of the Agency. See Note 9 to the financial statements for a more detailed discussion of the Agency's bonds, notes and obligations.

On April 29, 1996, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the STAR 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.

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the ABC Corporation ("ABC"). The Corporation shall have a Board of

Directors comprised of not less than four and not more than seven Directors. The Board may consist 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.

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 (Note 5). 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.

The Section 8 Housing Assistance Payments ("HAP") received by the projects amounted to approximately $192,264 and $171,195 for the years ended June 30, 2001 and 2000, 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 $18,053 for the years ended June 30, 2001 and 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Funds - Pursuant to the Agency's bond and obligation resolutions (the bond resolutions), separate funds have been established to record all transactions relating to each of the bond resolutions. Within each fund there are accounts required by the respective bond resolutions.

Assets under the respective bond resolutions are restricted and are not available for any other purpose other than as provided.

The Agency has established an Administrative Fund which is used to record transactions which are not directly related to a specific bond resolution.

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

Reporting Entity - The GASB establishes the criteria used in determining which organizations should be included in the Agency's financial statements. Generally accepted accounting principles require the inclusion of the transactions of government organizations for which the Agency is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency.

The Agency is a component unit included in the State of New Jersey's comprehensive annual financial report.

Cash Equivalents - Cash equivalents include amounts held in the State of New Jersey Cash Management Fund which include obligations of banking institutions of which a substantial portion are either secured by investments in governmental obligations or are FDIC insured. 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 are reported at market value.

Interest in Partnership - During 1996, the Agency received 17 limited partnership interests in the Norman Towers Development, which represents a 49% ownership interest. These interests were subsequently transferred to the STAR Corporation were being held as an asset. The general partner of the Norman Towers limited partnership had the ability to repurchase the limited partnership interests for $2,272. Both the terms of the repurchase and of the interest transfer are a matter of public record and can be obtained at STAR with adequate notice.

During April 2000, the general partners of Norman Towers exercised the option to repurchase the 17 limited partnership interests from the Agency for approximately $2,724. The total repurchase price was comprised of a $133.7 principal cost and a $26.6 interest cost per partnership interest. Pursuant to the agreement between Norman Towers and the Agency, "all monies paid by the general partners to the Agency or its assignee upon exercise the option were immediately remitted by the Agency to the project." The general partner used residual receipts generated from the prepayment of its Agency financed mortgage to repurchase the 17 limited partnership interests.

Therefore, at the prepayment mortgage closing (April 2000) the STAR Corporation simultaneously reimbursed the Norman Towers limited partnership for the $2,724 purchase price.

Upon completion of the transfer of interest to Norman Towers, STAR eliminated their investment in Norman Towers for the year ended June 30, 2000.

STAR's interest in Norman Towers was accounted for under the equity method. During the year ended June 30, 2000, STAR recognized income of $632 relating to this equity interest and received distributions of $57.

Property, Plant and Equipment and Related Depreciation - Property, plant and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets.

Expenditures 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.

Funds and Deposits Held for Projects - Certain funds and deposits are held by the Administrative Fund of the Agency for projects in interest-bearing accounts. Such interest accrues to the benefit of the projects and is not recorded as Agency revenue.

Operations - Fees and charges income in the Multi-Family Housing Component includes an annual servicing fee on the mortgages which generally range from zero to 0.65 of 1% of the original mortgage. These fees are amortized into income over the lives of the loans by the use of a method that approximates the level yield method, accrued as due monthly.

The Housing Finance Fund requirements receivable represents fees and charges due, but not collected, from projects originally funded under the Multi-Family General Housing Loan Bonds. The fees and charges are due over the life of the bonds to fund the Housing Finance Fund requirements related to these bond resolutions. The housing finance fees past due have been recorded as receivables with revenues offset by reserves until they are collected.

Interest expense on the bonds and obligations include amortization of bond discount and premium using the effective interest method.

The Agency periodically reviews its mortgage loans receivable, debt service arrears receivables, supplemental mortgages and other loans and provides for possible losses. Loans are considered delinquent when principal and interest payments are 30 days past due.

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 lienholder for all supplemental mortgages. Interest income on supplemental mortgages is not accrued, but is credited to income as collected.

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 Administrative Fund. The Agency has provided allowances for loan losses aggregating $134,420 and $122,723 as of June 30, 2001 and 2000, 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 collectibility 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 (Note 7).

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. Outstanding project commitments amounted to $2,875 and $3,081 as of June 30, 2001 and 2000, respectively.

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.

New Accounting Pronouncements - During 1999, the Governmental Accounting Standards Board issued Statement No. 34, Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). GASB 34 is effective for financial statements for periods beginning after June 15, 2001. The Agency has not completed the process of evaluating the impact on the financial statements of adopting GASB 34.

Reclassifications - The 2000 financial statements contain the reclassification of certain amounts which have been made in order to conform to the classifications used in 2001.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. EXTRAORDINARY ITEM

During the years ended June 30, 2001 and 2000, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $288,735 and $299,775, respectively. Net losses of $712 and $9,389 for the years ended June 30, 2001 and 2000, respectively, on early extinguishment of debt have been recorded as an extraordinary item. 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 board resolutions.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are substantially restricted under the terms of the bond resolutions primarily for the payment of bond principal and interest expense and the funding of mortgage loans. Substantially, all the cash in the Multi-Family and Single-Family Mortgage Component consists of amounts related to payments for mortgages and those amounts are maintained in interest-bearing accounts until invested in accordance with the terms of the Multi-Family and Single-Family resolutions. The Multi-Family and Single-Family resolutions limit investments to obligations of the U.S. Government or its agencies, investments in certain certificates of deposit of commercial banks which are members of the Federal Reserve System, investments in the State of New Jersey Cash Management Fund (permitted under substantially all resolutions adopted starting in 1979), investment agreements and direct and general obligations of any State which meet the minimum requirements of the resolution. The Administrative Fund holds investments of a similar nature as those of the Multi-Family and Single-Family components as approved by the Agency's Board.

Cash and Cash Equivalents – The carrying amounts and the bank balances of the Agency's cash deposits as of June 30, 2001 and 2000 were as follows:

	2001		2000	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Single-family component:				
Insured	$ 204	$ 253	$ 207	$ 251
Collateralized	4,632	4,632	3,791	3,791
Uncollateralized	1,969	1,969	173	173
Multi-family component:	-	-		
Uninsured	335	335	805	805
Administrative fund:	-	-		
Insured	175	600	365	419
Uncollateralized	360	19,932	1,285	16,830
STAR:	-	-		
Insured	1	1	21	21
ABC:	-	-		
Insured	100	100	18	58
Uncollateralized	17	192	-	-
	$7,793	$28,014	$6,665	$22,348

New Jersey Cash Management Fund - The State of New Jersey Cash Management Fund is managed by the State of New Jersey, Division of Investments under the Department of the Treasury. The Fund consists of U.S. Treasury obligations, government agency obligations, certificates of deposit and commercial paper.

Amounts invested in the New Jersey Cash Management Fund as of June 30, 2001 and 2000 are as follows:

	2001	2000
Single-family component	$ 18,871	$ 37,556
Multi-family component	91,897	75,403
Administrative fund	567,191	506,463
	$677,959	$619,422

In addition, as of June 30, 2001 and 2000, the Administrative Fund has $62,368 and $60,580, respectively, invested in a tax-free cash management fund. This is a commingled fund consisting generally of short-term New Jersey municipal money market instruments.

Investments - The Agency's investments have been categorized to give an indication of the level of risk assumed by the Agency. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or trustee in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the trustee's trust department or agency. Category 3 includes uninsured and unregistered investments for which the securities are held by the trustee or by its trust department or agent, but not in the Agency's name. The Agency Administrative Fund is authorized to use a variety of investments. The Bond and Obligation funds are confined to those investments allowed by the applicable bond documents which have been approved by the Agency's Board.

Investments held as of June 30, 2001 have been categorized as follows:

Single-family Component

	Category 1	Category 2	Category 3	Par Value	Market Value
Investment agreements	$ -	$ -	$293,565	$293,565	$293,565
Repurchase agreements	-	53,825	-	53,825	53,825
	$ -	$ 53,825	$293,565	$347,390	$347,390

Multi-family Component

	Category 1	Category 2	Category 3	Par Value	Market Value
Investment agreements	$ -	$32,949	$ 85,798	$118,747	$118,747
Repurchase agreements	-	37,621	-	37,621	37,621
U. S. Government and Agency securities	-	-	52,275	52,275	55,442
	$	$70,570	$138,073	$208,643	$211,810

Administrative Component

	Category 1	Category 2	Category 3	Par Value	Market Value
Investment agreements	$ -	$ -	$ 8,218	$ 8,218	$ 8,218
U. S. Government and Agency securities	-	-	18,020	18,020	15,214
Other	200	-	500	700	700
	$ 200	$	$ 26,738	$ 26,938	$ 24,132

Investments held as of June 30, 2000 have been categorized as follows:

Single-family Component

	Category 1	Category 2	Category 3	Par Value	Market Value
Investment agreements	$ -	$ -	$220,601	$220,601	$220,601
Repurchase agreements	-	85,580	-	85,580	85,580
	$ -	$85,580	$220,601	$306,181	$306,181

Multi-family Component

	Category 1	Category 2	Category 3	Par Value	Market Value
Investment agreements	$ -	$61,737	$ -	$ 61,737	$ 61,737
Repurchase agreements	-	28,173	159,360	187,533	187,533
U. S. Government and Agency securities	-	-	91,800	91,800	95,293
	$ -	$89,910	$251,160	$341,070	$344,563

Administrative Component

	Category 1	Category 2	Category 3	Par Value	Market Value
Investment agreements	$ -	$ -	$ 8,218	$ 8,218	$ 8,218
U. S. Government and Agency securities	-	-	18,028	18,028	15,134
Other	200	-	-	200	200
	$ 200	$ -	$ 26,246	$ 26,446	$ 23,552

In connection with certain bond resolutions, investment agreements are entered into by the Trustees, at the Agency's instruction, whereby funds are invested with certain financial institutions. Under certain circumstances, collateralization of the funds may or may not be required or may or may not be provided.

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 year ended June 30, 2001, the maximum amount invested in repurchase agreements by the Agency was $40,185. All repurchase agreements were invested overnight and uncollateralized.

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 Component (funded by bond proceeds) are included in the cash equivalents and investment balances above and aggregate approximately $87,939 and $109,368, respectively (market value) as of June 30, 2001 and 2000, respectively. The debt service reserve for many of the Multi-Family issues is called the Housing Finance Fund or account. The debt service reserve investments for the Single-Family Component (funded by bond proceeds) are included above and aggregate approximately $26,426 and $35,115, respectively, as of June 30, 2001 and 2000. 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 $49,759 and $39,931 and the Single-Family component had $46,435 and $41,526 of Surety Bonds outstanding as of June 30, 2001 and 2000, respectively.

5. MORTGAGE LOANS RECEIVABLE

Single-Family Mortgage Component - Mortgage loans held by the Single-Family Mortgage Component 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 June 30, 2001 and 2000 are as follows:

	2001	2000
Mortgage loans receivable	$1,229,819	$1,260,603
Unearned discounts - net	(411)	(473)
Loan origination costs - net	14,787	15,040
Commitment fees - net	(14,447)	(15,731)
Allowance for loan losses	(11,677)	(10,555)
	$1,218,071	$1,248,884

Multi-Family Housing Component - The Multi-Family Housing mortgage loans receivable as of June 30, 2001 and 2000 consisted of the following:

	2001	2000
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 464,419	$ 496,080
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	249,897	254,347
Unsubsidized mortgage loans	363,996	289,931
Government National Mortgage Association, 9.95% and 9.5%, maturity November 15, 2020 and November 15, 2027, respectively	5,208	5,251
	1,083,520	1,045,609
Allowance for loan losses	(20,002)	(40,097)
Construction advances (undisbursed)	8,586	42,980
	$1,072,104	$1,048,492

Administrative Component - The Administrative mortgage loans receivable as of June 30, 2001 and 2000 consisted of the following:

	2001	2000
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$13,841	$ 7,825
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	12,022	12,145
Unsubsidized mortgage loans	38,015	35,641
Unearned discounts - net	(211)	(241)
Unearned premiums - net	3	4
Loan origination costs - net	193	239
Allowance for loan losses	(86)	(103)
Mortgage receivable - net	$63,777	$55,510

These mortgage loans are repayable over terms originally up to 48 years and bear interest at rates from 0% to 13.25% 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.

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.

6. 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 2. The debt service arrears receivable was $31,853 and $30,676 at June 30, 2001 and 2000, respectively. The debt service allowance for loan losses was $25,154 and $23,223, respectively, as of June 30, 2001 and 2000, respectively. A subsidy payment receivable of $1,105 and $998 was due at June 30, 2001 and 2000.

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. On home improvement loans, the Agency provides an allowance for 10% of the principal in arrears and all interest in arrears over 90 days not deemed reimbursable from FHA Title One Insurance.

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 $4,315 and $3,892 against interest receivable was recorded at June 30, 2001 and 2000, respectively. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $70,038 and $78,878 as of June 30, 2001 and 2000, respectively.

7. SUPPLEMENTAL MORTGAGES AND OTHER LOANS

Certain projects have received supplemental mortgages and other loans from the Agency's Administrative 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.

The supplemental mortgages and other loans receivable as of June 30, 2001 and 2000 consisted of the following:

	2001	2000
Agency supplemental mortgages	$126,026	$ 78,350
HUD supplemental mortgages	881	881
Loans to projects	11,723	11,767
State of New Jersey supplemental mortgages	16,143	16,238
Closing cost assistance loans	13,315	13,456
Other	96,283	96,886
Total	264,371	217,578
Allowance for loan losses	(69,856)	(41,643)
Undisbursed supplemental mortgage proceeds	(19,526)	(16,926)
	$174,989	$159,009

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2001 and 2000 is summarized as follows:

	2001	2000	Estimated Useful Lives
Land	$ 2,367	$ 2,202	
Leasehold improvements	165	-	2 years
Buildings and building improvements	12,207	12,191	25 years
Automobiles	327	210	3 years
Machinery and equipment	2,574	1,231	3-5 years
Furniture and fixtures	1,882	1,753	5 years
Construction in progress	5,814	5,279	-
	25,336	22,866	
Less accumulated depreciation	(6,744)	(3,807)	
Property, plant, and equipment - net	$18,592	$19,059	

9. BONDS AND OBLIGATIONS

The Agency obtains funds to finance its operations through the sale of bonds and other obligations. Interest on Agency bonds and obligations is payable quarterly or semiannually. Amounts used to fund financing are generated by the Agency from interest earned on mortgage loans, home improvement loans and investments. 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 June 30, 2001 and 2000 the following bonds and obligations:

Single-Family Component –

	2001 Amount Outstanding	2000 Amount Outstanding
Home Buyer Revenue Program Bonds, 3.7% to 7.9%, due 2000 to 2029	$1,457,215	$1,477,925
Total bonds and obligations	1,457,215	1,477,925
Unamortized discount	-	-
Bonds and obligations - net	$1,457,215	$1,477,925

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

The Home Buyer Revenue Bonds are separately secured, special and limited obligations of the Agency payable solely from the revenues and assets pledged to the payment thereof. The Home Buyer Revenue Bonds are not payable from any of the funds or accounts established under any other resolution of the Agency securing bonds and other obligations. The full faith and credit of the Agency is not pledged for the payment of the principal or redemption price of or interest on the Home Buyer Revenue Bonds.

Multi-Family Housing Component –

	2001 Amount Outstanding	2000 Amount Outstanding
General Housing Loan Bonds*:		
1970 Series A, 4.50%, due 2001 to 2019	$ 3,220	$ 3,325
1971 Series A, 5.25% to 5.40%, due 2001 to 2019	24,945	26,060
1972 Series A, 5.65% to 5.80%, due 2001 to 2021	33,595	34,995
1972 Series B, 5.10% to 5.25%, due 2001 to 2021	34,175	35,155
	95,935	99,535
Mortgage Revenue Bonds*, 1977 Issue A (Section 8 Assisted), 6.25%, due 2005 to 2020	-	45,385
Mortgage Revenue Bonds*, 1977 Issue B (Section 236 Assisted), 6.375%, due 2002 to 2026	-	59,255
Section 8 Bonds (Section 8 Assisted)*:		
1991 Series A, 6.00% to 7.10%, due 2001 to 2012	63,885	66,205
1992 Series A, 7.55%, due 2001 to 2014	6,885	7,180
	70,770	73,385
Section 8 Housing Revenue Bonds, 1982 Series A (Norfolk Square), 12.46%, due 2001 to 2014	-	3,501
Section 11(b) Mortgage Revenue Bonds, 1983 Series A (Chestnut Street Housing Project), 10.00%, due 2001 to 2024	-	3,580
Section 11(b) Multi-family Housing Revenue Bonds, 1983 Series A (Highview Terrace Project), 10.375%, due 2001 to 2025	2,910	2,935
Multi-family Housing Revenue Bonds, 1984 Series I (Corinthian Towers Project), 10.50% to 11.75%, due 2001 to 2025	-	9,505
Multi-family Housing Revenue, 1985 Series I (Roger Gardens Project), 9.60% to 11.40%, due 2001 to 2026	4,974	5,015
Multi-family Housing Revenue Bonds:		
1985 Series B (Douglass Harrison Project), 9.25% to 10.625%, due 2001 to 2016	-	2,711
1989 Series I (Chestnut Park), 9.50%, due 2000 to 2019	-	3,595
	-	6,306

	2001 Amount Outstanding	2000 Amount Outstanding
Multi-family Housing Revenue Refunding Bonds, 1991 Series I (Presidential Plaza), 6.2% to 7.00%, due 2001 to 2030	$ 131,145	$ 132,615
Rental Housing Revenue Bonds*:		
1991 Series A, 6.50% to 7.25%, due 2001 to 2022	6,925	7,060
1991 Series B, 6.40% to 6.75%, due 2001 to 2022	13,325	13,585
1991 Series C, 6.50% to 7.10%, due 2001 to 2022	2,360	2,405
1991 Series D, 8.40% to 9.25%, due 2001 to 2022	5,085	5,170
1992 Series E, 8.10% to 9.00%, due 2001 to 2024	11,890	12,245
	39,585	40,465
Housing Revenue Bonds:		
1992 Series A, 6.40% to 6.95%, due 2002 to 2015	106,370	106,370
1992 Series B, 6.30% to 6.40%, due 2001 to 2002	3,335	9,135
	109,705	115,505
Housing Revenue Refunding Bonds, 1992 Series One 6.0% to 6.70%, due 2001 to 2028	143,065	180,585
Multi-family Housing Revenue Bonds:		
1995 Series A, 4.65% to 6.10%, due 2001 to 2030	$ 147,135	$ 150,970
1995 Series B, 4.70% to 6.20%, due 2001 to 2020	6,680	6,865
1995 Series C, 7.25%, due 2001 to 2012	2,045	2,160
1996 Series A, 4.90% to 6.25%, due 2002 to 2028	27,220	28,515
1996 Series B, 7.33% to 8.37%, due 2001 to 2028	15,015	15,585
1997 Series A, 4.15% to 5.65%, due 2001 to 2040	69,550	71,990
1997 Series B, 4.00% to 5.4%, due 2001 to 2028	11,365	11,535
1997 Series C, 6.32% to 7.42%, due 2001 to 2040	21,120	21,720
1999 Series A, 3.50% to 5.15%, due 2001 to 2030	23,150	29,850
1999 Series B, 3.40% to 4.70%, due 2001 to 2013	1,885	2,005
1999 Series C, 5.97% to 7.12%, due 2001 to 2030	5,740	5,805
2000 Series A1, 4.6% to 6.35%, due 2002 to 2032	32,105	32,105
2000 Series A2, 4.6% to 6.35%, due 2001 to 2029	2,965	2,965
2000 Series B, 4.5% to 6.25%, due 2000 to 2026	60,485	60,890
2000 Series C1, 8.38%, due 2001 to 2032	42,580	42,580
2000 Series C2, variable rate, due 2001 to 2032	15,000	15,000
2000 Series E-1, 4.30% to 5.75%, due 2001 to 2025	94,850	-
2000 Series E-2, 4.30% to 5.75%, due 2001 to 2025	10,215	-
2000 Series F, 7.93%, due 2001 to 2031	16,755	-
2000 Series G, 4.30% to 5.35%, due 2001 to 2013	3,185	-
	609,045	500,540
Total bonds and obligations	1,207,134	1,278,112
Less unamortized discount/premium	(339)	(417)
Bonds and obligations - net	$1,206,795	$1,277,695

The bonds and obligations marked with an asterisk (*) above are collateralized by: (a) a pledge of the full faith and credit of the Agency, (b) all mortgage repayments to the Agency of mortgage loans financed by bonds or obligations pursuant to the respective Agency resolution, (c) all Agency income resulting from fees and charges collected from sponsors of permanently financed projects under the Agency resolutions pursuant to mortgages and net operating income from such financed projects which the Agency may acquire title to, or take possession of, through protection and enforcement, of its rights under mortgage agreements on such projects, (d) all mortgages pledged as collateral under mortgage loans financed out of bonds or obligations pursuant to the respective Agency resolution, and (e) the funds and accounts under the resolutions and investments thereof.

All other bonds and obligations are separately secured, special obligations of the Agency and are payable solely from the property pledged to the payment thereof. These bonds are not payable from any of the funds or accounts established under any other resolution of the Agency securing bonds and other obligations.

In August 2000, the Agency issued Multi-Family Housing Revenue Bonds 2000 Series E1, 2000 Series E2, 2000 Series F, and 2000 Series G in the aggregate amount of $125,065 to provide funds for first mortgage loans and to refund six existing multi-family bond issues. The economic gain on this transaction was approximately $9,200, and the difference between the reacquisition price and the net carrying value of the refunded debt was $1,748, which is being deferred and amortized using the straight-line method over the life of the refunded debt as a component of interest expense.

As of June 30, 2001 and 2000, there was $77,598 and $143,795, 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.

Zero Coupon and Compound Interest Bonds - Zero coupon bonds and compound interest bonds do not bear interest but instead accrete in value continuously until maturity. Accretion, using the effective yield method, is recorded as interest expense with a corresponding increase in the value of the bonds outstanding.

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:

	Single-family Mortgage Component		Multi-family Housing Component	
June 30,	**Principal**	**Interest**	**Principal**	**Interest**
2002	$ 24,145	$ 80,995	$ 40,660	$ 75,053
2003	26,415	79,820	52,604	72,293
2004	27,740	78,536	48,628	69,438
2005	29,160	77,157	49,178	66,579
2006	30,690	75,673	51,822	63,525
Thereafter	1,319,065	1,003,830	963,903	652,570
	$1,457,215	$1,396,011	$1,206,795	$ 999,458

The table above states principal at the amount when originally issued and interest at the amount to be accreted by the respective maturity dates. Accordingly, total principal above does not agree with the bonds and obligation tables which state the bond amounts at their accreted value as of June 30, 2001 and 2000.

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 June 30, 2001 and 2000 include the following:

	2001	2000
Multi-family Housing Component - unspent subsidies	$ 8,322	$ 8,164
Administrative Fund (components included on the balance sheet category "Funds Held in Trust"):		
Community development escrows	5,957	6,563
Development cost escrows	29,187	32,447
Other funds held in trust	150,588	142,968
	185,732	181,978
	$194,054	$190,142

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 June 30, 2001 and 2000 include the following:

	2001	2000
Multi-family Housing Component	$ 7,485	$ 7,234
Administrative Fund:		
Reserve for repairs and replacements	173,746	167,227
Tax and insurance escrows	23,092	20,230
	196,838	187,457
	$204,323	$194,691

12. RETAINED EARNINGS

Restricted under Bond and Obligation Resolutions - As described in Note 2, monies within each Bond and Obligation Fund are pledged as security for the respective bondholders, and thus are restricted as to their application.

Appropriated Administrative Fund Retained Earnings - Appropriated Administrative Fund retained earnings are funds set aside by the Agency's members for the following purposes:

	2001
For commitments to assist financially troubled projects with supplemental mortgages that will be used to fund operating and debt service deficiencies as well as to fund construction costs to rehabilitate some of the projects	$ 21,360
To fund debt service arrearages, operating deficits or essential capital improvements of any project that cannot fund these items from normal project income	1,868
For loans to rental projects meeting low and moderate income housing needs	3,420
To fund potential loan losses on the Multi-family Bond Resolutions	5,700
To create and administer a revolving loan program providing for the financing of emergency and/or transitional housing developments	1,938
To fund the Urban Home Ownership Recovery Program	36,279
To fund the Equity Gap Program	135
To fund the Royal Court Townhouses project	497
To fund the Stockton Street Project	350
To fund the Shore Easy Program	551
For environmental remediation, life and safety repairs for the Amity Projects	400
Fund the Life Safety Rehabilitation Program	50
To fund the Community Loan Fund Grant	400
To fund the ABC Corporation	4,300
To fund the Non-Bond Multi-family Program	38,944
To fund the Camden Initiative Program	1,486
To fund the Funds remaining from Housing Revenue Refunding Bonds, 1992 Series One and 1992 Series A, B and D transferred to the Administrative Fund and appropriated for program purposes	30,600
To fund the Miners Overlook Village Project	940
To fund Developmentally Disabled Program	1,000
To fund HOPE Program	500
To fund Sweat Equity Program	300
To fund Tax Certificate Redemption 106 N. Walnut	202
For business consultants	466
To fund Urban Statewide Acquisition Program	20,000
To fund Neighborhood Revitalization Demonstration Rehab Program	10,000
To fund Home Ownership for Permanency Program	4,000
To fund Servicing Rights Purchase Fund	1,000
To fund Local Initiative Support Corp.	1,300
To fund Lanning Square West UHORP #229	100
To fund Upstairs Downtown Program	3,442
Total appropriated retained earnings	$191,528

13. PENSION PLAN

Salaried employees of the Agency are members of the Public Employees' Retirement System of the State of New Jersey (PERS), a cost-sharing multiple employer public retirement system. PERS' designated purpose is to provide retirement benefits and medical benefits for qualified retirees, and other benefits to its members. The payroll for Agency members of PERS for the years ended June 30, 2001 and 2000 was approximately $12,112 and $11,138, respectively.

All Agency salaried employees are required as a condition of employment to be members of PERS. The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All Agency benefits vest after ten years of service, except for medical benefits which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The system also provides death and disability benefits. Benefits are established by State statute.

Members are required by PERS to contribute 3% of their salary. The Agency is required by state statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the Agency's contribution is certified each year by PERS on the recommendation of the actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of PERS. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

Funding by the State and related employers is based upon annual actuarially determined percentages of total compensation of all active members. This amount approximates the actuarially determined pension cost for the year, including amortization of prior service cost over 40 years.

Contributions required and made for the years ended June 30, 2001 and 2000 were $424 and $389, respectively, which was all contributed by the employees.

The Pension Benefit Obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The benefit obligations were determined as part of the most recent annual actuarial valuation dated June 30, 1999. For the year ended June 30, 2000, the State portion of employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

Legislation passed in 1997 (Chapters 114 and 115, P.L. 1997) provided for the use of excess actuarial valuation assets to offset the required normal contribution of the State of New Jersey and the local participating employees. In addition, the employee contribution rate was reduced from 5 percent to 3 percent for calendar year 2000 and 2001. Due to the recognition of the bond proceeds and the change in the asset valuation method as a result of enactment Chapters 114 and 115, unfunded accrued liabilities of the System were eliminated except for the unfunded liability for local early retirement incentive benefits. Prior to Chapters 114 and 115, the System had a $168,337 unfunded liability for such benefits.

At the State of New Jersey level, the actuarial value of total assets was $8,879,809; the actuarial accrued total liability was $7,823,465; the surplus over actuarial accrued liability was $1,056,344;

the funded ratio was 113.5 percent; the covered payroll was $2,928,470 and the actuarial surplus as a percentage of covered payroll was 36.1 percent. At the local level, the actuarial value of total assets was $13,170,767; the actuarial accrued total liability was $11,162,739; the surplus over actuarial accrued liability was $2,008,027; the funded ratio was 117.9 percent; the covered payroll was $4,655,241 and the actuarial surplus as a percentage of covered payroll was 43.1 percent.

A variety of significant actuarial assumptions are used to determine the valuation of the pension benefits obligation, including (a) an assumed discount rate of 8.75 percent, which is in excess of the current prevailing market rate, (b) projected salary increases, including inflation, merit and productivity of 2.4 to 8.75 percent. Mortality, vestings, retirement age and withdrawal estimates are based upon tables supplied by the Plan actuary.

14. 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. As of June 30, 2001 and 2000, the available line of credit was $18,306 and $18,637, respectively, of which none was outstanding.

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, the ultimate disposition of these legal actions will not have a material adverse effect on the Agency’s financial position.

15. SUBSEQUENT EVENT

The Agency’s Board of Directors is expected to authorize a Preliminary Official Statement for the issuance of Multi-Family Housing Revenue Bonds 2001 Series under the Resolution on or about August 23, 2001, contingent upon the approval of the Acting Governor.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

SINGLE-FAMILY MORTGAGE COMPONENT
BALANCE SHEETS
JUNE 30, 2001 AND 2000
(In Thousands)

	2001 Home Buyer Revenue Bond Resolution	2000 Home Buyer Revenue Bond Resolution
ASSETS:		
Cash and cash equivalents, substantially restricted	$ 25,676	$ 41,727
Investments, substantially restricted	347,390	306,181
Accrued interest receivable on investments	5,257	4,617
Mortgage loans receivable - net	1,218,071	1,248,884
Debt service arrears receivable - net	6,534	7,074
Due from loan servicers and insurers	4,030	4,135
Deferred charges - bond issuance costs, net	9,132	9,112
Real estate owned	3,039	3,349
Other assets	360	382
TOTAL ASSETS	$1,619,489	$1,625,461
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
Bonds and obligations - net	$1,457,215	$1,477,925
Accrued interest payable on bonds and obligations	20,320	20,700
Other liabilities	2,018	1,366
Due to other funds	6,247	5,824
Total liabilities	1,485,800	1,505,815
RETAINED EARNINGS:		
Restricted under bond and obligation resolutions	133,689	119,646
Appropriated retained earnings	-	-
Total retained earnings	133,689	119,646
TOTAL LIABILITIES AND RETAINED EARNINGS	$1,619,489	$1,625,461

Schedule 2

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

SINGLE-FAMILY MORTGAGE COMPONENT
INCOME STATEMENTS
YEARS ENDED JUNE 30, 2001 AND 2000
(In Thousands)

	2001 Home Buyer Revenue Bond Resolution	2000 Home Buyer Revenue Bond Resolution
REVENUES:		
Interest income:		
Mortgage loans	$ 86,669	$ 86,211
Investments	22,686	24,229
Other income - net		96
Total revenues	109,355	110,536
EXPENSES:		
Interest	83,235	86,241
Insurance costs	1,522	1,637
Servicing fees and other	4,385	4,333
Salaries and related benefits	1,741	1,817
Professional services and financing costs	234	259
General and administrative expenses	1,098	1,007
Loss on sale of real estate owned	1,894	1,102
Provision for loan losses	786	2,641
Total expenses	94,895	99,037
Operating income before extraordinary items	14,460	11,499
Extraordinary items - Loss on early extinguishment of debt	712	4,585
Operating income after extraordinary items and before operating transfers	13,748	6,914
Operating transfers - net	295	-
Net income	14,043	6,914
Retained earnings, beginning of year	119,646	112,732
Retained earnings, end of year	$133,689	$119,646

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

MULTI-FAMILY HOUSING COMPONENT
BALANCE SHEETS
JUNE 30, 2001 AND 2000
(In Thousands)

	General Housing Loan Bond Funds	1983-A Highview Terrace	1985-I Roger Gardens	1991-I	1981-A&B, 1991-AS8 and 1992-AS8
ASSETS:					
Cash and cash equivalents, substantially restricted	$ 6,359	$ 275	$ -	$ 4	$ -
Investments, substantially restricted	27,465	173	998	7,842	20,938
Accrued interest receivable on investments		4	15	81	223
Mortgage loans receivable - net	83,605	2,788	4,994	124,869	62,068
Debt service arrears receivable - net	(62)	-	-	-	863
Deferred economic loss on defeasance of bonds	-	-	-	-	-
Deferred charges - bond issuance costs - net	-	-	-	-	635
Other assets	-	-	-	-	-
TOTAL ASSETS	$ 117,367	$ 3,240	$ 6,007	$ 132,796	$ 84,727
LIABILITIES AND RETAINED EARNINGS					
LIABILITIES:					
Bonds and obligations - net	$ 95,935	$ 2,910	$ 4,974	$ 131,145	$ 70,770
Accrued interest payable on bonds and obligations	868	51	-	1,522	816
Advances from the State of New Jersey for bond and housing assistance	1,779	-	-	-	-
Minimum escrow requirement	689	26	-	-	861
Funds held in trust for mortgagors	4,979		-	-	(501)
Mortgagor escrow deposits	7,485	-	-	-	-
Other liabilities		17	-	-	-
Due to HUD after due to other funds		317	-	-	-
Due to other funds	617	-	-	3	25
Total liabilities	112,352	3,321	4,974	132,670	71,971
RETAINED EARNINGS:					
Restriction under bond and obligation resolutions	5,015	(81)	1,033	126	12,756
	-	-	-	-	-
Total retained earnings	5,015	(81)	1,033	126	12,756
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 117,367	$ 3,240	$ 6,007	$ 132,796	$ 84,727

Schedule 3

Rental Housing Revenue Bonds	1992-A-D	1992-I	1995	2001 Total Multi-family	2000 Total Multi-family
$ 111	$ 23,700	$ 1	$ 61,782	$ 92,232	$ 76,208
15,486	24,149	29,779	84,980	211,810	344,563
160	512	283	1,078	2,356	4,571
29,644	105,491	147,178	511,467	1,072,104	1,048,492
69	-	-	226	1,096	1,151
-	-	-	11,820	11,820	10,772
577	1,107	-	4,341	6,660	7,069
-	-	-	283	283	179
$ 46,047	$ 154,959	$ 177,241	$ 675,977	$ 1,398,361	$ 1,493,005
$ 39,180	$ 109,771	$ 143,065	$ 609,045	$ 1,206,795	$ 1,277,695
515	1,249	1,531	5,991	12,543	15,664
-	-	-	-	1,779	1,779
305	1,144	1,763	3,942	8,730	8,228
3,844	-	-	-	8,322	8,164
-	-	-	-	7,485	7,235
2	-	-	908	927	1,148
-	-	-	-	317	623
1,175	432	803	3,656	6,711	4,824
45,021	112,596	147,162	623,542	1,253,609	1,325,360
1,026	42,363	30,079	52,435	144,752	167,645
-	-	-	-	-	-
1,026	42,363	30,079	52,435	144,752	167,645
$ 46,047	$ 154,959	$ 177,241	$ 675,977	$ 1,398,361	$ 1,493,005

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

MULTI-FAMILY HOUSING COMPONENT
INCOME STATEMENT
YEARS ENDED JUNE 30, 2001 AND 2000
(In Thousands)

	General Housing Loan Bond Funds	1977-A	1977-B	1982-A Norfolk Square	1983-A 11(b) Chestnut Street	1983-A 11(b) Highview Terrace	1984-I Corinthian Terrace
REVENUES:							
Interest income:							
Mortgage loans	$ 4,562	$ 508	$ 311	$ 73	$ 139	$ 291	$ 162
Investments	844	1,156	934	55	137	-	146
Total interest income	5,406	1,664	1,245	128	276	291	308
Fees and charges	893	54	30	-	-	-	-
Other income - net	150	-	-	-	-	-	-
Unrealized appreciation in investment securities	20	(215)	(82)	-	-	-	-
Total revenues	6,469	1,503	1,193	128	276	291	308
EXPENSES:							
Interest	5,274	952	1,266	146	119	303	352
Insurance costs	-	-	-	-	-	-	-
Services fees and other	-	-	-	-	-	-	-
Salaries and related benefits	738	-	-	-	-	-	-
Professional services and financing costs	149	-	-	-	-	-	-
General and administrative expenses	234	-	-	-	1	-	-
Amortization of economic loss on defeasance of bonds							
Provision for loan losses	161	-	-	-	-	-	-
Total expenses	6,556	952	1,266	146	120	303	352
Operating income (loss) before extraordinary item	(87)	551	(73)	(18)	156	(12)	(44)
Extraordinary item - loss on early extinguishment of debt	-	-	-	-	-	-	-
Operating income (loss) after extraordinary item and before operating transfers	(87)	551	(73)	(18)	156	(12)	(44)
OPERATING TRANSFERS - Net	54	(30,505)	(7,004)	(500)	-	-	(1,415)
NET INCOME (LOSS)	(33)	(29,954)	(7,077)	(518)	156	(12)	(1,459)
RETAINED EARNINGS, BEGINNING OF YEAR	5,048	29,954	7,077	518	(156)	(69)	1,459
RETAINED EARNINGS, END OF YEAR	$ 5,015	$ -	$	$ -	$ -	$ (81)	$ -

1985-I Roger Gardens	Housing Revenue Bonds	1991-I	1981-A&B, 1991-AS8 and 1992-AS8	Rental Housing Revenue Bonds	1992-A-D	1992-I	1995	2001 Total Multi-family	2000 Total Multi-family
$ 499	$ 98	$ 8,783	$ 5,969	$ 2,793	$ 9,039	$ 10,617	$ 37,932	$ 81,776	$ 84,112
92	(67)	591	1,341	592	2,925	2,980	11,263	22,989	21,374
591	31	9,374	7,310	3,385	11,964	13,597	49,195	104,765	105,486
-	3	135	40	179	728	1,304	2,542	5,908	5,665
-	-	-	-	-	-	-	304	454	216
-	126	-	-	72	740	-	79	740	(515)
591	160	9,509	7,350	3,636	13,432	14,901	52,120	111,867	110,852
533	206	9,186	5,010	3,160	7,789	10,801	35,971	81,068	83,242
-	-	-	-	-	-	-	512	512	440
-	-	270	-	-	-	-	13	283	283
-	-	-	30	85	553	1,045	3,381	5,832	4,899
-	-	7	13	19	49	63	439	739	866
-	-	-	10	27	176	333	1,157	1,938	2,954
							700	700	632
-	-	-	-	(22)	5	-	3,024	3,168	(3,665)
533	206	9,463	5,063	3,269	8,572	12,242	45,197	94,240	89,651
58	(46)	46	2,287	367	4,860	2,659	6,923	17,627	21,201
-	-	-	-	-	-	-	-	-	(4,804)
								-	
58	(46)	46	2,287	367	4,860	2,659	6,923	17,627	16,397
-	(5,029)	-	-	4	-	-	3,875	(40,520)	(42,431)
58	(5,075)	46	2,287	371	4,860	2,659	10,798	(22,893)	(26,034)
975	5,075	80	10,469	655	37,503	27,420	41,637	167,645	193,679
$ 1,033	$ -	$ 126	$ 12,756	$ 1,026	$ 42,363	$ 30,079	$ 52,435	$ 144,752	$ 167,645