NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2015)

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the New Jersey Housing and Mortgage Finance Agency (the Agency), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 and each major fund of the Agency as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

During fiscal year ended December 31, 2016, management identified and corrected an error which resulted in the restatement of beginning net position for the General fund and the Multi-Family fund. This error is described in further detail in Note 20. Our auditors' opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-12, the Schedule of Funding Progress, Schedule of Agency's Proportionate Share of Net Pension Liability and Schedule of Agency's Contributions on pages 58-60 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The Schedules of Net Position and Revenues, Expenses, and Changes in Fund Net Position for the Single Family and Multi-Family Housing Programs (the Schedules) on pages 61-64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
New Jersey Housing and Mortgage Finance Agency

Report on Summarized Comparative Information

We have previously audited the Agency's 2015 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
May 19, 2017

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 Supplementary Information and Supplementary Information. The New Jersey Housing and Mortgage Finance Agency (NJHMFA or Agency), as referred to throughout the Management's Discussion and Analysis, is for financial reporting purposes, the primary government.

The Financial Statements include

The Statement of Net Position which provides information about the nature and amounts of investments in resources (assets) deferred outflows of resources, obligations to Agency creditors (liabilities) and deferred inflows of resources.

The Statement of Revenues, Expenses and Changes in Net Position 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

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

Supplementary Information

This 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, 2016 and 2015. 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.

Overall Financial Highlights – Year Ended December 31, 2016

The Agency's overall net position increased by 7.6% from 2015 to 2016. The multifamily portfolio continued to perform well with continued recoveries on bad debt. Additionally, the single family portfolio had lower reserves and a decrease in the loss on Real Estate Owned (REO) as foreclosures steadily flowed through the court system and a modest recovery of housing values began in certain areas of the State. The General Fund also performed well with recoveries of bad debt, conduit fee income, and the receipt of assets held under the matured General Housing Loan Bond Resolution offsetting the increases in the OPEB liability and the Pension liability.

Single Family loan production declined as 36 loans were funded from the Single Family Housing Revenue Bond Resolution in 2016 compared to 99 loans in 2015. In order to offer competitive rates and increase single family loan production, the Agency implemented a mortgage backed securities (MBS) platform. In March 2014, the Agency was approved by the Government National Mortgage Association (Ginnie Mae) to be an issuer of Ginnie Mae I and II single family MBS. In 2016, the Agency originated 52 loans of which $9.5 million were securitized with Ginnie Mae II MBS.

On May 12, 2016, the Agency issued $126.9 million of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds, and $53.4 million of tax-exempt direct purchase Multi-Family Revenue Bond draw down bonds to finance 19 new rental housing developments containing a total of 1,339 multifamily units. In addition, this financing included a $7.0 million tax-exempt fixed rate refunding component. The refunding is expected to generate approximately $1 million in net present value savings to the Resolution.

In 2012, the Agency acquired title to Whitlock Mills via a deed in lieu of foreclosure. The Agency solicited offers to purchase Whitlock from qualified owner-operators in the 4th quarter of 2015 pursuant to a Request for Offer to Purchase (RFOTP). As of December 31, 2016, the Agency had selected a buyer, and is negotiating the terms and conditions and receiving the necessary internal approvals to complete the sale in 2017.

In March 2016, the Agency executed a settlement agreement in which all parties involved in litigation regarding Whitlock Mills agreed to full and final disposition of the case. As a result the Agency received $7.5 million which was applied toward the principal outstanding and was used to retire bonds and an additional $1.2 million for expenses which was deposited to the General Fund. As a result of the settlement and pending sale proceeds a recovery of $19.9 million was recorded in the Multi-family Housing Revenue Bond Resolution and $10.8 million in the General Fund. At December 31, 2016 the property is recorded as an REO with a net value of $30.4 million in the Multi-family Housing Revenue Bond Resolution and $11.1 million in the General Fund.

The Agency closed 13 conduit bond issues totaling $259 million in 2016. In addition, the program has a pipeline in excess of $663 million.

On May 2, 2016, all bonds under the General Housing Loan Bond Resolution were retired. The remaining assets were transferred to the Agency's General Fund.

In 2016, the Agency received $13.9 million in U.S. Department of Treasury Hardest Hit Funds and closed 234 loans under this program. These are recorded as program income and program expense in the Agency's General Fund.

On December 23, 2014, the Agency entered into a one year Memorandum of Understanding (MOU) to administer Supportive Housing Connection. Supportive Housing Connection (SHC) is a partnership between the New Jersey Department of Human Services (NJDHS) and the New Jersey Housing and Mortgage Finance Agency (NJHMFA) to administer NJDHS rental subsidies and connect its clients to quality housing opportunities across the state. Additionally, SHC conducts inspections of participating housing units to ensure their physical integrity and compliance with the U.S. Department of Housing and Urban Development's Housing Quality Standards. SHC also provides resident inquiry resolution services for tenants and landlords, as needed. Officially launched in February of 2015, the goal of SHC is to provide access to affordable housing for New Jersey residents with special needs by consolidating NJDHS's rental subsidy resources into one location for convenient and efficient management. By the end of 2016, SHC administered rental subsidies for approximately 3,200 tenants. The parties are in the process of extending the MOU for an additional three year period.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plans, the Agency received a total allocation of $679.52 million in CDBG-DR funds as sub recipient to implement three state affordable housing programs designed to support the needs of renters and prospective homeowners in nine counties throughout the State which were hardest hit by Superstorm Sandy. The Fund for Restoration of Multifamily Housing (FRM Tranches 1 – 3B) was allocated $594.52 million, the Sandy Special Needs Housing Fund (SSNHF) $60.0 million, and the Sandy Homebuyer Assistance Program (SHAP) was allocated $25.0 million and was closed out in 2015. In 2016 the FRM committed $148 million for 13 projects creating approximately 966 units. The SSNHF committed approximately $5.2 million for 3 projects accounting for approximately 29 special needs beds.

The Agency has liquidity facilities in place with multiple providers in order to provide liquidity support for payment of its variable rate bonds in the event they cannot be remarketed. As of January 1, 2016, the Agency had total variable rate bonds outstanding in the amount of $188.6 million (excluding bond maturities scheduled to occur in 2016) whose related liquidity facilities were scheduled to expire in 2016. The Agency successfully resolved its entire 2016 liquidity expiration exposure of $188.6 million by taking the following actions:

- January 2016 - Extended two SF liquidity facilities totaling $53.1 million with current provider (Barclays Bank PLC).

  March 2016 – Extended two MF liquidity facilities totaling $135.4 million with current provider (Citi, N.A.).

The following credit rating actions occurred in 2016:

- April 2016 - Standard & Poor's Rating Services (S&P) affirmed its AA- (stable outlook) rating on the Agency's Multi-Family Revenue Bonds (MFRB) Resolution.

- July 2016 - Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the Agency's Multi-Family Housing Revenue Bonds (MFHRB) Resolution.

- November 2016 - Moody's Investors Service (Moody's) affirmed its Aa2 (stable outlook) rating on the Agency's issuer credit rating (ICR).

- November 2016 - Moody's Investors Service (Moody's) affirmed its Aa2 (stable outlook) rating on the Agency's Single Family Home Mortgage Bonds (HMB) Resolution.

- November 2016 - Moody's Investors Service (Moody's) affirmed its Aa3 (negative outlook) rating on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.

- November 2016 - Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the Agency's issuer credit rating (ICR).

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 2016 compared to 2015. 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 Condensed Statement of Net Position

The Statement of Net Position presents the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of December 31, 2016. The following table represents the comparison of net position as of December 31, 2016 and 2015. The change between December 31, 2016 and December 31, 2015 should be read in conjunction with the financial statements.

Condensed Statement of Net Position
(In Thousands)

	2016	2015	% Change 2016/2015
Current and other assets	$ 1,118,454	$ 1,052,799	6.2%
Other noncurrent assets	2,499,874	2,574,200	-2.9%
Capital assets	7,471	8,300	-10.0%
Total assets	3,625,799	3,635,299	-0.3%
Deferred outflows	90,308	93,272	-3.2%
Current liabilities	386,065	405,409	-4.8%
Long-term liabilities	2,428,324	2,486,550	-2.3%
Total liabilities	2,814,389	2,891,959	-2.7%
Deferred Inflows	3,293	1,807	82.2%
Net position:			
Net investment in capital assets	7,471	8,300	-10.0%
Restricted	437,852	407,698	7.4%
Unrestricted	453,102	418,807	8.2%
Total net position	$ 898,425	$ 834,805	7.6%

The Agency's total assets remained relatively flat between 2015 and 2016 although some larger changes occurred within various categories resulting from the following factors:

- Cash, cash equivalents and investments increased by $32.8 million primarily due to the increase of undisbursed proceeds from loans financed under the 2016 series of the MFRB Resolution.
- Mortgage and supplemental loans receivable decreased by $62.3 million, primarily due to the decrease in single family loan production coupled with delinquent loans progressing through the foreclosure process and natural loan run-off.
- Real estate owned increased by $23.1 million mainly due to the write up of Whitlock Mills based on the legal settlement and forthcoming sales contract.

The Agency's overall 2.7% decrease in total liabilities resulted from the following factors:

- Bonds and accrued interest payable decreased by $97.7 million due to regularly scheduled payments of $101.7 million and early redemptions of $141.3 million. This was offset by the issuance of $146.9 million bonds payable.

- Funds held in trust for mortgagors increased by $20.3 million due to increased production of programs administered by the Agency, such as Supportive Housing Connection and Police and Firemen's Retirement System Mortgage Program.
- Pension liability increased by $24.9 million due to changes in actuarial assumptions used to determine the net pension liability.
- Derivative instruments (hedging derivative value + off market loan balances) decreased by $19.7 million due to a multitude of factors. Individual swaps are affected by changes in Libor and/or SIFMA rates. In 2016, Libor rates rose in the last half of the year, while SIFMA rates rose dramatically throughout the year. The remaining life of a swap also impacts the value as it must accrete to $0 by the maturity date. In addition to these factors which affect the directional change in a swap's value, the magnitude of the change is affected by other factors including the size, remaining life and the maturity date. Each swap is analyzed individually with any changes in fair value reported. See Note 18 for further analysis about specific derivative instruments held by the SFHRB, MFHRB and MFRB Resolutions.

NJHMFA's Condensed Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reports revenues recognized and expenses incurred for the years ended December 31, 2016 and 2015. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2016 and 2015. It should be read in conjunction with the financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Years Ended December 31, 2016 and 2015
(In Thousands)

	2016	2015	% Change 2016/2015
Operating revenues:			
Interest income on mortgage loans	$ 102,719	$ 114,463	-10.3%
Fees and charges	44,293	41,327	7.2%
Program income	14,474	23,265	-37.8%
Grant income	96,632	92,607	4.3%
Recovery of bad debt and mortgage modifications	57,351	61,487	-6.7%
Gain on derivative	234	223	4.9%
Other	18,217	3,079	491.7%
	333,920	336,451	-0.8%
Operating expenses	279,434	322,084	-13.2%
Operating income (loss)	54,486	14,367	279.2%
Non-operating revenues (expenses), net	9,134	(3,808)	-339.9%
Increase in net position	63,620	10,559	502.5%
Net position, beginning of year, as restated	834,805	824,246	1.3%
Net position, end of year	$ 898,425	$ 834,805	7.6%

The 279.2% increase in operating income is due to the following factors:

- Interest income on mortgages receivable decreased by $11.7 million due to the decrease in production, delinquencies and normal portfolio runoff of the single family mortgages.
- Program income decreased by $8.8 million as less Hardest Hit Funds were disbursed in 2016 as the Home Saver Program was gearing down
- Recovery of bad debt decreased by $8.3 million due to the change in mortgage reserve valuation method which resulted in recoveries on previous allowances.
- Other income increased by $15.1 million due to the receipt of funds held under the General Housing Loan Bond Resolution.

Summary of Operating Expenses for the Years Ended December 31, 2016 and 2015
(In Thousands)

	2016	2015	% Change 2016/2015
Operating expenses:			
Interest and amortization	$ 81,500	$ 88,384	-7.8%
Insurance costs	1,548	1,705	-9.2%
Servicing fees and other	9,744	9,787	-0.4%
Salaries and related benefits	30,863	37,160	-16.9%
Professional services and financing costs	4,345	3,866	12.4%
General and administrative expenses	6,517	6,881	-5.3%
Grant expense	100,488	93,107	7.9%
Program expense	11,954	21,353	-44.0%
Pension expense	12,505	5,066	146.8%
Provision for loan losses	10,819	54,775	-80.2%
Total operating expenses	$ 270,283	$ 322,084	-16.1%

Total operating expenses decreased 16.1%. The following significant fluctuations occurred within operating expenses:

- Interest expense decreased by $6.9 million due to the early redemption of bonds and low interest rates on variable rate debt.
- Salaries and related benefits decreased by $6.3 million as the OPEB expense was $4.5 million in 2016 compared to $11.4 million in 2015. A decrease in the discount rate and change in mortality actuarial assumptions were applied to 2015 which resulted in the larger expense in 2015.
- Grant expense increased by $7.4 million primarily due to an increase in the funds disbursed under the SSBG Rental Assistance Program.
- Program expense decreased by $9.4 million as less Hardest Hit Funds were disbursed in 2016 as the Home Saver Program was winding down.

- Pension expense increased by $7.4 million due to the change in actuarial assumptions and methodology used to calculate the pension liability
- Provision for loan losses decreased by $44.0 million due a decreased number of single family loans and no additional significant reserves were required on any multifamily loans.

Debt Administration

At December 31, 2016, the Agency had $1.9 billion of bond principal outstanding, net of deferral on refunding, discount and premium, a decrease of 4.9% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2016 and 2015, and the changes in bonds payable. Dollars are in thousands.

	2016	2015	% Change 2016/2015
Bonds payable, net	$ 1,894,781	$ 1,991,671	-4.9%

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. Traditionally, the programs were funded with Mortgage Revenue Bond proceeds, however due to market conditions, no bonds were issued in 2016 and the Agency continued funding loans via the mortgage backed securities platform (MBS).

Multi-Family Programs

On May 12, 2016, the Agency issued $126.9 million of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds ("MFRB"), and $53.4 million of tax-exempt direct purchase MFRB draw down bonds to finance 19 new money rental housing developments containing a total of 1,339 multifamily units. In addition, this financing included a $7.0 million tax-exempt fixed rate refunding component. The refunding is expected to generate approximately $1.0 million in net present value (PV) savings (12.7% of the bonds) to the Agency.

Economic Factors

The Agency is a self-supporting entity and is not funded by the general taxing authority of the State of New Jersey. As the State's leader in affordable housing, certain market/economic factors can have an impact on the Agency's operations.

- **Trends in single family mortgage rates**- Although the Federal Reserve has begun to raise interest rates, the Agency's traditional cost of funds in the mortgage revenue bond (MRB) market remained relatively high, limiting the Agency's ability to lend profitably at competitive interest rates. This market anomaly caused a significant decline in single family loan production. As an alternative funding source to remain active in the single family mortgage market, the Agency has implemented a mortgage backed security (MBS) funding program, which allows the Agency to sell whole loans for securitization into Ginnie Mae mortgage backed securities.

- **Trends in foreclosure processing**- New Jersey is a judicial state and as such all foreclosures must be processed through the court system. In 2010, the State, by way of an Administrative Order, imposed a moratorium on residential foreclosures, which expired in 2012. The expiration of the moratorium caused a backlog in the court proceedings which caused the Agency's delinquencies to remain high, pending judicial foreclosure. Although the process is still lengthy, improvement has begun.

- **Trends in home prices**- The Agency experienced a decrease in REO losses in 2016. New Jersey has one of the highest foreclosure rates in the country, which has resulted in a growing inventory of for sale homes, contributing further to the overall decline in sale prices. However, in certain areas of the state, home values have begun to rebound.

- **Continued Effect of Superstorm Sandy**- The recovery from Superstorm Sandy continues to influence our multifamily production. Community Development Block Grant Funds (CDBG) provided a much needed subsidy for the development of multifamily housing in the hardest hit counties served by the Agency.

- **Trends in the Agency's credit ratings**- The cost of capital available to the Agency decreases as credit ratings trend upward. In 2016, both Moody's Investor Service (Moody's) and Standard and Poor's Rating Services (S&P) affirmed all current ratings on the Agency's bond resolutions.

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds						
	Single-Family	Multi-Family				Business-Type Activities	
	Mortgage Component	Housing Component	General Fund	Subtotal	Interfund Eliminations	2016	2015
CURRENT ASSETS							
Cash and cash equivalents	$ -	$ -	$ 78,939	$ 78,939	$ -	$ 78,939	$ 77,138
Restricted cash and cash equivalents	82,279	311,153	450,645	844,077	-	844,077	804,887
Investments	-	-	13,217	13,217	-	13,217	11,137
Restricted investments	-	-	-	-	-	-	8,134
Accrued interest receivable on investments	269	435	1,461	2,165	-	2,165	2,003
Mortgage loans receivable, net	25,946	104,866	6,372	137,184	-	137,184	106,300
Supplemental mortgages and other loans, net	-	45	2,344	2,389	-	2,389	315
Fees and other charges receivable	-	-	2,293	2,293	-	2,293	2,024
Due from loan services and insurers	2,093	-	8	2,101	-	2,101	2,744
Interfund allocation	-	-	18,910	18,910	(18,910)	-	-
Other current assets	32,546	26	3,517	36,089	-	36,089	38,117
Total current assets	143,133	416,525	577,706	1,137,364	(18,910)	1,118,454	1,052,799
NONCURRENT ASSETS							
Investments	-	-	223,879	223,879	-	223,879	222,637
Restricted investments	29,895	46,005	17,075	92,975	-	92,975	96,367
Mortgage loans receivable, net	816,380	813,339	192,657	1,822,376	-	1,822,376	1,940,267
Debt service arrears receivable, net	9,344	23,913	45	33,302	-	33,302	11,274
Supplemental mortgages and other loans, net	153	18,398	257,845	276,396	-	276,396	275,757
Real estate owned	9,402	30,385	11,032	50,819	-	50,819	27,759
Capital assets, net	-	-	7,471	7,471	-	7,471	8,300
Other noncurrent assets	-	-	127	127	-	127	139
Total non-current assets	865,174	932,040	710,131	2,507,345	-	2,507,345	2,582,500
Total Assets	1,008,307	1,348,565	1,287,837	3,644,709	(18,910)	3,625,799	3,635,299
DEFERRED OUTFLOWS OF RESOURCES							
Pension expense	-	-	29,531	29,531	-	29,531	13,010
Acc. decrease in fair value of hedging derivatives	8,186	52,591	-	60,777	-	60,777	80,262
Total Deferred Outflows of Resources	8,186	52,591	29,531	90,308	-	90,308	93,272

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2016
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds						
	Single-Family	Multi-Family				Business-Type Activities	
	Mortgage Component	Housing Component	General Fund	Subtotal	Interfund Eliminations	2016	2015
CURRENT LIABILITIES							
Bonds and obligations, net	$ 30,670	$ 79,855	$ -	$ 110,525	$ -	$ 110,525	$ 129,086
Accrued interest payable on bonds and obligations	7,914	7,114	-	15,028	-	15,028	15,841
Subsidy payments received in advance	-	-	4,724	4,724	-	4,724	4,622
Advances from State of NJ for bond/housing assistance	-	-	11,597	11,597	-	11,597	16,502
Other current liabilities	1,593	73	7,067	8,733	-	8,733	8,283
Interfund allocation	-	18,910	-	18,910	(18,910)	-	-
Mortgagor escrow deposits	-	-	235,458	235,458	-	235,458	231,075
Total current liabilities	40,177	105,952	258,846	404,975	(18,910)	386,065	405,409
NONCURRENT LIABILITIES							
Bonds and obligations, net	854,795	929,461	-	1,784,256	-	1,784,256	1,862,585
Minimum escrow requirement	-	6,674	829	7,503	-	7,503	7,569
Funds held in trust for mortgagors	-	3,535	362,449	365,984	-	365,984	345,656
Other non-current liabilities	-	2,859	5,442	8,301	-	8,301	7,642
OPEB liability	-	-	78,942	78,942	-	78,942	74,504
Net pension liability	-	-	87,342	87,342	-	87,342	62,473
Derivative instrument	8,186	52,852	-	61,038	-	61,038	80,756
Unearned revenue	-	-	34,958	34,958	-	34,958	45,365
Total noncurrent liabilities	862,981	995,381	569,962	2,428,324	-	2,428,324	2,486,550
Total liabilities	903,158	1,101,333	828,808	2,833,299	(18,910)	2,814,389	2,891,959
DEFERRED INFLOWS OF RESOURCES							
Pension expense	-	-	2,620	2,620	-	2,620	1,004
Commitment fees	673	-	-	673	-	673	803
Total deferred inflows of resources	673	-	2,620	3,293	-	3,293	1,807
NET POSITION							
Net investment in capital assets	-	-	7,471	7,471	-	7,471	8,300
Restricted under bond and obligation resolutions	112,662	299,823	-	412,485	-	412,485	380,829
Restricted for Special Needs Housing	-	-	25,367	25,367	-	25,367	26,869
Unrestricted	-	-	453,102	453,102	-	453,102	418,807
Total Net Position	$ 112,662	$ 299,823	$ 485,940	$ 898,425	$ -	$ 898,425	$ 834,805

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds				
	Single-Family	Multi-Family		Business-Type Activities	
	Mortgage Component	Housing Component	General Fund	2016	2015
OPERATING REVENUES					
Interest income on mortgage loans	$ 43,977	$ 51,902	$ 6,840	$ 102,719	$ 114,463
Fees and charges	-	8,700	35,593	44,293	41,327
Program income	-	-	14,474	14,474	23,265
Grant income	-	-	96,632	96,632	92,607
Recovery on mortgage modifications	3,951	-	-	3,951	-
Recovery of bad debt	2,244	40,184	10,972	53,400	61,487
Gain on derivative	-	234	-	234	223
Other income - net	1,196	7,992	9,029	18,217	3,079
Total operating revenues	51,368	109,012	173,540	333,920	336,451
OPERATING EXPENSES					
Interest and amortization of bond premium and discounts	35,701	45,393	406	81,500	88,384
Insurance costs	-	77	1,471	1,548	1,705
Servicing fees and other	2,764	270	6,710	9,744	9,787
Salaries and related benefits	-	5,244	25,619	30,863	37,160
Professional services and financing costs	179	1,290	2,876	4,345	3,866
General and administrative expenses	-	412	6,105	6,517	6,881
Grant expense	-	-	100,488	100,488	93,107
Program expense	-	-	11,954	11,954	21,353
Pension Expense	-	-	12,505	12,505	5,066
Loss on sale of real estate owned	9,024	-	127	9,151	12,410
Provision for loan losses	6,081	2,088	2,650	10,819	54,775
Total operating expenses	53,749	54,774	170,911	279,434	334,494
Operating income (loss)	(2,381)	54,238	2,629	54,486	1,957
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,269	3,526	4,339	9,134	8,602
Income (loss) before transfers	(1,112)	57,764	6,968	63,620	10,559
TRANSFERS	-	(13,941)	13,941	-	-
INCREASE (DECREASE) IN NET POSITION	(1,112)	43,823	20,909	63,620	10,559
NET POSITION, BEGINNING OF YEAR, AS RESTATED	113,774	256,000	465,031	834,805	824,246
NET POSITION, END OF YEAR	$ 112,662	$ 299,823	$ 485,940	$ 898,425	$ 834,805

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interest on mortgages and loans	$ 47,928	$ 51,902	$ 6,840	$ 106,670	$ 114,463
Receipts from fees, charges and other	1,196	22,179	140,249	163,624	157,745
Receipts from principal payments on mortgage receivables	115,503	104,856	249	220,608	283,675
Receipts (payments) for funds held in trust	-	-	33,523	33,523	56,151
Payments to employees	-	(5,244)	(23,722)	(28,966)	(28,005)
Payments to vendors	(1,771)	(1,125)	(133,663)	(136,559)	(132,669)
Payments to mortgage purchases and advances	(5,853)	(115,572)	(25,685)	(147,110)	(122,715)
Payments for interest and amortization of bond premium/discounts	(37,641)	(45,395)	(406)	(83,442)	(91,179)
(Payments) receipts for other	-	(8,120)	-	(8,120)	(43,224)
Recovery of bad debt	-	-	-	-	2,109
Net cash provided by (used) by operating activities	119,362	3,481	(2,615)	120,228	196,351
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from proceeds of sale of bonds and obligations	-	146,862	-	146,862	225,514
Payments for retirement of bonds	(117,055)	(125,931)	-	(242,986)	(382,440)
Transfers and others	-	(13,947)	13,941	(6)	-
Net cash provided by (used) by noncapital financing activities	(117,055)	6,984	13,941	(96,130)	(156,926)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Additions to capital assets	-	-	(283)	(283)	(384)
Net cash used in capital financing activities	-	-	(283)	(283)	(384)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(53,187)	(11,582)	(2,967)	(67,736)	(105,894)
Sales/maturities of investments	52,720	23,220	-	75,940	172,399
Earnings on investments	1,269	3,499	4,204	8,972	9,017
Net cash provided by investing activities	802	15,137	1,237	17,176	75,522
INCREASE IN CASH AND CASH EQUIVALENTS	3,109	25,602	12,280	40,991	114,563
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79,170	285,551	517,304	882,025	767,462
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 82,279	$ 311,153	$ 529,584	$ 923,016	$ 882,025

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES					
Operating income	$ (2,381)	$ 54,238	$ 2,756	$ 54,613	$ 14,367
Adjustments to reconcile operating income to net cash provided by (used) by operating activities:					
Depreciation expense	-	-	1,112	1,112	1,112
Loss on real estate owned	9,024	-	(127)	8,897	(12,410)
Provision for loan losses	6,081	2,088	2,650	10,819	51,159
Amortization of premium and discounts	(782)	16	-	(766)	(453)
Effects of changes in operating assets and liabilities:					
Mortgage loans receivable, net	118,653	(40,858)	(25,685)	52,110	96,312
Fees and other charges receivable	(130)	(233)	(269)	(632)	(227)
Due from loan servicers and insurers	648	-	(5)	643	431
Deferred outflow of resources	-	-	-	-	(352)
Other assets	1,273	210	(97)	1,386	10,516
Real estate owned	(12,298)	(9,204)	(10,591)	(32,093)	11,901
Interfund allocation	-	5,060	(5,057)	3	17
Accrued interest payable on bonds	(1,028)	215	-	(813)	(2,110)
Advance from the State of New Jersey	-	-	(4,905)	(4,905)	(334)
Funds held in trust for mortgagor	-	(7,514)	27,842	20,328	11,329
Minimum escrow requirement	-	(257)	191	(66)	(582)
Mortgagor escrow deposits	-	(1,107)	5,490	4,383	2,283
Subsidy payments received in advance	-	-	102	102	47
Unearned revenue	-	-	(10,407)	(10,407)	(2,242)
Net pension liability	-	-	9,964	9,964	2,824
OPEB liability	-	-	4,438	4,438	11,397
Other liabilities	302	827	(17)	1,112	1,366
NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES	$ 119,362	$ 3,481	$ (2,615)	$ 120,228	$ 196,351

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 9 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 (Section 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 (Continued)

The Section 8 Housing Assistance Payments (HAP) received by the Projects amounted to approximately $470,507 for the year ended December 31, 2016.

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 $12,853 for the year ended December 31, 2016.

Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* These criteria include manifestation of oversight responsibility including financial accountability, imposition of will, financial benefit to or burden on a primary organization, and financial accountability as a result of fiscal dependency.

The Agency is a component unit of the State of New Jersey. The Agency's financial statements are discretely presented as part of the State's financial statements.

The Agency determined based on the criteria above that the component unit described below should be identified as a blended component unit of the Agency.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The activity and balances of ABC are immaterial to the Agency as a whole and therefore, the Agency has chosen not to include ABC in their financial statement. Separate financial statements are issued for ABC 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 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.

The Agency is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

Prior Year Comparative Financial Information

The basic financial statements include certain prior year summarized 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, 2015, from which the summarized information was derived. Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation. The reclassifications did not affect net position or changes therein.

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, deferred outflows, liabilities, deferred inflows, net position, and revenues and expenses. Within each fund there are accounts required by the respective bond resolutions.

The Agency reports all funds as major funds. The following is a description of each fund:

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.

Multifamily Program – The Multifamily Program transactions relate to the construction, rehabilitation and permanent financing of multifamily rental housing developments generally designed entirely or with a percentage of persons and families of low and moderate income or for senior citizens. Assets under the bond resolutions are restricted and are not available for any other purpose other than as stated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Descriptions of Funds (Continued)

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.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with a maturity of three months or less when purchased, 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 in 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.

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 fixtures	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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs except prepaid insurance costs are expensed in the period incurred. Discount and premium on bonds are unearned and amortized to interest expense using a method approximating the effective interest method.

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. 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.

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 $288,059 as of December 31, 2016 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).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $2,864 as of December 31, 2016 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.

Unearned Revenue

Unearned revenue represents the cumulative amount by which pass-through revenues exceed expenses.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources, reported after total liabilities, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The Agency has two items that are required to be reported in this category: (1) The deferred inflow from pension, and (2) commitment fees related to bonds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Agency has three items that are required to be reported in this category: (1) Changes in assumptions and employer proportionate share of the net pension liability that are being amortized over future periods, (2) pension contributions made subsequent to the measurement date related to pensions, and (3) the accumulated decrease in fair value of hedging derivatives.

Net Position

Net position comprises the excess of revenues over expenses from operating income, non-operating revenues, expenses and capital contributions. Net position is classified in the following three components:

Net investment in Capital Assets – This component of net position 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 position is reported as restricted when constraints placed on net position 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

Unrestricted – This component of net position consists of assets that do not meet the definition of restricted or net investment in capital assets. This component includes 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 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.

Derivative Instruments

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.

New Accounting Pronouncements

The Agency implemented GASB Statement No. 72, *Fair Value Measurement and Application* for the year ending December 31, 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value, establishing principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. The implementation of this Statement resulted in additional disclosures in the financial statements.

The Agency implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* for the year ending December 31, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of this Statement had no financial impact on the Agency.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

The Agency implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants for the period ending December 31, 2016. The objective of this Statement is to enhance comparability of financial statements by providing qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The implementation of this Statement had no financial impact on the Agency.

NOTE 2 EARLY EXTINGUISHMENT OF DEBT

During the year ended December 31, 2016, as a result of the prepayment and refinancing of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $141,285.

NOTE 3 INVESTMENTS AND DEPOSITS

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 related 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, 2016, the Agency's bank balance amounted to $420,138, all of which was insured or collateralized.

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.

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Policy – Agency General Fund (Continued)

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 AAA rated asset backed and mortgage backed securities, highly rated corporate bonds and bond obligations of the Agency.

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 two 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.

Investment Types

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 AAA 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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

New Jersey Cash Management Fund and Bank of America Cash Management Fund

During the year, the Agency invested monies in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, which prescribes standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits 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 Bank of America Cash Management Funds for certain project escrow accounts. These funds are invested in government securities and NJ municipal securities.

The following assets held by the Agency as of December 31, 2016 are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Cash and Cash Equivalents:	
Cash	$ 69,367
Money Market Funds	350,771
NJ Cash Management Fund	225,949
Bank of America Cash Management Fund	276,929
Investments	330,071
Total	$ 1,253,087

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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Interest Rate Risk (Continued)

As of December 31, 2016, the value and maturities for these assets related to the General Fund were as follows:

		Maturities (in Years)				
Assets	Value	Less Than 1	1-5	6-10	11-15	More Than 15
Cash and Cash Equivalents						
Cash and Cash Equivalents	$ 55,353	$ 55,353	$ -	$ -	$ -	$ -
Money Market Funds	8,095	8,095	-	-	-	-
NJ Cash Mgmt Fund	189,207	189,207	-	-	-	-
Bank of America Cash Mgmt Fund	276,929	276,929	-	-	-	-
Investment type:						
Money Market Funds	9,448	9,448	-	-	-	-
U.S. Govt and Agency Obligations	67,632	-	67,632	-	-	-
Comm. Mortgage-Backed Securities	13,669	-	538	-	1,882	11,249
Collateralized Mortgage Obligations	9,280	33	60	1,183	-	8,004
Asset Backed Securities	43,361	-	30,423	10,962	249	1,727
Municipal Bonds	17,075	-	-	-	-	17,075
Mortgages	6,610	-	406	2,732	2,196	1,276
Corporate Notes	87,096	5,804	80,865	427	-	-
Total	$ 783,755	$ 544,869	$ 179,924	$ 15,304	$ 4,327	$ 39,331

As of December 31, 2016, the value and maturities for these assets related to the Bond Resolutions were as follows:

		Maturities (in Years)		
Assets	Value	Less Than 1	10-15	More Than 15
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 14,014	$ 14,014	$ -	$ -
Money Market Funds	342,676	342,676	-	-
NJ Cash Management Fund	36,742	36,742	-	-
Investments:				
Guaranteed Investment Contracts	72,370	-	11,134	61,236
Federal Home Loan Mortgage Corp	3,530	-	-	3,530
Total	$ 469,332	$ 393,432	$ 11,134	$ 64,766

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 AAA. 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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Credit Risk (Continued)

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 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.

As of December 31, 2016, the General Fund had the following investments, maturities and credit quality:

	Value	Weighted Average Maturity (years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:				
Money Market Funds	$ 9,448	0.35	AA to A-	Aaa
U.S. Govt and Agency Obligations	67,632	2.72	AAA to AA-	Aaa
Comm. Mortgage-Backed Securities	13,669	2.15	AAA to AA-	Aaa to Baa3
Collateralized Mortgage Obligations	9,280	4.11	AAA	Aaa
Asset Backed Securities	43,361	1.81	AAA	Aaa
Municipal Bonds	17,075	14.01	AA-	Unrated
Mortgages	6,610	2.85	AAA to BBB-	Unrated
Corporate Notes	87,096	2.17	AAA to BBB	Aaa
Total investments	$ 254,171			

As of December 31, 2016, the Bond Resolution had the following investments, maturities and credit quality:

	Value	Weighted Average Maturity (years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:				
Guaranteed Investment Contracts	$ 72,370	21.16	Unrated	Unrated
Federal Home Loan Mortgage Corp	3,531	15.58	AA+	AAA
Total investments	$ 75,901			

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

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 table below shows those investments of the General Fund that represented 5% or more of total investments as of December 31, 2016.

Issuer	December 31, 2016		
NJ Hsng & Mtg Fin Agy Multi-Family Rev Bonds	$	17,075	6.72%
US Treasury		30,495	12.00%

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, 2016, the Agency did not invest in any repurchase agreements.

Although the bond resolutions do not impose such limits, the following table shows investments of the Bond Resolutions in issuers that represent 5% or more of total investments at December 31, 2016:

Issuer	December 31, 2016		
Natixis Funding Corp	$	22,008	29.00%
Federal Home Loan Mortgage Corp		3,531	4.65%
Mass Mutual		11,770	15.51%
CDC Funding Corp		4,664	6.14%
Bayerishe Landesbank		1,403	1.85%
Morgan Stanley		6,470	8.52%
GE Investment		16,450	21.67%
AEGON/Transamerica Life		9,605	12.65%

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 $39,536 and aggregate a fair value of approximately $28,220 as of December 31, 2016. 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 $29,895 and had an aggregate fair value of approximately $10,519 as of December 31, 2016. 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 $11,462 and the Single-Family component had $0 of Surety Bonds outstanding as of December 31, 2016.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market accounts and guaranteed investment contracts are recorded at amortized cost or contract value, thus are not included within the fair value hierarchy established by generally accepted accounting principles.

As of December 31, 2016, the General Fund had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Government and agency obligations	$ 77,080	$ 9,448	$ 67,632	$ -
Commercial mortgage-backed securities	13,669	-	13,669	-
Collateralized mortgage obligations	9,280	-	9,280	-
Asset backed securities	43,361	-	43,361	-
Municipal obligations	17,075	-	17,075	-
Mortgages	6,610	-	6,610	-
Total debt securities	167,075	9,448	157,627	-
Equity Securities				
Corporate notes	87,096	87,096	-	-
Total investments by fair value level	$ 254,171	$ 96,544	$ 157,627	$ -

As of December 31, 2016, the Bond Resolution had the following recurring fair value measurements:

- Federal Home Loan Mortgage Corporation securities of $3,531 as of December 31, 2016 are valued using the matrix pricing technique (Level 2).

- Pay-fixed, receive variable interest rate swap agreements of $61,038 as of December 31, 2016 are valued using the matrix pricing technique (Level 2).

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Income

Investment income is comprised of the following elements:

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

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 year ended December 31, 2016 is:

Interest income on investments	$	9,001
Unrealized gain (loss) on investments		133
Total	$	9,134

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, 2016 are as follows:

Mortgage loans receivable	$	849,189
Allowance for loan losses		(6,863)
Mortgage receivable - net		842,326
Less current portion		(25,946)
Long term portion	$	816,380

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31, 2016, consisted of the following:

Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$	87,370
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act		94,473
Unsubsidized mortgage loans		865,591
Subtotal		1,047,434
Allowance for loan losses		(13,456)
Undisbursed mortgage loans		(115,773)
Mortgage receivable - net		918,205
Less current portion		(104,866)
Long term portion	$	813,339

(IN THOUSANDS)

NOTE 4 MORTGAGE LOANS RECEIVABLE (CONTINUED)

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. 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.

General Fund Component

The General Fund mortgage loans receivable as of December 31, 2016 consisted of the following:

Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$	11,681
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act		23,192
Unsubsidized mortgage loans		252,653
Subtotal		287,526
Allowance for loan losses		(86,807)
Advanced (undisbursed) mortgage proceeds		(1,690)
Mortgage receivable - net		199,029
Less current portion		(6,372)
Long term portion	$	192,657

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 $97,234 at December 31, 2016. The debt service allowance for loan losses was $18,697 as of December 31, 2016. A subsidy payment receivable of $19 was due at December 31, 2016.

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.

(IN THOUSANDS)

NOTE 5 DEBT SERVICE ARREARS RECEIVABLE (CONTINUED)

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 due to the nature of those specific loans. An allowance of approximately $5,046 against interest receivable was recorded at December 31, 2016. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $104,780 as of December 31, 2016.

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.

Single-Family Housing Component

The Single-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31, 2016 consisted of the following:

Supplemental mortgages	$	3,815
Allowance for loan losses		(3,662)
Long term portion	$	153

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31, 2016 consisted of the following:

Supplemental mortgages	$	18,673
Allowance for loan losses		(230)
Supplemental mortgages, net		18,443
Less: current portion		(45)
Long term portion	$	18,398

(IN THOUSANDS)

NOTE 6 SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

General Fund Component

The General Fund supplemental mortgages and other loans receivable as of December 31, 2016 consisted of the following:

Mortgages subject to subsidy contracts under Section 8 of the National Housing Act	$ 844
Mortgages subject to subsidy contracts under Section 236 of the National Housing Act	871
Agency supplemental mortgages	251,191
Special Needs Housing Trust Fund mortgages	153,706
HUD supplemental mortgages	881
Loans to projects	10,658
State of New Jersey supplemental mortgages	8,832
Other	4,961
Subtotal	431,944
Allowance for loan losses	(158,343)
Undisbursed supplemental mortgage proceeds	(13,412)
Supplemental mortgages and other loans receivable, net	260,189
Less current portion	(2,344)
Long term portion	$ 257,845

Based on the program type, certain supplemental loans under the General Fund Component have significant allowances in place.

NOTE 7 CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Non-depreciable capital assets:				
Land	$ 1,225	$ -	$ -	$ 1,225
Depreciable capital assets:				
Building and building improvements	17,064	3	-	17,067
Motor vehicles	553	110	-	663
Machinery and equipment	7,158	165	(63)	7,260
Furniture and fixtures	621	5	-	626
Total	25,396	283	(63)	25,616
Less accumulated depreciation:				
Building and building improvements	(11,136)	(683)	-	(11,819)
Motor vehicles	(430)	(46)	-	(476)
Machinery and equipment	(6,255)	(340)	63	(6,532)
Furniture and fixtures	(500)	(43)	-	(543)
Total	(18,321)	(1,112)	63	(19,370)
Total capital assets, net	$ 8,300	$ (829)	$ -	$ 7,471

Depreciation expense was $1,112 for the year ended December 31, 2016.

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, 2016 the following bonds and obligations:

(IN THOUSANDS)

NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2015	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2016	Amount Due Within One Year
Single Family Housing Revenue Bonds:					
2004 Series I, variable rate, due 2025 to 2034	$ 12,865	$ -	$ 1,945	$ 10,920	$ 1,045
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	2,835	-	1,390	1,445	1,445
2005 Series N, variable rate, due 2006 to 2017	8,875	-	3,845	5,030	5,030
2005 Series O, variable rate, due 2026 to 2031	34,630	-	3,515	31,115	-
2005 Series P, variable rate, due 2008 to 2025	8,035	-	4,745	3,290	1,410
2005 Series Q, variable rate, due 2010 to 2032	1,580	-	1,580	-	-
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	12,285	-	5,760	6,525	5,715
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	73,385	-	8,680	64,705	-
2007 Series U, 3.60% to 5.00%, due 2008 to 2037	24,565	-	1,095	23,470	480
2007 Series V, variable rate, due 2018 to 2037	77,695	-	8,460	69,235	-
2008 Series Y, variable rate, due 2030 to 2039	74,925	-	-	74,925	-
2008 Series Z, variable rate, due 2014 to 2034	25,905	-	7,925	17,980	660
2008 Series AA, 3.00% to 6.50%, due 2009 to 2038	30,830	-	17,495	13,335	585
2008 Series BB, variable rate, due 2018 to 2039	79,085	-	-	79,085	-
2009 Series CC, 0.875% to 5.25%, due 2010 to 2038	41,745	-	4,580	37,165	290
2009 Series DD, 0.75% to 3.50%, due 2010 to 2017	6,075	-	3,630	2,445	2,445
2009 Series EE, 2.00% to 5.20%, due 2010 to 2025	24,440	-	3,470	20,970	170
2009 Series FF, 4.00% to 5.05%, due 2019 to 2039	7,730	-	890	6,840	-
2009 Series GG, 1.00% to 5.00%, due 2010 to 2039	17,315	-	1,120	16,195	425
Total single family housing revenue bonds	589,365	-	80,125	509,240	19,700
Single Family Home Mortgage Bonds:					
2009 Series A1, 3.63%, due 10/01/2041	93,650	-	6,490	87,160	-
2009 Series A2, 3.63%, due 10/01/2029	40,100	-	2,780	37,320	-
2011 Series A, 0.50% to 4.65%, due 10/01/2029	65,745	-	11,270	54,475	5,110
2009 Series B1, 2.64%, due 10/01/2041	85,270	-	4,370	80,900	-
2009 Series B2, 2.64%, due 10/01/2025	52,300	-	2,680	49,620	-
2011 Series B, 4.00% to 4.50%, due 10/01/2032	62,455	-	3,740	58,715	-
2011 Series C, 0.30% to 2.25%, due 04/01/2017	1,395	-	805	590	590
2011 Series D, 1.20% to 3.25%, due 04/01/2018	10,610	-	4,795	5,815	5,270
Total single family home mortgage bonds	411,525	-	36,930	374,595	10,970
Total single family bonds program	1,000,890	-	117,055	883,835	30,670
Net premium on bonds payable	2,412	-	782	1,630	-
Total single family bonds payable (net)	1,003,302	-	117,837	885,465	30,670
Multi Family General Housing Loan Bonds:					
1970 Series A, 4.50%, due 2004 to 2019	920	-	920	-	-
1971 Series A, 5.35% to 5.40%, due 2004 to 2019	1,745	-	1,745	-	-
Total general housing loan bonds	2,665	-	2,665	-	-
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	94,330	-	4,140	90,190	4,435
Multi-Family Housing Revenue Bonds 1995 Resolution:					
2000 Series C2, variable rate, due 2004 to 2032	4,785	-	150	4,635	160
2002 Series G, variable rate, due 2004 to 2025	3,605	-	295	3,310	310
2008 Series 1, 5.75%, due 2009 to 2038	3,260	-	-	3,260	-
2008 Series 2, 4.375%, due 2012 to 2046	6,370	-	-	6,370	-
2013 Series 1, 0.20% to 4.25%, due 2013 to 2039	32,435	-	5,750	26,685	1,520
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	76,880	-	12,240	64,640	2,170
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	14,050	-	260	13,790	285
2013 Series 5, variable rate, due 2013 to 2046	119,265	-	4,345	114,920	4,455
2013 Series 6, variable rate, due 2013 to 2037	16,170	-	475	15,695	530
Total 1995 Resolution	276,820	-	23,515	253,305	9,430

(IN THOUSANDS)

NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2015	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2016	Amount Due Within One Year
Multi-Family Revenue Bonds 2005 Resolution:					
2005 Series F, variable rate, due 2005 to 2040	$ 10,020	$ -	$ 525	$ 9,495	$ 560
2005 Series G, variable rate, due 2007 to 2047	4,315	-	85	4,230	85
2006 Series A, variable rate, due 2006 to 2028	16,640	-	1,075	15,565	1,120
2006 Series B, variable rate, due 2006 to 2028	4,650	-	555	4,095	590
2006 Series C, 4.90% to 5.00%, due 2007 to 2026	2,555	-	2,555	-	-
2006 Series E, 4.65% to 4.80%, due 2007 to 2036	4,490	-	4,490	-	-
2007 Series A, 3.75% to 4.95%, due 2008 to 2048	23,780	-	-	23,780	460
2007 Series B, 5.39% to 6.13%, due 2017 to 2037	4,185	-	90	4,095	100
2007 Series G, variable rate, due 2008 to 2034	11,200	-	530	10,670	555
2007 Series I, variable rate, due 2008 to 2029	6,115	-	335	5,780	355
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,305	-	110	9,195	115
2008 Series B, variable rate, due 2008 to 2048	54,015	-	645	53,370	680
2008 Series C, variable rate, due 2009 to 2039	9,670	-	200	9,470	210
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	2,350	-	655	1,695	665
2008 Series E, 2.00% to 5.63%, due 2008 to 2029	3,770	-	3,770	-	-
2008 Series F, variable rate, due 2019 to 2048	52,845	-	4,200	48,645	-
2008 Series G, variable rate, due 2008 to 2039	5,100	-	90	5,010	95
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	28,315	-	1,085	27,230	1,200
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,780	-	70	3,710	70
2009 Series D, variable rate, due 2010 to 2048	17,430	-	355	17,075	385
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	5,805	-	345	5,460	350
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	30,990	-	850	30,140	870
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	21,280	-	1,410	19,870	400
2012 Series B, 0.90% to 1.75%, due 2013 to 2016	1,955	-	1,955	-	-
2012 Series C, 4.38%, due 2013 to 2025	3,075	-	45	3,030	45
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	8,920	-	145	8,775	155
2012 Series F, 4.83%, due 2014 to 2025	345	-	5	340	5
2014 Series A, 0.5% to 4.55%, due 2016 to 2045	2,430	-	50	2,380	75
2014 Series B, 0.45% to 5.25%, due 2014 to 2046	25,000	-	505	24,495	635
2014 Series C, variable rate, due 2016	22,474	-	22,474	-	-
2014 Series D, variable rate, due 2016	19,897	-	19,897	-	-
2015 Series A, 0.55% to 4.00%, due 2016 to 2045	10,985	-	100	10,885	145
2015 Series B, 0.55% to 1.00%, due 2016 to 2017	27,970	-	6,145	21,825	21,825
2015 Series C, 3.80%, due 2016 to 2047	200	7,000	120	7,080	175
2015 Series D, 0.70%, due 2016 to 2017	17,905	5,720	9,820	13,805	13,805
2015 Series E, 0.813% to 4.671%, due 2015 to 2045	136,235	-	5,460	130,775	6,145
2015 Series F, 1.113%, due 2016	4,710	-	4,710	-	-
2016 Series A, 1.15% to 3.90%, due 2018 to 2050	-	43,170	60	43,110	125
2016 Series B,1.00% to 1.25%, due 2017 to 2019	-	77,095	-	77,095	13,735
2016 Series C, 1.30% to 5.00%, due 2016 to 2046	-	4,160	60	4,100	185
2016 Series D, 0.875% to 3.70%, due 2016 to 2036	-	2,520	35	2,485	70
2016 Series E, variable rate, due 2019	-	7,197	-	7,197	-
Total 2005 bond resolution	614,706	146,862	95,611	665,957	65,990
Total multi-family bonds program	988,521	146,862	125,931	1,009,452	79,855
Net discount on bonds payable	(152)	16	-	(136)	-
Total multi-family bonds payable (net)	988,369	$ 146,878	$ 125,931	1,009,316	79,855
Total bonds payable	$ 1,991,671			$ 1,894,781	$ 110,525

On May 12, 2016, the Agency issued $126,945 of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds, and $53,351 of tax-exempt direct purchase Multi-Family Revenue Bond draw down bonds to finance 19 new money rental housing developments containing a total of 1,339 multifamily units. In addition, this financing included a $6,955 tax-exempt fixed rate refunding component. The refunding is expected to generate approximately $884 in net present value savings (12.7% of the bonds) to the Agency.

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.

(IN THOUSANDS)

NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

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

As of December 31, 2016, there was $115,773 of undisbursed proceeds of construction loans and $12,028 committed but not yet closed 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.

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
Agency Component	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Total Principal	Rate Swaps, Net
Single Family							
2017	$ 24,230	$ 22,776	$ 6,440	$ 1,849	$ 7,085	$ 30,670	$ 31,710
2018	20,390	21,999	2,845	1,828	6,857	23,235	30,684
2019	22,840	21,252	2,820	1,807	6,744	25,660	29,803
2020	22,990	20,425	2,925	1,787	6,625	25,915	28,837
2021	24,225	19,585	3,045	1,764	6,503	27,270	27,852
2022-2026	142,450	83,417	16,920	8,466	30,585	159,370	122,468
2027-2031	165,590	51,226	40,725	7,724	26,848	206,315	85,798
2032-2036	114,375	26,474	119,360	4,675	16,314	233,735	47,463
2037-2041	90,615	7,598	61,050	694	2,565	151,665	10,857
Total	$ 627,705	$ 274,752	$ 256,130	$ 30,594	$ 110,126	$ 883,835	

	Fixed and Unhedged Variable Rate		Hedged Variable Rate				Interest and Interest
Agency Component	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Total Principal	Rate Swaps, Net
Multi-Family							
2017	$ 70,600	$ 27,171	$ 9,255	$ 2,213	$ 12,755	$ 79,855	$ 42,139
2018	64,500	26,004	9,695	2,201	12,454	74,195	40,659
2019	52,083	24,794	10,880	2,130	12,143	62,963	39,067
2020	24,295	23,706	12,260	2,049	11,730	36,555	37,485
2021	25,610	22,770	12,310	1,959	11,272	37,920	36,001
2022-2026	129,420	96,925	66,270	8,394	45,082	195,690	150,401
2027-2031	122,200	65,030	58,815	6,004	27,792	181,015	98,826
2032-2036	86,285	40,731	49,835	3,987	17,173	136,120	61,891
2037-2041	68,220	22,152	37,120	2,256	8,939	105,340	33,347
2042-2046	45,485	7,644	33,700	986	4,427	79,185	13,057
2047-2051	11,749	1,168	8,865	78	441	20,614	1,687
Total	$ 700,447	$ 358,095	$ 309,005	$ 32,257	$ 164,208	$ 1,009,452	

NOTE 9 CONDUIT DEBT OBLIGATIONS

The Agency may issue bonds to provide funds to local Housing Authorities to finance on an accelerated basis certain capital renovations and improvements 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. The Agency may also issue other bonds for housing development purposes. 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, 2016, conduit debt outstanding aggregated $726,351.

(IN THOUSANDS)

NOTE 9 CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Agency's MF Conduit Bonds Outstanding as of December 31, 2016 are as follows:

	Conduit Project	Series	Closing Date	Balance At Closing	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
^	Capital Funds Program Revenue Bonds	2004-A	12/23/2004	$ 79,860	$ 45,170	$ -	$ (4,470)	$ 40,700
^	Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	13,040	-	(1,375)	11,665
*	2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,715	-	-	6,715
*	Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,485	-	(75)	4,410
*	Asbury Park Gardens	2012-A	7/1/2012	14,310	13,780	-	(190)	13,590
*	Washington Dodd	2012-F	12/12/2012	19,755	17,960	-	(380)	17,580
*	Carl Miller Homes	2012-C	12/28/2012	31,656	2,650	-	(43)	2,607
*	Hampshire House	2012-D	1/11/2013	6,400	6,330	-	(70)	6,260
*	Alexander Hamilton III	2013-B	2/20/2013	11,762	11,507	-	-	11,507
*	McIver Homes	2013-C	5/23/2013	5,200	4,915	-	(145)	4,770
*	Somerset Mews [1]	2013-A	8/23/2013	60,035	49,935	10,100	(60,035)	-
*	Great Falls	2013-M	1/9/2014	15,400	15,353	-	(160)	15,193
*	Brigantine Apts.	2014-G	1/30/2014	11,510	11,295	-	(125)	11,170
*	Broadway Townhouses	2014-E	6/4/2014	27,500	27,500	-	(27,500)	-
*	Catherine Todd [1]	2014-N	10/24/2014	9,415	4,310	4,310	(445)	8,175
*	Atlantic City Townhouses	2014-P	12/23/2014	17,800	17,800	-	-	17,800
*	Glennview Townhouses II	2014-R	12/30/2014	6,243	6,243	-	(2,518)	3,725
*	Paragon	2015-Q	2/27/2015	13,700	13,700	-	-	13,700
*	Fairview Homes	2015-L	5/7/2015	13,200	13,108	-	(971)	12,137
*	609 Broad [1]	2015-D	5/12/2015	66,800	35,168	27,689	-	62,857
*	Lexington	2015-B	6/29/2015	11,750	11,675	-	(125)	11,550
*	NCC Manor	2015-K	7/16/2015	34,970	34,970	-	-	34,970
*	Trent Center East	2015-J	8/7/2015	13,500	4,376	7,241	-	11,617
*	Heritage Village - Whalepond	2015-G	8/11/2015	5,895	5,895	-	-	5,895
*	Doddtown Plaza Apartments	2015-M	8/28/2015	6,450	6,450	-	-	6,450
*	Lincoln Towers	2015-E	9/3/2015	34,000	34,000	-	-	34,000
*	Prospect Park	2015-R	9/10/2015	16,145	16,145	-	-	16,145
*	Hollybush I & II	2015-S	10/14/2015	14,500	14,500	-	-	14,500
*	Oakwood Towers	2015-U	10/23/2015	23,755	23,755	-	-	23,755
*	Riverside Arms [1]	2015-H	11/20/2015	17,550	55	16,504	-	16,559
*	Edward Sisco	2015-O	12/4/2015	18,232	18,232	-	(605)	17,627
*	Toms River Senior [1]	2015-X	12/7/2015	14,597	2	2,577	-	2,579
*	North 25	2015-F	12/15/2015	14,850	14,850	-	-	14,850
*	Brunswick Estates [1]	2015-AA	12/17/2015	27,000	12,656	8,715	-	21,371
*	Carver	2015-CC	12/18/2015	18,425	18,425	-	-	18,425
*	Trent Center West	2015-FF	12/18/2015	12,325	12,325	-	-	12,325
*	Barnegat Senior [1]	2015-W	12/22/2015	9,100	55	7,150	-	7,205
*	Egg Harbor [1]	2015-BB	12/30/2015	10,790	1,581	4,176	-	5,757
*	Hampton Valley Apartments [1]	2015-P	12/30/2015	10,090	48	10,042	-	10,090
*	Colt Arms	2016-A	1/15/2016	21,455	-	15,850	-	15,850
*	Passaic	2016-D	1/22/2016	9,100	-	9,100	-	9,100
*	Pavilion (1)	2016-B	3/1/2016	26,667	-	22,338	-	22,338
*	Sebastian Villa	2016-F	3/17/2016	15,000	-	15,000	-	15,000
*	The Aspire Project	2016-1	5/24/2016	49,935	-	49,935	-	49,935
*	Ocean Towers (1)	2016-E	5/26/2016	9,200	-	5,904	-	5,904
*	Wesmont (1)	2016-J	6/23/2016	2,638	-	2,522	-	2,522
*	Glassworks at Aberdeen (1)	2016-L	8/23/2016	17,540	-	4,434	-	4,434
*	Keansburg Mixed Income (1)	2016-I	9/27/2016	35,745	-	1,061	-	1,061
*	Aspen Riverpark Apartments (1)	2016-N	10/20/2016	27,615	-	27,615	-	27,615
*	999 Broad Phase I	2016-H	11/1/2016	10,706	-	10,706	-	10,706
*	Montgomery Gardens Family Phase I (1)	2016-M	11/21/2016	23,573	-	2,055	-	2,055
*	Branch Village	2016-G	11/22/2016	9,600	-	9,600	-	9,600
			Total conduit debt	$ 1,014,729	$ 550,959	$ 274,624	$ (99,232)	$ 726,351

^ Capital Fund bonds to finance certain capital renovations
* Fixed rate bonds to finance a single Multifamily project
1 These projects were funded by drawdown bonds. Bond proceeds are drawn down periodically as needed by the borrower. Bonds are not considered outstanding until drawn by the borrower.

(IN THOUSANDS)

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, 2016, include the following:

General fund:		
Community development escrows	$	1,489
Development cost escrows		2,606
Other funds held in trust		358,354
Total General fund		362,449
Multi-family housing component		3,535
Total	$	365,984

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, 2016, include the following:

General fund:		
Reserve for repairs and replacements	$	188,127
Tax and insurance escrows		47,331
Total	$	235,458

NOTE 12 CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Bonds and obligations, net	$ 1,991,671	$ 146,878	$ 243,768	$ 1,894,781	$ 110,525
Minimum escrow requirement	7,569	314	380	7,503	-
Funds held in trust for mortgagor	345,656	589,324	568,996	365,984	-
Other non-current liabilities	7,642	1,753	1,094	8,301	-
OPEB liability	74,504	4,438	-	78,942	-
Net pension liability	62,473	24,869	-	87,342	-
Derivative instrument	80,756	-	19,718	61,038	-
Unearned revenues	45,365	10,445	20,852	34,958	-
Total	$ 2,615,636	$ 778,021	$ 854,808	$ 2,538,849	$ 110,525

(IN THOUSANDS)

NOTE 13 NET POSITION

Changes in net position are summarized as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
Net position at December 31, 2015, restated	$ 8,300	$ 407,698	$ 418,807	$ 834,805
Income	-	44,095	19,525	63,620
Acquisition of capital assets	283	-	(283)	-
Transfer	-	(13,941)	13,941	-
Depreciation on capital assets	(1,112)	-	1,112	-
Net position at December 31, 2016	$ 7,471	$ 437,852	$ 453,102	$ 898,425

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 position represents the portion of total net position 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 Position

Appropriated General Fund net position is unrestricted net position that has been designated by the Agency's members for the following purposes at December 31, 2016. The appropriated general fund net position makes up part, but not all, of the unrestricted net position reported on the statement of net position.

(IN THOUSANDS)

NOTE 13 NET POSITION (CONTINUED)

Appropriated General Fund Net Position (Continued)

ABC Corporation	$	14
Affordable Rental Housing Subsidy Loan Program		2
Agency CIAP		1,156
Aging Out of Foster Care		1,135
At Home Downtown		154
Bond Refunding Proceeds		1,633
Camden Initiative		24
Cash Flow Swap Advisory		604
CDBG Advance Funding		5,000
CDBG RAP		5,000
CHOICE		24,115
CIAP Loan Program		3,578
Developmental Disabilities Partnership		5,826
Energy Benchmarking		50
Ex-Offenders Re-Entry Housing Program		68
Homeless Management Information System		100
HOPE		500
Information Technology		2,346
Life Safety Rehabilitation		62
Live Where You Work		682
MBS Mortgage Backed Security Start up		782
MONI HIF		90
Mortgage Assistance PILOT		750
NJHMFA Portion of Undisbursed Mtg. Proceeds		2,114
Non-Bond Multi-Family Program		37,671
Paragon Village #1316		500
PLAN Fund		3,240
Policy and Community Initiatives		156
Portfolio Reserve Balance		1,573
Preservation Initiatives		10
Project Remediation		2,260
Public Outreach Initiatives		207
Sandy Home Buyer Assistance Advance Fund		5,000
Shore Easy		80
Single Family Counseling		93
Small Rental Project Preservation Loan Program		871
Smart Start		4,465
SSBG Rental Program		2,866
Strategic Zone Lending Pool		5,931
Transitional Housing Loans		279
UHORP Mortgage Commitment		19,057
Welcome Home Program		1,188
Whitlock Mills		806
Total	$	142,038

(IN THOUSANDS)

NOTE 14 PENSION PLAN

Plan Description

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. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. 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 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.

Plan Benefits and Membership

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 member before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credits and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Funding Policy (continued)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The Agency's contributions to the plan for fiscal years ending December 31, 2016, 2015 and 2014 were $2,393, $2,098 and $1,857 respectively and were equal to the required contributions.

Net Pension Liability

The net pension liability (NPL) was calculated for each entity within PERS based on a methodology that allocates the NPL and pension amounts based on the proportion of the total contributions made by each entity during the measurement period. The NPL was determined based on an actuarial valuation as of July 1, 2015, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The proportionate share for the Agency is 0.2949%. At December 31, 2016 the Agency reported a NPL of $87,342 for its proportionate share of the NPL.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the Agency recognized pension expense of $12,505. At December 31, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows or Resources
Net difference between expected and actual experience	$ 1,624	$ -
Changes of assumptions	18,093	-
Changes in proportion	6,483	-
Agency contributions subsequent to measurement date	-	2,620
Net difference between projected and actual investment earnings on pension plan investments	3,331	-
Total	$ 29,531	$ 2,620

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Actuarial Assumptions

Deferred outflows related to Agency contributions subsequent to the measurement date will be recognized in the following year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	Amount
2017	$ 5,370
2018	5,370
2019	5,370
2020	5,370
2021	5,371
2022	2,680
Total	$ 29,531

The total pension liability (TPL) for the year ended June 30, 2016 was determined as part of the June 30, 2015 actuarial valuation, which was rolled forward to June 30, 2016 using the entry age normal cost method. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. Significant actuarial assumptions used in the valuation included:

Inflation	3.08%
Salary increases	
2012-2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 combined healthy male and female mortality tables (setback 4 year for males and females) for service retirement and beneficiaries of former member with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA. The RP-2000 disabled mortality tables (setback 3 years for males and 1 year for females) are used to value disabled retirees.

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034, Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Total State PERS	$ 70,715,189	$ 59,007,817	$ 49,352,745
Agency's Proportionate Share	104,658	87,342	73,042

NOTE 15 POSTEMPLOYMENT BENEFITS

The Agency follows the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with "other postemployment 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 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 year ended December 31, 2016, the Agency paid $4,826 in health insurance premiums for current employees. The Agency also paid $1,517 for the year ended December 31, 2016, towards benefits for 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.

NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The actuarial valuation date is January 1, 2015. 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.

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, 2015, actuarial valuation, the projected unit credit cost method was used with the unfunded liability immediately recognized. The actuarial assumptions included a 3.25% discount rate and an annual healthcare cost trend rate based on the Society of Actuaries – Getzen Model version 2014 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 6.9% and 4.6% respectively, for 2016 grading to 5.4% and 6.1% by 2052, respectively.

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 year ended December 31, 2016, and the related information for the plan are as follows (dollar amounts in thousands):

Annual required contribution	$	80,522
Interest on net OPEB obligation		2,421
Adjustment to ARC		(76,925)
Annual OPEB cost		6,018
Contributions made		(1,580)
Increase in net OPEB obligation		4,438
Net OPEB obligation, beginning of year		74,504
Net OPEB obligation, end of year	$	78,942

NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015 and 2014 were as follows:

(dollar amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2016	$ 6,018	26.2%	$ 78,942
December 31, 2015	12,948	12.0%	74,504
December 31, 2014	5,009	22.3%	63,107

The actuarial accrued liability for benefits was $71,352 at January 1, 2015, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $19,482 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 366.2%.

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.

At this time it is not believed that 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. In some cases, the notional principal of the swap initially increases as the borrowed funds are anticipated to be loaned out. For footnote purposes, the fair values of the Agency's derivatives have been presented.

For each of the interest rate swaps, the Agency used one of the following methods to evaluate the hedge effectiveness of the potential hedging derivative instrument: consistent critical terms method, synthetic instrument method or regression analysis method. The consistent critical terms method evaluates effectiveness by qualitative consideration of the uniformity of the significant terms of the hedgeable item with the terms of the potential hedging derivative instrument. If the relevant terms match, or in certain instances are similar, the potential hedging derivative instrument is determined to be effective. The synthetic instrument 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. The regression analysis method examines the statistical relationship between changes in the fair values or cash flows of a hedged item and its associated potential hedging derivative. For a potential hedging derivative instrument evaluated using regression analysis to be considered effective for financial reporting purposes, the analysis should produce an R-squared of at least 0.80, an F-statistic that indicates statistical significance at the 95 percent confidence level, and a regression coefficient for the slope between -1.25 and -0.80.

Terms, Fair Values, and Credit Risk

As of December 31, 2016, the Agency determined that a portion of the MRB 2007-G Multi-Family Bond Component Swap listed as an investment derivative instrument in the chart below no longer met the criteria for effectiveness. Accordingly, the fair value of the swap of $(261) is reported within the investment revenue classification for the year ended December 31, 2016.

At December 31, 2016, all single family derivatives and all multi-family derivatives, except MRB 2007-G, met the criteria for effectiveness.

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

The terms and fair values of the outstanding swaps as of December 31, 2016, are summarized in the following tables. The swaps are utilized 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.

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, 2016. This presentation has no effect on the net position of the Agency.

(IN THOUSANDS)

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	Counterparty Credit Rating (Moody's/S&P/Fitch)
Cash Flow Hedges:										
SHRB* 2005 N	$ 5,030	$ 5,030	10/1/2006	10/1/2017	4.055%	68% of 1-Mo LIBOR or SIFMA + 1bp**	$ (166)	$ (2)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
SHRB 2005 P/Q/R	27,855	11,775	11/1/2006	4/1/2038	4.797%	USD-SIFMA Municipal Swap Index	(183)	(35)	The Bank of New York Mellon	Aa2 / AA- / AA
SHRB 2005 P/Q/R	-	12,495	4/1/2007	4/1/2038	3.927%	68% of 1-Mo LIBOR + 18bp	(161)	(35)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2 / AA- / NR
SHRB 2007 V	69,235	52,570	11/8/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	(1,593)	(183)	Royal Bank of Canada, New York	Aa3 /AA- / AA
SHRB 2008 BB	79,085	79,085	3/1/2009	10/1/2039	3.504%	68% of 1-Mo LIBOR	(4,009)	(285)	The Bank of New York Mellon	Aa2 / AA- / AA
SHRB 2008 Y	74,925	51,180	5/1/2008	10/1/2039	3.757%	69% of 1-Mo LIBOR	(1,283)	(251)	The Bank of New York Mellon	Aa2 / AA- / AA
	$ 256,130	$ 212,135					$ (7,395)	$ (791)		
							1	1		

* Single-Family Housing Revenue Bonds

** If the weighted average of weekly one-month LIBOR rates is 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

Derivative instrument ∑ 1 = (8,186)

(IN THOUSANDS)

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	Counterparty Credit Rating (Moody's/S&P/Fitch)
Cash Flow Hedges:										
MHRB* 2002-G	$ 3,310	$ 3,310	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	$ (662)	$ (2)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa1 / NR / A
MHRB 2013-5	114,920	37,530	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	59	(7,452)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa1 / NR / A
MHRB 2013-5	-	22,550	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	(138)	(4,191)	Goldman Sachs Mitsui Marine Derivative Products	Aa2 / AA- / NR
MHRB 2013-5	-	56,595	5/1/2005	11/1/2046	4.0010%	67% of 1-Mo LIBOR + 18bp	(64)	(7,776)	Bank of America, N.A.	A1 / A+ / A+
MHRB 2013-6	15,695	7,315	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(121)	(1,406)	Bank of America, N.A.	A1 / A+ / A+
MHRB 2013-6	-	8,250	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	(1,300)	(1,967)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
MRB** 2005-F	9,495	8,960	8/10/2005	5/1/2040	4.2190%	USD-SIFMA Municipal Swap Index + 5bp	(138)	(26)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2006-A	15,565	15,565	3/15/2006	5/1/2028	3.7150%	63% of 1-Mo LIBOR + 20.5 bp	(228)	(31)	Royal Bank of Canada, New York	Aa3 / AA- / AA
MRB 2007-G	10,670	10,670	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(333)	(43)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2007-I	5,780	5,780	11/1/2007	5/1/2029	5.9100%	1-Mo LIBOR	(281)	(11)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-B	53,370	69,645	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(12,753)	(378)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-B-HMFA #1426 - Heritage Village at Manalapan	-	2,645	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(468)	-	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-B-HMFA #2190 - Royal Crescent	-	3,200	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(583)	-	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-C	9,470	7,010	11/1/2008	5/1/2040	5.7120%	1-Mo LIBOR	(415)	(25)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-C- HMFA #2265 - Sharp Road	-	2,425	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(656)	-	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-F	48,645	5,450	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(988)	(294)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
MRB 2008-F	-	24,800	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(2,748)	(1,605)	Bank of America, N.A.	A1 / A+ / A+
MRB 2008-G	5,010	1,900	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(600)	-	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
MRB 2008-G	-	3,115	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(625)	(205)	Bank of America, N.A.	A1 / A +/ A+
MRB 2009D HMFA 2101 - Acorn	17,075	1,410	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	(159)	(252)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 1352 - King	-	7,350	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(807)	(1,205)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 1437 -Trenton	-	1,330	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(143)	(221)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 2171 - Royal	-	1,390	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(174)	(264)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 2272 - Toms	-	3,595	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(423)	(489)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
	$ 309,005	$ 311,790					$ (24,748) [1, 2]	$ (27,843) [1, 2]		
Investment Derivatives:										
MRB 2007-G	-	$ 8,300	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	$ (261)		Wells Fargo Bank, N.A.	Aa2 / AA- / AA
		$ 8,300					$ (261) [1]			

* Multi-Family Housing Revenue Bonds
** Multi-Family Revenue Bonds

∑ 1 =	Derivative instrument	(52,852)
∑ 2 =	Accumulated decrease in fair value of hedging derivative	(52,591)

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2016 was $523,925. This portfolio of derivative instruments is used to hedge $633,475 of variable rate debt as of December 31, 2016.

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.

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. 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 $8,300 at December 31, 2016. 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, 2016, this interest rate swap had a fair value of $(261).

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.

(IN THOUSANDS)

NOTE 19 INTERFUND ALLOCATION

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.

Interfund receivable		
General Fund	$	18,910
Interfund payable		
Multi-Family Housing Component	$	18,910

NOTE 20 PRIOR PERIOD ADJUSTMENT

Management of the Agency detected an error in the prior period during the current year. A prior period adjustment was made to correct an error which resulted in an understatement of an amount previously reported as due to the General Fund of the Agency from the Multi-Family Revenue Bond Resolution (MFRB Resolution) and an overstatement of the net position as previously stated for the Multi-Family Revenue Bond Resolution. This prior period adjustment had the opposite effect General Fund balances which, when combined with the effect on the MFRB Resolution, resulted in no change to the Agency's prior amounts as a whole. The effect of the correction of error is as follows:

	As Previously Stated 12/31/15	Correction of Error	As Restated 12/31/15
General Fund Net Position	$ (453,976)	$ (11,055)	$ (465,031)
MFRB Net Position	(267,055)	11,055	(256,000)

NOTE 21 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, 2016, the line of credit had $5,566 aggregate amount outstanding which was comprised of three (3) separate fixed rate amortizing advances. Repayments on the advances vary with remaining periods amortizing between 22-23 years, payable monthly at rates ranging from 5.08% to 6.57%. The Agency has pledged mortgages receivable totaling $3,273, and $3,100 of cash collateral securing this line of credit.

On January 5, 2015, the Agency entered into a Revolving Line of Credit up to $50 million with Wells Fargo, National Association. As of December 31, 2016, there were no draws. The line expires on January 4, 2017.

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 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Agency participates in the Government National Mortgage Association (Ginnie Mae) Mortgage Backed Securities (MBS) Programs. Through the MBS programs, Ginnie Mae guarantees securities that are issued by the Agency and backed by pools of mortgage loans. If a borrower fails to make a timely payment on a mortgage loan, the Agency must use its own funds to ensure that the security holders receive timely payment.

All loans pooled under the Ginnie Mae MBS program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration. The Agency assesses the overall risk of loss on loans that it may be required to repurchase and establishes reserves for them. At December 31, 2016, a reserve for potential losses on repurchased loans had not yet been established as the program did not begin until September 2015 with a limited number of loans. The Agency has, however, set aside $200 in their budget for potential payments due under this program.

NOTE 22 SUBSEQUENT EVENTS

On January 4, 2017, the Agency renewed the Revolving Line of Credit with Wells Fargo, National Association. The credit limit was amended to $10 million.

In January 2017, Standard and Poor’s Ratings Services (S&P) affirmed its AA- rating (with a stable outlook) on the Multi-Family Revenue Bonds Resolution.

On March 21, 2017 the Agency entered into a contract with RPM Development, LLC to purchase Whitlock Mills, a real estate owned property held under the Resolution.

On May 4, 2017, the Agency issued $150,260 of publically offered taxable and tax-exempt Multifamily Revenue Bonds (“MFRB”) to finance 8 new money rental housing developments containing a total of 1,106 multifamily units. In addition, this financing included a refunding component of $47,780 of tax-exempt bonds and $12,040 of taxable bonds.

Subsequent to year end the Multi-Family Revenue Bond Resolution drew a total of $945 and $19,500 from the 2015 Series C and 2016, Series E drawdown bonds, respectively.

NOTE 23 PENDING GASB PRONOUNCEMENTS

The following pending GASB Pronouncements are not expected to impact the financial statements of the Agency:

- GASB statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for fiscal years beginning after June 15, 2016.
- GASB statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for fiscal years beginning after June 15, 2016.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement is effective for reporting periods beginning after December 15, 2015.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This Statement is effective for reporting periods beginning after June 15, 2016.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is effective for reporting periods beginning after December 15, 2016.
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement is effective for reporting periods beginning after June 15, 2016.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF FUNDING PROGRESS – OPEB
AS OF DECEMBER 31, 2016
(IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value 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, 2009	$ -	$ 29,199	$ 29,199	0.00%	$ 18,466	158.12%
January 1, 2011	-	45,393	45,393	0.00%	18,209	249.29%
January 1, 2013	-	56,411	56,411	0.00%	16,625	339.31%
January 1, 2015	-	71,352	71,352	0.00%	19,482	366.25%

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF DECEMBER 31, 2016
(IN THOUSANDS)

	2016	2015
Agency's proportion of net pension liability	0.2949%	0.2783%
Agency's proportionate share of net pension liability	$ 87,342	$ 62,473
Agency's covered-employee payroll	$ 18,509	$ 21,083
Agency's proportionate share of net pension liability as a percentage of its covered-employee payroll	472%	296%
Plan fiduciary net position as a percentage of total pension liability	31.20%	38.21%

* The Agency implemented GASB 68 during fiscal year 2015. As such, only two years of information is available.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S CONTRIBUTIONS
AS OF DECEMBER 31, 2016
(IN THOUSANDS)

	2016	2015
Actuarial determined contributions	$ 2,393	$ 2,098
Contributions in relation to the actuarial determined contribution	$ 2,393	$ 2,098
Contribution deficiency (excess)	$ -	$ -
Agency's covered employee payroll	$ 18,509	$ 21,083
Contributions as a percentage of covered employee payroll	12.93%	9.95%

* The Agency implemented GASB 68 during fiscal year 2015. As such, only two years of information is available.

Notes to Schedule

Valuation Date:
Actuarially determined contribution amounts were calculated as of June 30, 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage of payroll
Remaining amortization period:	30 years, open
Asset valuation method:	5 year, smoothed marked
Inflation:	3.08%
Salary increases:	1.65% - 5.15%
Investment rate of return:	7.65%
Retirement age:	Rates vary by participant age
Mortality:	RP-2000, generational approach based on Projection Scale AA

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
DECEMBER 31, 2016
(IN THOUSANDS)

	FY 2016			
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2015 Total
ASSETS				
CURRENT ASSETS				
Restricted cash and cash equivalents	$ 49,232	$ 33,047	$ 82,279	$ 79,170
Accrued interest receivable on investments	269	-	269	269
Mortgage loans receivable, net	16,813	9,133	25,946	27,685
Due from loan servicers and insurers	1,362	731	2,093	2,741
Other current assets	27,686	4,860	32,546	34,473
Total current assets	95,362	47,771	143,133	144,338
NONCURRENT ASSETS				
Restricted investments	29,895	-	29,895	29,428
Mortgage loans receivable, net	488,346	328,034	816,380	936,942
Debt service arrears receivable, net	5,623	3,721	9,344	11,037
Supplemental mortgages and other loans, net	97	56	153	239
Real estate owned	6,723	2,679	9,402	6,128
Total noncurrent assets	530,684	334,490	865,174	983,774
Total Assets	626,046	382,261	1,008,307	1,128,112
DEFERRED OUTFLOW OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	8,186	-	8,186	15,865
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Bonds and obligations, net	19,700	10,970	30,670	33,305
Accrued interest payable on bonds and obligations	4,662	3,252	7,914	8,942
Other current liabilities	815	778	1,593	1,291
Total current liabilities	25,177	15,000	40,177	43,538
NONCURRENT LIABILITIES				
Bonds and obligations, net	489,976	364,819	854,795	969,997
Derivative instrument	8,186	-	8,186	15,865
Total non-current liabilities	498,162	364,819	862,981	985,862
Total liabilities	523,339	379,819	903,158	1,029,400
DEFERRED INFLOWS OF RESOURCES				
Commitment fees	590	83	673	803
NET POSITION				
Restricted under bond and obligation resolutions	110,303	2,359	112,662	113,774
Total Net Position	$ 110,303	$ 2,359	$ 112,662	$ 113,774

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
YEAR ENDED DECEMBER 31, 2016
(IN THOUSANDS)

	FY 2016			
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2015 Total
OPERATING REVENUES				
Interest income on mortgages loans	$ 28,027	$ 15,950	$ 43,977	$ 49,177
Recovery on mortgage modifications	3,951	-	3,951	-
Recovery of bad debt	178	2,066	2,244	-
Other income, net	217	979	1,196	36
Total operating revenues	32,373	18,995	51,368	49,213
OPERATING EXPENSES				
Interest and amortization of bond prem/disc	22,242	13,459	35,701	41,106
Servicing fees and other	1,550	1,214	2,764	3,323
Professional services and financing costs	144	35	179	515
Loss on sale of real estate owned	7,293	1,731	9,024	11,869
Provision for loan losses	5,062	1,019	6,081	8,981
Total operating expenses	36,291	17,458	53,749	65,794
Operating income (loss)	(3,918)	1,537	(2,381)	(16,581)
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,231	38	1,269	1,451
Income (loss) before transfers	(2,687)	1,575	(1,112)	(15,130)
Transfers	-	-	-	(110)
INCREASE (DECREASE) IN NET POSITION	(2,687)	1,575	(1,112)	(15,240)
NET POSITION, BEGINNING OF YEAR	112,990	784	113,774	129,014
NET POSITION, END OF YEAR	$ 110,303	$ 2,359	$ 112,662	$ 113,774

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM
DECEMBER 31, 2016
(IN THOUSANDS)

	FY 2016					
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	2015 Total
ASSETS						
CURRENT ASSETS						
Restricted cash and cash equivalents	$ -	$ 26	$ 127,129	$ 183,998	$ 311,153	$ 285,551
Restricted investments	-	-	-	-	-	$ 8,134
Accrued interest receivable on investments	-	119	159	157	435	408
Mortgage loans receivable, net	-	4,488	15,815	84,563	104,866	69,271
Supplemental mortgages and other loans, net	-	-	45	-	45	-
Other current assets	-	-	3	23	26	236
Total current assets	-	4,633	143,151	268,741	416,525	363,600
NONCURRENT ASSETS						
Restricted investments	-	6,469	19,427	20,109	46,005	49,509
Mortgage loans receivable, net	-	79,314	248,341	485,684	813,339	834,571
Debt service arrears receivable, net	-	-	14,965	8,948	23,913	127
Supplemental mortgages and other loans, net	-	-	18,398	-	18,398	17,822
Real estate owned	-	-	30,385	-	30,385	21,181
Total noncurrent assets	-	85,783	331,516	514,741	932,040	923,210
Total Assets	$ -	$ 90,416	$ 474,667	$ 783,482	$ 1,348,565	$ 1,286,810
DEFERRED OUTFLOW OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	-	-	25,020	27,571	52,591	64,397
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Bonds and obligations, net	-	4,435	9,430	65,990	79,855	95,781
Accrued interest payable on bonds and obligations	-	1,052	1,771	4,291	7,114	6,899
Mortgagor escrow deposits	-	-	-	-	-	1,107
Interfund allocation	-	-	1,124	17,786	18,910	13,853
Other current liabilities	-	-	33	40	73	63
Total current liabilities	-	5,487	12,358	88,107	105,952	117,703
NONCURRENT LIABILITIES						
Bonds and obligations, net	-	85,755	243,865	599,841	929,461	892,588
Minimum escrow requirement	-	-	2,912	3,762	6,674	6,931
Funds held in trust for mortgagor	-	-	3,455	80	3,535	11,049
Other noncurrent liabilities	-	-	-	2,859	2,859	2,045
Derivative instrument	-	-	25,020	27,832	52,852	64,891
Total noncurrent liabilities	-	85,755	275,252	634,374	995,381	977,504
Total liabilities	-	91,242	287,610	722,481	1,101,333	1,095,207
NET POSITION (DEFICIT)						
Restricted under bond and obligation resolutions	-	(826)	212,077	88,572	299,823	256,000
TOTAL NET POSITION	$ -	$ (826)	$ 212,077	$ 88,572	$ 299,823	$ 256,000

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
MULTI-FAMILY HOUSING PROGRAM
YEAR ENDED DECEMBER 31, 2016
(IN THOUSANDS)

	FY 2016					
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	2015 Total
OPERATING REVENUES						
Interest income on mortgages loans	$ 62	$ 6,018	$ 16,921	$ 28,901	$ 51,902	$ 58,565
Fees and charges	194	135	2,290	6,081	8,700	7,044
Recovery of bad debt	-	-	37,267	2,917	40,184	33,534
Gain on derivative	-	-	-	234	234	223
Other income - net	1,631	-	164	6,197	7,992	1,993
Total operating revenues	1,887	6,153	56,642	44,330	109,012	101,359
OPERATING EXPENSES						
Interest and amortization of bond premium/discounts	45	6,484	12,178	26,686	45,393	46,873
Insurance costs	-	-	8	69	77	283
Servicing fees and other	-	270	-	-	270	270
Salaries and related benefits	-	-	2,015	3,229	5,244	4,298
Professional services and financing costs	17	6	111	1,156	1,290	1,727
General and administrative expenses	-	-	158	254	412	1,090
Provision for loan losses	189	-	-	1,899	2,088	27,818
Total operating expenses	251	6,760	14,470	33,293	54,774	82,359
Operating income (loss)	1,636	(607)	42,172	11,037	54,238	19,000
NONOPERATING REVENUES						
Investment income	5	550	1,133	1,838	3,526	4,109
Income (loss) before transfers	1,641	(57)	43,305	12,875	57,764	23,109
TRANSFERS	(13,905)	3	-	(39)	(13,941)	(8,033)
INCREASE (DECREASE) IN NET POSITION	(12,264)	(54)	43,305	12,836	43,823	15,076
NET POSITION, BEGINNING OF YEAR, AS RESTATED	12,264	(772)	168,772	75,736	256,000	240,924
NET POSITION, END OF YEAR	$ -	$ (826)	$ 212,077	$ 88,572	$ 299,823	$ 256,000