

**NEW JERSEY HOUSING AND
MORTGAGE FINANCE AGENCY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED DECEMBER 31, 2018)**

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED DECEMBER 31, 2018)**

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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, each major fund, and the fiduciary fund of the New Jersey Housing and Mortgage Finance Agency (the Agency), as of and for the year ended December 31, 2019, 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, each major fund and the fiduciary fund of the Agency as of December 31, 2019, 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.

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 4-13, the Schedule of Agency's Proportionate Share of Net Pension Liability, Schedule of Agency's Pension Contributions, Schedule of Changes in the Agency's Net OPEB Liability and Related Ratios, and the Schedule of Agency's OPEB contributions on pages 62-65 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 66-69 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.

Report on Summarized Comparative Information

We have previously audited the Agency's 2018 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
New Jersey Housing and Mortgage Finance Agency

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 23, 2020

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(IN THOUSANDS)

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 accompanying basic financial statements include the proprietary fund of the New Jersey Housing and Mortgage Finance Agency (the Agency) and the fiduciary fund.

Basic Financial Statements

The Agency's proprietary fund engages only in business-type activities and as a result, the Agency's basic financial statements include the statement of net position, the statement of revenue, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Position which provides information about the Agency's investments in resources (assets), deferred outflows of resources, obligations to Agency creditors (liabilities), deferred inflows of resources and net position. Over time, increases or decreases in the Agency's net position may serve as an indicator of whether the financial position of the Agency is improving or deteriorating. Other factors, both internal and external to the Agency, should be considered when evaluating the Agency's financial position.

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.

A fiduciary fund is used to account for resources held for the benefit of parties outside the Agency. A fiduciary fund is not reflected with the proprietary fund financial statements because the resources of the fund are not available to support the proprietary fund programs. The Agency's fiduciary fund is the New Jersey Housing and Mortgage Finance Agency OPEB 115 Trust Fund (the Trust).

The Trust is a separate legal entity created pursuant to a trust agreement initiated by the Agency. The Trust is a private-purpose trust established for the sole purpose of providing health and welfare benefits for retirees and their eligible spouses and dependents as provided by the New Jersey State Health Benefits Program (the Program). All resources of the Trust, including income on investments and other revenues, are held in trust to meet obligations to provide the health and welfare benefit payments to retirees and their eligible spouses and dependents. Resources of the Trust may also be used to pay reasonable expenses of administering the Trust and the Program. Trust receipts consist of contributions made by the Agency. The Trust administers its affairs through its trustee, records its assets in segregated accounts, and maintains financial records separate from the Agency.

Notes to the Financial Statements

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

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Required Supplementary Information

This presents the information regarding the Agency's progress in funding its obligation to provide pension benefits and 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 NJHMFA's financial statements presents the Management's Discussion and Analysis (MD&A), of the Agency's financial performance as of December 31, 2019 and 2018 and for the years then ended. 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 provide funds to purchase loans made to borrowers throughout the State for single family residences in accordance with the requirements of the State and Federal law and the applicable general resolution; 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.

Overview of the Financial Statements

The Agency is a self-supporting entity and follows enterprise fund reporting except for the fiduciary fund. 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. The Agency'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 the Agency to control and manage money for particular purposes and to determine that the Agency is properly using specific resources.

The fiduciary fund is included as the Agency has fiduciary responsibility for it, but it does not follow enterprise fund reporting. The fiduciary fund accounts for resources held for the benefit of parties outside the Agency, and these resources are therefore not available to support the Agency.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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Overall Financial Highlights – Year Ended December 31, 2019

The Agency's overall net position increased by 9.0% from 2018 to 2019. The multifamily portfolio continued to perform well and the single-family portfolio added significant loans resulting from the favorable bond market. The General Fund also performed well with recoveries of bad debt, the sale of Pilgrim Baptist I and II, conduit fee income, the increase in single family loan production through the mortgage backed securities Ginnie Mae platform, and the decrease in Other Post-Employment Benefits (OPEB) liability and the Pension liability.

The Agency solicited offers to purchase Pilgrim Baptist I and Pilgrim Baptist II pursuant to a Request for Offer to Purchase (RFOTP) and acquired title via a deed in lieu of foreclosure. The properties sold for \$52,000, and after paying off the first mortgages in the MFHRB Resolution and the supplemental mortgages in the General Fund, the Agency recognized other income of \$37,738.

In March 2019, the Agency issued \$256,925 of Single Family Housing Revenue Bonds, 2019 Series C and D. The net proceeds of the bonds were used, among other purposes, to provide funds to purchase eligible residential mortgage loans and/or establish debt reserve accounts. This bond issue included both new money (\$156,300) and refunding (\$100,625) components. The refunding component, which refunded various outstanding Housing Revenue Bonds Resolution series, is expected to generate approximately \$8,800 in economic gains (8.8 % of the refunded bonds) to the Resolution.

In December 2019, the Agency issued \$87,930 of Multi-Family Revenue Bonds, 2019 Series A-C. \$57,180 of this amount represents publicly offered tax-exempt and taxable Multi-Family Revenue Bonds to finance 10 new money rental housing developments containing a total of 716 multifamily units. \$30,750 of this amount represents a taxable refunding component which refunded \$30,750 of fixed rate bonds. The refunding is expected to generate approximately \$4,900 in economic gains (16.0% of the refunded bonds) to the MFRB Resolution. The MFRB Resolution received \$1,139 from the Agency to pay cost of issuance fees on the 2019 bond issuance.

As a result of the favorable bond market the Single Family bond fund loan production increased as 951 loans were funded from the Single Family Housing Revenue Bond Resolution in 2019 compared to 314 loans in 2018. In addition, the Agency continued to participate in the mortgage backed securities (MBS) platform as an approved Government National Mortgage Association (Ginnie Mae) issuer of Ginnie Mae I and II single family MBS. In 2019, the Agency securitized 285 loans for \$50,650 with Ginnie Mae II MBS.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, the Agency received a total allocation of \$749,520 in CDBG-DR funds as a sub-recipient to implement three (3) affordable housing programs designed to support the needs of renters and prospective homeowners in the nine counties hardest hit by the storm. The Fund for Restoration of Multifamily Housing (FRM) was allocated \$664,520. The Sandy Special Needs Housing Fund (SSNHF) was allocated \$60,000, and the Sandy Homebuyer Assistance Program (SHAP) was allocated \$25,000. In 2019, the NJHMFA committed \$35,882 in FRM funds to create 1,391 rental opportunities.

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In 2019, the Agency funded 86 HomeSaver homeowner assistance loans under the U.S. Department of Treasury Hardest Hit Funds program. Additionally, the Agency closed 1,016 HomeSeeker Down Payment Assistance loans, each as a second loan behind an Agency first mortgage loan. These are recorded as program income and program expense in the Agency's General Fund.

The Agency's Other Post-Employment Benefits (OPEB) net OPEB obligation decreased by approximately \$34,793. This is primarily the result of the Agency establishing and partially funding an Other Post-Employment Benefits (OPEB) 115 Trust. Since an ongoing funding plan is anticipated, a 5.5% discount rate could be used in actuarial calculations.

The Agency closed 15 conduit bond issues totaling \$292,371 in 2019. In addition, the program has a pipeline in excess of \$400,000.

The Agency has liquidity facilities in place with 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, 2019, the Agency had total variable rate bonds outstanding in the amount of \$115,000 (excluding bond maturities scheduled to occur in 2019) whose related liquidity facilities were scheduled to expire in 2019. The Agency successfully resolved its entire 2019 liquidity expiration exposure of \$115,000 by taking the following actions:

- February 2019 – Extended a MF liquidity facility totaling \$115,000 with the current provider (Citibank, N.A.).

The following ratings actions occurred in 2019:

- January 2019 - Moody's Investors Service (Moody's) maintained its Aa3 rating (positive outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- February 2019 - Standard & Poor's Global Ratings (S&P) affirmed its AA rating (stable outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- March 2019 - S&P affirmed its A+ rating (stable outlook) on the Agency's MF 1991-1 (Presidential Plaza at Newport) bonds and removed the rating from CreditWatch.
- April 2019 - S&P affirmed its AA rating (stable outlook) on the Agency's issuer credit rating (ICR).
- September 2019 - S&P affirmed its AA- rating (stable outlook) on the Agency's Multi-Family Revenue Bonds (MF 2005) Resolution.
- September 2019 - S&P affirmed its AA rating (stable outlook) on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) Resolution.
- November 2019 - S&P affirmed its AA- rating (stable outlook) on the Agency's Multi-Family Revenue Bonds (MF 2005) Resolution.
- November 2019 - S&P affirmed its AA rating (stable outlook) on the Agency's issuer credit rating (ICR).
- In 2019, there were no ratings actions on the Agency's Single Family Home Mortgage Bonds (HMB) Resolution. Moody's rating on the Agency's Single Family Home Mortgage Bonds (HMB) Resolution remains at Aa2 (stable outlook).

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Analysis

The following sections will discuss the Agency's financial results for 2019 compared to 2018. 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 of America. All dollar amounts are in thousands.

Agency'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, 2019. The following table represents the comparison of net position as of December 31, 2019 and 2018. The change between December 31, 2019 and December 31, 2018 should be read in conjunction with the financial statements. The amounts in the table below and in the explanation of changes in certain financial categories are expressed in thousands to provide easier comparison to the Statement of Net Position on pages 14-15.

Condensed Statement of Net Position

	2019	2018	% Change 2019 / 2018
Current and Other Assets	\$ 1,449,846	\$ 1,338,958	8.3 %
Other Noncurrent Assets	2,315,270	2,312,229	0.1
Capital Assets	5,192	6,070	(14.5)
Total Assets	<u>3,770,308</u>	<u>3,657,257</u>	3.1
Deferred Outflows of Resources	51,560	43,591	18.3
Current Liabilities	401,270	431,708	(7.1)
Long-Term Liabilities	2,256,739	2,223,899	1.5
Total Liabilities	<u>2,658,009</u>	<u>2,655,607</u>	0.1
Deferred Inflows of Resources	<u>49,497</u>	<u>21,809</u>	127.0
Net Position:			
Net Investment in Capital Assets	5,192	6,070	(14.5)
Restricted	503,490	498,867	0.9
Unrestricted	605,680	518,495	16.8
Total Net Position	<u>\$ 1,114,362</u>	<u>\$ 1,023,432</u>	8.9

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The Agency's total assets increased by 3.1% between 2018 and 2019 resulting from the following factors:

- Cash, cash equivalents, and investments increased by \$194,369 primarily due to unexpended bond proceeds from the SFHRB Resolution and the MFRB Resolution along with the cash received from the Pilgrim Baptist I and II sale.
- Mortgage loans receivable, supplemental loans receivable and accrued mortgage interest receivable decreased by \$68,567, primarily due to the repayment of short term multifamily loans along with normal mortgage amortization.
- Other current assets decreased by \$7,687 due to the decrease in single family foreclosure claims receivable as the volume of foreclosures has decreased as claims are processed faster.
- The accumulated decrease in fair value of hedging derivatives increased by \$12,788 due to the changes in SIFMA and Libor rates as noted below.

The Agency's total liabilities remained relatively flat between 2018 and 2019 although some larger changes occurred within various categories resulted from the following factors:

- Unearned revenue increased by \$25,891 primarily due to an increase in cash held under the Hardest Hit Fund of \$25,805 which is recorded as unearned revenue until disbursed.
- Pension liability decreased by \$3,005 due to changes in actuarial assumptions used to determine the net pension liability.
- OPEB liability decreased by \$34,793 due to a new actuarial valuation being completed and additional funding of the OPEB Trust by the Agency.
- Derivative instruments (hedging derivative value + off market loan balances) increased by \$12,788 due to a multitude of factors. Individual swaps are affected by changes in Libor and/or SIFMA rates. In 2019, Libor rates were generally stable in the first half of the year before trending downward throughout the second half. SIFMA rates experienced volatility throughout 2019. 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 the notes to the financial statements for further analysis about specific derivative instruments held by the MFHRB and MFRB Resolutions.

Agency'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, 2019 and 2018. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2019 and 2018. It should be read in conjunction with the financial statements. The amounts in the two tables below and in the explanation of changes in certain financial categories are expressed in thousands to provide easier comparison to the Statement of Revenues, Expenses and Changes in Net Position on page 16.

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**Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>% Change 2019 / 2018</u>
Operating Revenues:			
Interest Income on Mortgage Loans	\$ 98,964	\$ 97,595	1.4 %
Fees and Charges	45,556	57,632	(21.0)
Program Income	13,763	49,828	(72.4)
Grant Income	138,871	171,000	(18.8)
Recovery of Bad Debt and Mortgage Modifications	13,761	37,684	(63.5)
Other	47,544	10,370	358.5
Total Operating Revenues	<u>358,459</u>	<u>424,109</u>	(15.5)
Operating Expenses	<u>298,822</u>	<u>376,037</u>	(20.5)
Operating Income	59,637	48,072	24.1
Nonoperating Revenues	<u>31,293</u>	<u>15,892</u>	96.9
Increase in Net Position	90,930	63,964	42.2
Net Position - Beginning of Year	<u>1,023,432</u>	<u>959,468</u>	6.7
Net Position - End of Year	<u>\$ 1,114,362</u>	<u>\$ 1,023,432</u>	8.9

The 15.5% decrease in operating revenue is due to the following factors:

- Fees and charges decreased by \$12,076 due to a repayment of \$7,187 in escrow shortages posted to fees and charges on single family loans in 2018 and a decrease in MBS production in 2019 along with a decrease in mortgages outstanding which resulted in a reduction of fees collected.
- Program income decreased by \$36,065 due to the winding down of the U.S. Treasury Hardest Hit Fund HomeKeeper and HomeSaver programs.
- Grant income decreased by \$32,129 due to the decreased volume of Community Development Block Grants for Disaster recovery from Superstorm Sandy.
- Recovery on bad debt and mortgage modifications decreased by \$23,923 due to the decreased volume of delinquent single family loans in need of modification.
- Other income increased by \$37,174 due to the sale of the Pilgrim Baptist I and II multifamily developments.

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**Summary of Operating Expenses
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>% Change 2019 / 2018</u>
Operating Expenses:			
Interest and Amortization	\$ 75,702	\$ 73,734	2.7 %
Insurance Costs	1,020	855	19.3
Servicing Fees and Other	5,812	7,889	(26.3)
Salaries and Related Benefits	25,661	30,673	(16.3)
Professional Services and Financing Costs	11,267	13,688	(17.7)
General and Administrative Expenses	5,834	7,202	(19.0)
Grant Expense	139,147	171,675	(18.9)
Program Expense	11,717	45,517	(74.3)
Pension Expense	3,674	1,185	210.0
Loss on Sale of Real Estate Owned	5,418	2,559	111.7
Provision for Loan Losses	13,570	21,060	(35.6)
Total Operating Expenses	<u>\$ 298,822</u>	<u>\$ 376,037</u>	(20.5)

Total operating expenses decreased by 20.5%. The following significant fluctuations occurred within operating expenses:

- Salaries and related benefits decreased by \$5,012 primarily from a decrease in OPEB Trust funding of \$13,795 in 2018 to \$6,899 in 2019.
- Grant expense decreased by \$32,528 primarily due to the decreased volume of Community Development Block Grants for Disaster recovery from SuperStorm Sandy.
- Program expense decreased by \$33,800 due to the winding down of the U.S. Treasury Hardest Hit Fund HomeKeeper and HomeSaver programs.
- Pension expense increased by \$2,489 due to the change in actuarial and economic assumptions used to calculate the pension liability.
- Provision for loan losses decreased by \$7,490 due to a decrease in delinquent single family and multifamily loans.

Debt Administration

At December 31, 2019, the Agency had \$1,883,563 of bond principal outstanding, net of deferral on refunding, discount, and premium which represents an increase of 0.4% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2019 and 2018, and the changes in bonds payable. Dollars are expressed in thousands to provide easier comparison to the Statement of Net Position on pages 14-15.

	<u>2019</u>	<u>2018</u>	<u>% Change 2019 / 2018</u>
Bonds Payable, Net	<u>\$ 1,883,563</u>	<u>\$ 1,876,089</u>	0.4 %

Additional information about the Agency's debt is presented in the notes to the financial statements.

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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. In 2019, the Agency continued funding loans via the mortgage backed securities platform (MBS) in addition to the issuance of the \$256,925 2019 Series C & D bonds described on page 6.

Multi-Family Programs

The Agency provides bond proceeds as loans to finance the construction and acquisition of multi-family housing projects designed to serve low-to-moderate income individuals and families. The Agency continued funding these loans in 2019 with the issuance of the \$87,930 Multi-Family Revenue Bonds 2019 Series A-C as described on page 6.

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 and bond rates** – Over the last two years, the interest rate environment has allowed the Agency to re-enter the mortgage revenue bond (MRB) market, its traditional loan financing mechanism, which has increased the Agency's ability to lend profitably at competitive loan interest rates. The Agency continues to operate its 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. The backlog of foreclosure cases that existed for several years has now been cleared. The foreclosure process can take between 18-24 months to complete. The shortened timeframe is beneficial to the Agency in managing the REO portfolio. The average length of time to sell Agency REO properties also decreased by 4.65% in 2019 versus 2018.
- **Trends in home prices** – New Jersey has seen the number of home sales rise in 2019 by 0.1% versus 2018 volumes. Average home sales prices increased in 2019 by 3.3% over 2018.
- **Continued Effect of Superstorm Sandy** – The recovery from Superstorm Sandy continues to influence our multifamily production. CDBG-DR funds 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 changes as credit ratings change. In 2019, S&P affirmed its A+ rating (stable outlook) on the Agency's MF 1991-1 (Presidential Plaza at Newport) bonds and removed the rating from CreditWatch. All other ratings by Moody's and S&P were either maintained, affirmed or no action was taken on all current ratings on the Agency and its other bond resolutions.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(IN THOUSANDS)**

- **COVID-19** – The COVID-19 pandemic is having significant effect on global markets, supply chains, businesses and communities. Specific to the Agency, COVID-19 may impact various parts of its 2020 operations and financial results including ,but not limited to, an increase in non-performing loans, an increase in loans in forbearance and a decrease in loan production, all of which would likely reduce revenues and increase expenses. Management is taking appropriate actions to mitigate potential negative impacts, but the full impact of COVID-19 is unknown and will continued to evolve as the pandemic develops during 2020.

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, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)
(IN THOUSANDS)

	Primary Government							
	Bonds and Obligation Funds				Interfund Eliminations	Business-Type Activities		
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal		2019	2018	
CURRENT ASSETS								
Cash and Cash Equivalents	\$ -	\$ -	\$ 181,850	\$ 181,850	\$ -	\$ 181,850	\$ 122,072	
Restricted Cash and Cash Equivalents	228,596	444,682	455,530	1,128,808	-	1,128,808	970,255	
Investments	-	-	12,398	12,398	-	12,398	20,062	
Restricted Investments	-	-	450	450	-	450	31,526	
Accrued Interest Receivable on Investments	154	315	1,266	1,735	-	1,735	1,614	
Mortgage Loans Receivable, Net	25,218	46,920	16,408	88,546	-	88,546	148,396	
Supplemental Mortgages and Other Loans, Net	-	46	3,213	3,259	-	3,259	2,988	
Fees and Other Charges Receivable	-	-	2,726	2,726	-	2,726	3,381	
Accrued Interest Receivable on Mortgages	4,432	4,036	3,092	11,560	-	11,560	13,901	
Due from Loan Servicers	3,330	-	581	3,911	-	3,911	2,473	
Due from Other Funds	-	-	2,959	2,959	(2,959)	-	-	
Other Current Assets	8,938	99	5,566	14,603	-	14,603	22,290	
Total Current Assets	270,668	496,098	686,039	1,452,805	(2,959)	1,449,846	1,338,958	
NONCURRENT ASSETS								
Investments	-	-	245,287	245,287	-	245,287	224,169	
Restricted Investments	3,696	37,937	15,385	57,018	-	57,018	63,358	
Mortgage Loans Receivable, Net	749,843	792,140	148,670	1,690,653	-	1,690,653	1,702,414	
Supplemental Mortgages and Other Loans, Net	90	35,250	276,357	311,697	-	311,697	306,583	
Real Estate Owned	7,447	-	478	7,925	-	7,925	12,159	
Capital Assets, Net	-	-	5,192	5,192	-	5,192	6,070	
Other Noncurrent Assets	-	-	2,690	2,690	-	2,690	3,546	
Total Noncurrent Assets	761,076	865,327	694,059	2,320,462	-	2,320,462	2,318,299	
Total Assets	1,031,744	1,361,425	1,380,098	3,773,267	(2,959)	3,770,308	3,657,257	
DEFERRED OUTFLOWS OF RESOURCES								
Pension	-	-	9,128	9,128	-	9,128	13,079	
OPEB	-	-	-	-	-	-	868	
Acc. Decrease in Fair Value of Hedging Derivatives	-	42,432	-	42,432	-	42,432	29,644	
Total Deferred Outflows of Resources	-	42,432	9,128	51,560	-	51,560	43,591	

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds				Business-Type Activities		
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2019	2018
CURRENT LIABILITIES							
Bonds and Obligations, Net	\$ 28,100	\$ 93,790	\$ -	\$ 121,890	\$ -	\$ 121,890	\$ 156,266
Accrued Interest Payable on Bonds and Obligations	7,920	6,583	-	14,503	-	14,503	13,811
Subsidy Payments Received in Advance	-	-	974	974	-	974	2,287
Advances from State of NJ for Bond/Hsng Assist	-	-	10,834	10,834	-	10,834	11,021
Other Current Liabilities	616	45	8,894	9,555	-	9,555	9,992
Interfund Allocation	-	2,959	-	2,959	(2,959)	-	-
Mortgagor Escrow Deposits	-	-	243,514	243,514	-	243,514	238,331
Total Current Liabilities	36,636	103,377	264,216	404,229	(2,959)	401,270	431,708
NONCURRENT LIABILITIES							
Bonds and Obligations, Net	832,130	929,543	-	1,761,673	-	1,761,673	1,719,823
Minimum Escrow Requirement	-	6,308	646	6,954	-	6,954	7,171
Funds Held in Trust for Mortgagors	-	3,091	310,570	313,661	-	313,661	321,628
Other Noncurrent Liabilities	-	557	5,027	5,584	-	5,584	7,291
OPEB Liability	-	-	14,021	14,021	-	14,021	48,814
Net Pension Liability	-	-	50,549	50,549	-	50,549	53,554
Derivative Instrument	-	42,432	-	42,432	-	42,432	29,644
Unearned Revenue	-	-	61,865	61,865	-	61,865	35,974
Total Noncurrent Liabilities	832,130	981,931	442,678	2,256,739	-	2,256,739	2,223,899
Total Liabilities	868,766	1,085,308	706,894	2,660,968	(2,959)	2,658,009	2,655,607
DEFERRED INFLOWS OF RESOURCES							
Pension	-	-	21,393	21,393	-	21,393	21,643
OPEB	-	-	28,104	28,104	-	28,104	123
Commitment Fees	-	-	-	-	-	-	43
Total Deferred Inflows of Resources	-	-	49,497	49,497	-	49,497	21,809
NET POSITION							
Net Investment in Capital Assets	-	-	5,192	5,192	-	5,192	6,070
Restricted Under Bond and Obligation Resolutions	162,978	318,549	-	481,527	-	481,527	474,808
Restricted for Special Needs Housing	-	-	21,963	21,963	-	21,963	24,059
Unrestricted	-	-	605,680	605,680	-	605,680	518,495
Total Net Position	\$ 162,978	\$ 318,549	\$ 632,835	\$ 1,114,362	\$ -	\$ 1,114,362	\$ 1,023,432

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, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds		General Fund	Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component		2019	2018
OPERATING REVENUES					
Interest Income on Mortgage Loans	\$ 35,912	\$ 50,238	\$ 12,814	\$ 98,964	\$ 97,595
Fees and Charges	-	135	45,421	45,556	57,632
Program Income	-	-	13,763	13,763	49,828
Grant Income	-	-	138,871	138,871	171,000
Recovery on Mortgage Modifications	2,378	-	284	2,662	2,352
Recovery of Bad Debt	2,547	87	8,465	11,099	35,332
Other Income - Net	-	2,327	45,217	47,544	10,370
Total Operating Revenues	<u>40,837</u>	<u>52,787</u>	<u>264,835</u>	<u>358,459</u>	<u>424,109</u>
OPERATING EXPENSES					
Interest and Amortization of Bond Premium and Discounts	30,343	45,010	349	75,702	73,734
Insurance Costs	-	49	971	1,020	855
Servicing Fees and Other	2,840	270	2,702	5,812	7,889
Salaries and Related Benefits	-	-	25,661	25,661	30,673
Professional Services and Financing Costs	5,571	731	4,965	11,267	13,688
General and Administrative Expenses	-	-	5,834	5,834	7,202
Grant Expense	-	-	139,147	139,147	171,675
Program Expense	-	-	11,717	11,717	45,517
Pension Expense	-	-	3,674	3,674	1,185
Loss on Sale of Real Estate Owned	5,029	-	389	5,418	2,559
Provision for Loan Losses	8,507	3,036	2,027	13,570	21,060
Total Operating Expenses	<u>52,290</u>	<u>49,096</u>	<u>197,436</u>	<u>298,822</u>	<u>376,037</u>
OPERATING INCOME (LOSS)	(11,453)	3,691	67,399	59,637	48,072
NONOPERATING REVENUES					
Investment Income	6,119	7,911	17,263	31,293	15,892
INCOME (LOSS) BEFORE TRANSFERS	(5,334)	11,602	84,662	90,930	63,964
TRANSFERS	(688)	1,139	(451)	-	-
INCREASE (DECREASE) IN NET POSITION	(6,022)	12,741	84,211	90,930	63,964
Net Position - Beginning of Year	169,000	305,808	548,624	1,023,432	959,468
NET POSITION - END OF YEAR	<u>\$ 162,978</u>	<u>\$ 318,549</u>	<u>\$ 632,835</u>	<u>\$ 1,114,362</u>	<u>\$ 1,023,432</u>

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Interest on Mortgages and Loans	\$ 40,337	\$ 50,004	\$ 12,814	\$ 103,155	\$ 105,965
Receipts from Fees, Charges and Other	-	2,462	273,023	275,485	247,836
Receipts from Principal Payments on Mortgage Receivables	88,931	595,637	17,829	702,397	366,274
Receipts (Payments) for Funds Held in Trust	-	-	(2,807)	(2,807)	9,320
Payments to Employees	-	-	(39,402)	(39,402)	(50,413)
Payments to Vendors	(8,127)	(1,112)	(163,583)	(172,822)	(248,150)
Payments to Mortgage Purchases and Advances	(152,030)	(455,600)	(18,923)	(626,553)	(319,121)
Payments for Interest and Amortization	(31,150)	(46,821)	(349)	(78,320)	(74,219)
(Payments) Receipts for Other	(6,656)	(291)	-	(6,947)	(10,145)
Net Cash Provided (Used) by Operating Activities	(68,695)	144,279	78,602	154,186	27,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Bond Premium	11,352	-	-	11,352	-
Receipts from Proceeds of Sale of Bonds and Obligations	256,925	87,930	-	344,855	639,439
Payments for Retirement of Bonds	(184,016)	(163,011)	-	(347,027)	(573,934)
Transfers and Other	(688)	1,139	(451)	-	(9,955)
Net Cash Provided (Used) by Noncapital Financing Activities	83,573	(73,942)	(451)	9,180	55,550
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	-	(170)	(170)	(129)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Investments	-	(10,373)	(26,043)	(36,416)	(153,349)
Sales/Maturities of Investments	33,159	13,457	14,032	60,648	139,409
Earnings on Investments	5,793	7,909	17,200	30,902	16,573
Net Cash Provided by Investing Activities	38,952	10,993	5,189	55,134	2,633
INCREASE IN CASH AND CASH EQUIVALENTS	53,830	81,330	83,170	218,330	85,401
Cash and Cash Equivalents - Beginning of Year	174,766	363,352	554,210	1,092,328	1,006,926
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 228,596</u>	<u>\$ 444,682</u>	<u>\$ 637,380</u>	<u>\$ 1,310,658</u>	<u>\$ 1,092,327</u>

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds		General Fund	Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component		2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH					
PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (11,453)	\$ 3,691	\$ 67,399	\$ 59,637	\$ 48,072
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation Expense	-	-	1,048	1,048	1,057
Gain on Real Estate Owned	5,029	-	389	5,418	2,559
Provision for Loan Losses	8,507	3,036	2,027	13,570	21,060
Amortization of Premium and Discounts	(1,718)	11	-	(1,707)	(181)
Effects of Changes in Operating Assets, Liabilities and Deferred Outflows/Inflows of Resources:					
Mortgage Loans Receivable, Net	(76,299)	139,950	(9,101)	54,550	(35,198)
Fees and Other Charges Receivable	-	-	540	540	(1,191)
Mortgage Interest Receivable	1,796	597	-	2,393	357
Due from Loan Servicers and Insurers	(941)	-	(497)	(1,438)	(557)
Other Assets	6,171	36	505	6,712	1,572
Real Estate Owned	(939)	-	(245)	(1,184)	37,707
Interfund Allocation	-	(192)	192	-	-
Deferred Outflow of Resources - Pension	-	-	4,821	4,821	7,110
Deferred Outflow of Resources - OPEB	-	-	-	-	(868)
Accrued Interest Payable on Bonds	954	(262)	-	692	12
Advance from the State of New Jersey	-	-	(187)	(187)	(214)
Funds Held in Trust for Mortgagor	-	-	(7,967)	(7,967)	10,803
Minimum Escrow Requirement	-	(194)	(23)	(217)	92
Mortgagor Escrow Deposits	-	-	5,183	5,183	(1,371)
Subsidy Payments Received in Advance	-	-	(1,313)	(1,313)	(1,768)
Unearned Revenue	-	-	25,890	25,890	(45,553)
Net Pension Liability	-	-	(3,005)	(3,005)	(12,578)
OPEB Liability	-	-	(34,793)	(34,793)	(8,419)
Deferred Inflow of Resources - Commitment Fees	(43)	-	-	(43)	(510)
Deferred Inflow of Resources - Pension	-	-	(373)	(373)	3,809
Deferred Inflow of Resources - OPEB	-	-	28,104	28,104	123
Other Liabilities	241	(2,394)	9	(2,144)	1,422
Net Cash Provided (Used) by Operating Activities	<u>\$ (68,695)</u>	<u>\$ 144,279</u>	<u>\$ 78,603</u>	<u>\$ 154,187</u>	<u>\$ 27,347</u>

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF FIDUCIARY NET POSITION – OPEB TRUST
DECEMBER 31, 2019
(IN THOUSANDS)

ASSETS

Cash and Cash Equivalents	\$ 585
Investment Income Receivable	1
Investments	<u>18,881</u>
 Total Assets	 <u><u>\$ 19,467</u></u>

LIABILITIES

Accrued Expenses and Benefits Payable	\$ 57
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NET POSITION, RESTRICTED FOR OPEB

	<u>19,410</u>
 Total Liabilities and Net Position	 <u><u>\$ 19,467</u></u>

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

ADDITIONS

Employer Trust Contributions	\$	6,899
Investment Income (Loss):		
Interest		9
Dividends		307
Other Income		5
Net Increase in Fair Value of Investments		1,922
Less Direct Investment Expenses		<u>(58)</u>
Net Investment Income		<u>2,185</u>
Total Additions		9,084

DEDUCTIONS

Benefit Payments		<u>1,155</u>
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NET INCREASE IN NET POSITION

7,929

Net Position Restricted for OPEB - Beginning of Year

11,481

NET POSITION RESTRICTED FOR OPEB - END OF YEAR

\$ 19,410

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

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 7 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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

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 \$63,600 for the year ended December 31, 2019.

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 \$8,889 for the year ended December 31, 2019.

A fiduciary fund is used to account for resources held for the benefit of parties outside the Agency. The Agency's fiduciary fund is the New Jersey Housing and Mortgage Finance Agency OPEB 115 Trust Fund (the Trust). The Trust is a separate legal entity created pursuant to a trust agreement initiated by the Agency established for the sole purpose of providing health and welfare benefits for retirees and their eligible spouses and dependents as provided by the New Jersey State Health Benefits Program (the Program). All resources of the Trust, including income on investments and other revenues, are held in trust to meet obligations to provide the health and welfare benefit payments to retirees and their eligible spouses and dependents. Resources of the Trust may also be used to pay reasonable expenses of administering the Trust and the Program. Trust receipts consist of contributions made by the Agency. The Trust administers its affairs through its trustee, records its assets in segregated accounts, and maintains financial records separate from the Agency.

Reporting Entity

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure and determining whether the Agency itself is a component unit, the Agency applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39, 61 and 80. Through the application of these GASB criteria, management of the Agency determined that 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.

In addition, management of the Agency determined that A Better Camden Corporation is a component unit of the Agency due to control and financial accountability as further described below.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

A Better Camden Corporation

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly owned subsidiary corporation, 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.

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 statements as a blended component unit. 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 Presentation, Measurement Focus, and Accounting

The Agency engages only in business-type activities. The financial statements of the Agency are presented as an enterprise fund and accounted for on the flow of economic resources measurement focus using 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 and the accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America (GAAP).

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activity is excluded from presentation in enterprise fund financial statements. The Trust uses 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 Trust is required to follow all statements of the GASB and the accompanying financial statements have been prepared in conformance with GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, 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 the following as major funds:

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.

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

The Agency reports the following as a fiduciary fund:

New Jersey Housing Mortgage and Finance Agency OPEB 115 Trust Fund

The Trust is a separate legal entity created pursuant to a trust agreement initiated by the Agency on December 22, 2017. The Trust is a private-purpose trust established for the sole purpose of providing health and welfare benefits for retirees and their eligible spouses and dependents as provided by the New Jersey State Health Benefits Program (the Program). All resources of the Trust, including income on investments and other revenues, are held in trust to meet obligations to provide the health and welfare benefit payments to retirees and their eligible spouses and dependents. Resources of the Trust may also be used to pay reasonable expenses of administering the Trust and the Program. Trust receipts consist of contributions made by the Agency. The Trust administers its affairs through its trustee, records its assets in segregated accounts, and maintains financial records separate from the Agency. The Trust is presented in the accompanying fiduciary fund financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments of the Trust fiduciary fund are stated at fair value. The fair value is generally based on quoted market prices at December 31, 2019.

Capital Assets and Related Depreciation

The Agency capitalizes all capital assets with an acquisition value greater than \$1,000 at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
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.

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Mortgage Servicing Rights

Certain mortgage loans are sold with mortgaged servicing rights retained by the Agency. The value of mortgage loans sold with servicing rights retained is reduced by the cost allocated to the associated mortgage servicing rights. Gain or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. The Agency estimates fair value for servicing rights based on the present value of future expected cash flows, using management's best estimate of the key assumptions—credit losses, prepayment speeds, servicing costs, earnings rate, and discount rates commensurate with the risks involved.

Capitalized servicing rights are reported at fair value and changes in fair value are reported in net income for the period the change occurs.

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 homeowners may face similar cash flow issues causing loans to become uncollectible. The Agency has provided allowances for loan losses of \$256,998 as of December 31, 2019 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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Advances from the State of New Jersey for Affordable Housing

Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low-income projects. The amount available for the program is \$1,194 as of December 31, 2019 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 revenues arise when potential revenue has not been earned in the current period. Unearned revenues also arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements and/or the occurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met or when the Agency has a legal claim to the resources, the liability for the unearned revenue is removed from the statement of net position, and revenue is recognized.

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 inflows from pension and (2) the deferred inflows from OPEB. 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 two items that are required to be reported in this category: (1) differences between expected and actual experience, changes in assumptions and employer proportionate share of the net pension liability that are being amortized over future periods, and (2) the accumulated decrease in fair value of hedging derivatives.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the State of New Jersey State Health Benefits Plan (the Plan). For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest-earning investment contracts with a maturity at time of purchase of one year or less, which are reported at cost.

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.

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating 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 nonoperating 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.

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

In fiscal year 2019, the Agency implemented the following GASB Statement 88 – *Certain Disclosures related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires additional disclosures in the financial statements related to any unused lines of credit, assets pledged as collateral for debt and other information related to debt that may have financial impacts. The implementation of this standard did not have any financial impact on the Agency.

NOTE 2 EARLY EXTINGUISHMENT OF DEBT

During the year ended December 31, 2019, 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 \$193,270.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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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 or Trust'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 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 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, 2019, the Agency's bank balance amounted to \$65,367, 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 investments are managed by BlackRock pursuant to an agreement between the Agency and BlackRock. BlackRock has been instructed to follow the Agency's aforementioned investment policy.

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

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Types (Continued)

Also permitted are asset backed securities, mortgage backed securities and collateralized mortgage obligations, however, these securities must be rated AA or higher 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. Further, excluding the aforementioned equity investments, the Agency's Investment Policy indicates the maximum effective duration of any individual security is not to exceed 10.5 years.

In addition to those investments discussed above, certain 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.

Investment Policy – Bond Resolutions

The Agency's 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. Generally, the 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 Bond 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 New Jersey treasurer is custodian.

New Jersey and Bank of America Cash Management Funds

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 New Jersey municipal securities.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

The following assets held by the Agency as of December 31, 2019 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	\$ 63,489
Money Market Funds	636,944
NJ Cash Management Fund	327,578
Bank of America Cash Management Fund	282,647
Investments	315,153
Total	<u>\$ 1,625,811</u>

The following assets held by the Fiduciary Fund of the Agency as of December 31, 2019 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:	
	\$ 585
Investments	18,881
Total	<u>\$ 19,466</u>

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 impose concentration limits on certain types of investments which may limit the Agency's exposure to market interest rate risk. Certain investment types may have 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 20% of the aggregate market value of the portfolio.

The maximum effective duration of the General Fund investment portfolio is not to exceed 10.5 years.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Interest Rate Risk (Continued)

As of December 31, 2019, the value and maturities for the assets related to the General Fund were as follows:

Assets	Value	Maturities (in Years)				
		Less Than 1	1-5	6-10	11-15	More Than 15
Cash and Cash Equivalents:						
Cash and Cash Equivalents	\$ 60,576	\$ 60,576	\$ -	\$ -	\$ -	\$ -
Money Market Funds	91,399	91,399	-	-	-	-
NJ Cash Mgmt Fund	202,758	202,758	-	-	-	-
Bank of America Cash Mgmt Fund	282,647	282,647	-	-	-	-
Investment Type:						
Money Market Funds	3,795	3,795	-	-	-	-
U.S. Govt and Agency Obligations	88,758	-	29,207	42,619	3,934	12,998
Comm. Mortgage-Backed Securities	12,486	582	693	3,058	-	8,153
Collateralized Mortgage Obligations	2,517	-	-	-	-	2,517
Asset Backed Securities	55,780	-	48,915	3,994	1,053	1,818
Municipal Bonds	15,835	450	-	-	-	15,385
Corporate Notes	94,349	8,021	63,804	22,524	-	-
Total	\$ 910,900	\$ 650,228	\$ 142,619	\$ 72,195	\$ 4,987	\$ 40,871

As of December 31, 2019, the value and maturities for the assets related to the Fiduciary Fund were as follows:

Assets	Value	Maturities (in Years)	
		Less Than 1	1-5
Cash and Cash Equivalents	\$ 585	\$ 585	\$ -
Mutual Funds	18,881	18,881	-
Total	\$ 19,466	\$ 19,466	\$ -

As of December 31, 2019, the value and maturities for the assets related to the Bond Resolutions were as follows:

Assets	Value	Maturities (in Years)		
		Less Than 1	10-15	More Than 15
Cash and Cash Equivalents:				
Cash and Cash Equivalents	\$ 2,913	\$ 2,913	\$ -	\$ -
Money Market Funds	545,545	545,545	-	-
NJ Cash Management Fund	124,820	124,820	-	-
Investments:				
Guaranteed Investment Contracts	37,937	-	7,733	30,204
Federal Home Loan Mortgage Corp	3,696	-	3,696	-
Total	\$ 714,911	\$ 673,278	\$ 11,429	\$ 30,204

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

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 must have a minimum rating of AA, while mortgage backed securities and collateralized mortgage obligations must have a minimum rating of AA+. Further, the minimum short-term debt rating of money market instruments or other instruments with maturities of less than one year is Aaa-mf/AAAm while the minimum long-term debt rating for all other instruments, excluding the permitted equity investments, is BBB.

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 equal to 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 equal to the unenhanced rating on the bonds.

As of December 31, 2019, the General Fund had the following investments, maturities, and credit quality:

Investment Type:	Value	Weighted Average Maturity (Years)	Credit Ratings	
			S&P	Moody's
Money Market Funds	\$ 95,194	0.45	AAA	Aaa
U.S. Govt and Agency Obligations	88,758	9.16	AA+	Aaa
Comm. Mortgage-Backed Securities	12,486	20.42	AAA to AA+	Aaa
Collateralized Mortgage Obligations	2,517	27.67	AAA	Aaa
Asset Backed Securities	55,780	4.61	AAA	Aaa
Municipal Bonds	15,835	28.35	AA-	Unrated
Corporate Notes	94,349	3.57	AAA to BBB	Aaa to Baa2
Total investments	<u>\$ 364,919</u>			

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Credit Risk (Continued)

As of December 31, 2019, the Bond Resolution had the following investments, maturities, and credit quality:

Investment type:	Value	Weighted Average Maturity (Years)	Credit Ratings	
			S&P	Moody's
Guaranteed Investment Contracts	\$ 37,937	17.03	Unrated	Unrated
Federal Home Loan Mortgage Corp	3,696	12.55	AA+	AAA
Total investments	<u>\$ 41,633</u>			

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, 2019.

Issuer	December 31, 2019	
Municipal Bonds	\$ 15,835	5.79%
U.S. Treasury	88,758	32.45%

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the year ended December 31, 2019, 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, 2019:

Issuer	December 31, 2019	
Federal Home Loan Mortgage Corp	\$ 3,696	8.88%
Guaranteed Investment Contracts	37,937	91.12%

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Concentration of Credit Risk (Continued)

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.

The debt service reserves required for the Multi-Family Program were \$62,812 as of December 31, 2019. The required reserves were covered by the \$28,220 restricted noncurrent investments at December 31, 2019. 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 \$4,337 of Surety Bonds outstanding as of December 31, 2019. The remaining reserves were covered by restricted cash equivalents.

The debt service reserves required for the Single-Family Program were \$17,204, as of December 31, 2019, which is 2% of bonds outstanding. The required reserves were covered by the \$3,696 restricted noncurrent investments at December 31, 2019, with the remainder covered by restricted money market funds.

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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, 2019, the General Fund had the following recurring fair value measurements:

	12/31/2019	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities:				
Government and Agency Obligations	\$ 88,758	\$ -	\$ 88,758	\$ -
Commercial Mortgage-Backed Securities	12,486	-	12,486	-
Collateralized Mortgage Obligations	2,517	-	2,517	-
Asset Backed Securities	55,780	-	55,780	-
Municipal Obligations	15,835	-	15,835	-
Total Debt Securities	175,376	-	175,376	-
Equity Securities:				
Corporate Notes	94,349	-	94,349	-
Total Investments by Fair Value Level	\$ 269,725	\$ -	\$ 269,725	\$ -
Mortgage Servicing Rights	\$ 2,647	\$ -	\$ 2,647	\$ -

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Fair Value Measurements (Continued)

As of December 31, 2019, the Bond Resolutions had the following recurring fair value measurements:

- Federal Home Loan Mortgage Corporation securities of \$3,696 are valued using significant other observable inputs (Level 2).
- Pay-fixed, receive variable interest rate swap agreements of \$42,432 are valued using the matrix pricing technique (Level 2).

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, 2019 is:

Interest Income on Investments	\$	23,500
Unrealized Gain on Investments		7,793
Total		\$ 31,293

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 of 1.00% to 10.70% per annum and are secured by first liens on the related real property. The outstanding balances by type of loan as of December 31, 2019 are as follows:

Mortgage Loans Receivable	\$	780,245
Allowance for Loan Losses		(5,184)
Mortgage Receivable - Net		775,061
Less: Current Portion		(25,218)
Long Term Portion		\$ 749,843

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 MORTGAGE LOANS RECEIVABLE (CONTINUED)

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31, 2019 consisted of the following:

Mortgage Loans Subject to Subsidy Contracts Under Section 8 of the United States Housing Act	\$ 44,653
Mortgage Loans Subject to Subsidy Contracts Under Section 236 of the National Housing Act	74,573
Unsubsidized Mortgage Loans	734,467
Subtotal	<u>853,693</u>
Allowance for Loan Losses	(6,048)
Undisbursed Mortgage Loans	<u>(8,585)</u>
Mortgage Receivable - Net	839,060
Less: Current Portion	<u>(46,920)</u>
Long Term Portion	<u><u>\$ 792,140</u></u>

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, 2019 consisted of the following:

Mortgage Loans Subject to Subsidy Contracts Under Section 8 of the United States Housing Act	\$ 3,817
Mortgage Loans Subject to Subsidy Contracts Under Section 236 of the National Housing Act	6,090
Unsubsidized Mortgage Loans	242,386
Loans Held for Sale	8,063
Subtotal	<u>260,356</u>
Allowance for Loan Losses	(91,078)
Advanced (Undisbursed) Mortgage Proceeds	<u>(4,200)</u>
Mortgage Receivable - Net	165,078
Less: Current Portion	<u>(16,408)</u>
Long Term Portion	<u><u>\$ 148,670</u></u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 4 MORTGAGE LOANS RECEIVABLE (CONTINUED)

Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying statement of net position. The unpaid principal balance of mortgage loans serviced for others amounted to \$327,674 at December 31, 2019. Mortgage servicing rights are included in other assets in the accompanying statement of net position. The Agency has elected to record its mortgage servicing rights using the fair value measurement method. Significant assumptions used in determining the fair value of servicing rights as of December 31, 2019 include prepayment assumptions based on the Public Securities Associations Standard Prepayment Model, an internal rate of return of 13.5% to 15.5%, servicing costs of \$85 to \$100 per loan (not in thousands), annually (with higher costs for delinquent loans) an inflation rate on servicing costs of 3% and an earnings rate of 1.50%.

The following is a summary of mortgage servicing rights activity for the year ended December 31, 2019.

Fair Value at Beginning of Year	\$ 3,492
Changes in Fair Value	(845)
Fair Value at End of Year	<u><u>\$ 2,647</u></u>

NOTE 5 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, 2019 consisted of the following:

Supplemental Mortgages	\$ 2,279
Allowance for Loan Losses	(2,189)
Long Term Supplemental Mortgages, Net	<u><u>\$ 90</u></u>

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31, 2019 consisted of the following:

Supplemental Mortgages	\$ 35,525
Allowance for Loan Losses	(229)
Supplemental Mortgages, Net	<u>35,296</u>
Less: Current Portion	(46)
Long Term Portion	<u><u>\$ 35,250</u></u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 6 SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

General Fund Component

The General Fund supplemental mortgages and other loans receivable as of December 31, 2019 consisted of the following:

Mortgages Subject to Subsidy Contracts Under Section 8 of the National Housing Act	\$	488
Mortgages Subject to Subsidy Contracts Under Section 236 of the National Housing Act		493
Agency Supplemental Mortgages		265,507
Special Needs Housing Trust Fund Mortgages		158,893
State of New Jersey Supplemental Mortgages		8,398
Other		750
Subtotal		<u>434,529</u>
Allowance for Loan Losses		(152,270)
Undisbursed Supplemental Mortgage Proceeds		<u>(2,689)</u>
Supplemental Mortgages and Other Loans Receivable, Net		279,570
Less: Current Portion		<u>(3,213)</u>
Long Term Portion	\$	<u><u>276,357</u></u>

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, 2018	Additions	Deletions	Balance December 31, 2019
Nondepreciable Capital Assets:				
Land	\$ 1,225	\$ -	\$ -	\$ 1,225
Depreciable Capital Assets:				
Building and Building Improvements	17,067	-	-	17,067
Motor Vehicles	611	35	(127)	519
Machinery and Equipment	7,662	135	(65)	7,732
Furniture and Fixtures	649	-	-	649
Total	<u>25,989</u>	<u>170</u>	<u>(192)</u>	<u>25,967</u>
Less Accumulated Depreciation:				
Building and Building Improvements	(13,184)	(682)	-	(13,866)
Motor Vehicles	(399)	(87)	127	(359)
Machinery and Equipment	(6,953)	(263)	65	(7,151)
Furniture and Fixtures	(608)	(16)	-	(624)
Total	<u>(21,144)</u>	<u>(1,048)</u>	<u>192</u>	<u>(22,000)</u>
Total Capital Assets, Net	<u>\$ 6,070</u>	<u>\$ (878)</u>	<u>\$ -</u>	<u>\$ 5,192</u>

Depreciation expense was \$1,048 for the year ended December 31, 2019.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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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, 2019 the following bonds and obligations:

Description of Bonds as Issued	Bonds Outstanding December 31,			Bonds Outstanding December 31,	
	2018	Issued	Reductions	2019	Amount Due Within One Year
Single Family Housing Revenue Bonds					
2004 Series I, variable rate, due 2025 to 2034	\$ 5,686	\$ -	\$ 5,686	\$ -	\$ -
2005 Series O, variable rate, due 2026 to 2031	22,910	-	22,910	-	-
2005 Series R, variable rate, due 2031 to 2038	18,170	-	18,170	-	-
2009 Series CC, 0.875% to 5.25%, due 2010 to 2038	27,680	-	27,680	-	-
2009 Series EE, 2.00% to 5.20%, due 2010 to 2025	16,240	-	16,240	-	-
2009 Series FF, 4.00% to 5.05%, due 2019 to 2039	5,300	-	5,300	-	-
2009 Series GG, 1.00% to 5.00%, due 2010 to 2039	13,055	-	13,055	-	-
2018 Series A, 3.60% to 4.50%, due 2033 to 2048	184,065	-	15,860	168,205	-
2018 Series B, 1.65% to 3.80%, due 2018 to 2032	190,725	-	18,305	172,420	11,325
2019 Series C 2.55% to 4.75%, due 2026 to 2050	-	202,720	7,820	194,900	-
2019 Series D 1.9% to 4.00%, due 2019 to 2026	-	54,205	645	53,560	7,970
Total Single Family Housing Revenue Bonds	483,831	256,925	151,671	589,085	19,295
Single Family Home Mortgage Bonds					
2009 Series A1, 3.63%, due 10/01/2041	66,290	-	5,810	60,480	-
2009 Series A2, 3.63%, due 10/01/2029	30,510	-	4,650	25,860	2,100
2011 Series A, 0.50% to 4.65%, due 10/01/2029	33,990	-	5,165	28,825	2,185
2009 Series B1, 2.64%, due 10/01/2041	66,840	-	5,340	61,500	-
2009 Series B2, 2.64%, due 10/01/2025	37,280	-	7,510	29,770	4,520
2011 Series B, 4.00% to 4.50%, due 10/01/2032	48,360	-	3,870	44,490	-
Total Single Family Home Mortgage Bonds	283,270	-	32,345	250,925	8,805
Total Single Family Bonds Program	767,101	256,925	184,016	840,010	28,100
Net Premium on Bonds Payable	10,838	11,352	1,970	20,220	-
Net Discount on Bonds Payable	(252)	-	(252)	-	-
Total Single Family Bonds Payable (Net)	777,687	268,277	185,734	860,230	28,100

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31,			Bonds Outstanding December 31,		Amount Due Within One Year
	2018	Issued	Reductions	2019		
Multi-Family Housing Revenue						
1991 Series I, (Residential Plaza) 6.50% to 7.00%, due 1992 to 2030	\$ 81,005	\$ -	\$ 5,085	\$ 75,920		\$ 5,450
Multi-Family Housing Revenue Bonds 1995 Resolution						
2000 Series C2, variable rate, due 2001 to 2032	4,300	-	185	4,115		205
2002 Series G, variable rate, due 2003 to 2025	2,670	-	350	2,320		370
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	23,625	-	2,040	21,585		1,915
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	60,175	-	2,425	57,750		2,530
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	13,205	-	330	12,875		720
2013 Series 5, variable rate, due 2013 to 2046	105,820	-	4,820	101,000		5,090
2013 Series 6, variable rate, due 2013 to 2037	14,600	-	605	13,995		660
Total Multi-Family Housing Revenue Bonds	234,025	-	14,015	220,010		11,490
Multi-Family Revenue Bonds 2005 Resolution						
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	24,850	-	24,850	-		-
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,560	-	3,560	-		-
2009 Series D, variable rate, due 2010 to 2048	16,270	-	435	15,835		450
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	4,750	-	370	4,380		380
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	28,360	-	950	27,410		1,000
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	19,050	-	445	18,605		470
2012 Series C, 4.38%, due 2013 to 2043	2,935	-	50	2,885		55
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	8,455	-	180	8,275		195
2012 Series F, 4.83%, due 2014 to 2042	330	-	5	325		5
2014 Series A, 0.5% to 4.55%, due 2016 to 2045	2,225	-	80	2,145		80
2014 Series B, 0.45% to 5.25%, due 2014 to 2046	23,170	-	735	22,435		785
2015 Series A, 0.55% to 4.00%, due 2016 to 2045	10,590	-	160	10,430		170
2015 Series C, 3.80%, due 2016 to 2047	7,665	-	170	7,495		165
2015 Series E, 0.813% to 4.671%, due 2015 to 2045	118,035	-	7,090	110,945		7,520
2016 Series A, 1.15% to 3.90%, due 2018 to 2050	42,695	-	705	41,990		915
2016 Series B, 1.00% to 1.25%, due 2017 to 2019	21,355	-	21,355	-		-
2016 Series C, 1.30% to 5.00%, due 2016 to 2046	3,720	-	210	3,510		215
2016 Series D, 0.875% to 3.70%, due 2016 to 2036	2,335	-	80	2,255		80
2016 Series E, variable rate, due 2019	53,351	-	53,351	-		-
2017 Series A, 1.35% to 4.20%, due 2018 to 2050	30,365	-	1,205	29,160		665
2017 Series B, 1.65% to 2.00%, due 2020 to 2021	56,005	-	-	56,005		17,070
2017 Series C, 1.50% to 4.968%, due 2017 to 2051	13,410	-	430	12,980		485
2017 Series D, 1.25% to 4.45%, due 2017 to 2048	44,465	-	2,330	42,135		2,445
2018 Series A, 1.900% To 4.100%, due 2019 to 2053	44,020	-	1,140	42,880		560
2018 Series B, 2.000% To 2.100%, due 2019 to 2020	56,595	-	20,125	36,470		36,470
2018 Series C, 2.750% To 4.550%, due 2019 to 2048	44,630	-	1,495	43,135		1,515
2018 Series D, 3.200%, due 2021	9,105	-	-	9,105		-
2018 Series E, 2.050% To 2.500%, due 2019 to 2021	6,850	-	1,915	4,935		2,390
2018 Series F, Variable Rate, due 2039 to 2048	27,185	-	-	27,185		-
2018 Series G, Variable Rate, due 2019 to 2039	50,000	-	300	49,700		730
2018 Series H, Variable Rate, due 2019 to 2039	7,150	-	190	6,960		195
2019 Series A 1.25% to 3.15%, due 2020 to 2053	-	11,945	-	11,945		35
2019 Series B 1.30% to 1.50% due 2020 to 2023	-	25,845	-	25,845		1,610
2019 Series C 1.90% to 4.00% due 2020 to 2058	-	50,140	-	50,140		195
Total Multi-Family Revenue Bonds	783,481	87,930	143,911	727,500		76,850
Total Multi-Family Bonds Program	1,098,511	87,930	163,011	1,023,430		93,790
Net Discount on Bonds Payable	(109)	-	(12)	(97)		-
Total Multi-Family Bonds Payable (Net)	1,098,402	\$ 87,930	\$ 162,999	1,023,333		93,790
Total Bonds Payable	<u>\$ 1,876,089</u>			<u>\$ 1,883,563</u>		<u>\$ 121,890</u>

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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

In March 2019, the Agency issued \$256,925 of Single Family Housing Revenue Bonds, 2019 Series C and D. The net proceeds of the bonds were used, among other purposes, to provide funds to purchase eligible residential mortgage loans and/or establish debt reserve accounts. This bond issue included both new money (\$156,300) and refunding (\$100,625) components. The refunding component, which refunded various outstanding variable rate Housing Revenue Bonds Resolution series, is expected to generate approximately \$8,800 in economic gains (8.8% of the refunded bonds) to the Resolution.

In December 2019, the Agency issued \$87,930 of Multi-Family Revenue Bonds, 2019 Series A-C. \$57,180 of this amount represents publicly offered tax-exempt and taxable Multi-Family Revenue Bonds to finance 10 new money rental housing developments containing a total of 716 multifamily units. \$30,750 of this amount represents a taxable refunding component which refunded \$30,750 of fixed rate bonds. The refunding is expected to generate approximately \$4,900 in economic gains (16.0% of the refunded bonds) to the MFRB Resolution. The MFRB Resolution received \$1,139 from the Agency to pay cost of issuance fees on the 2019 bond issuance.

Interest paid on variable-rate tax-exempt bonds is closely correlated with The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Rate and taxable bond rates are closely correlated with LIBOR or the FHLB Discount Note rate plus a fixed spread. Generally, note resets occur quarterly, monthly or weekly. The net proceeds of the aforementioned bonds and obligations were used to make qualified mortgage loans, purchase eligible residential mortgage and home improvement loans and/or establish debt service reserve accounts. As of December 31, 2019, there was \$8,585 of undisbursed proceeds of construction loans and \$59,429 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.

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

Agency Component	Fixed and Unhedged Variable Rate	
	Principal	Interest
Single Family		
2020	\$ 28,100	\$ 31,472
2021	29,320	30,599
2022	30,455	29,649
2023	31,605	28,630
2024	32,805	27,550
2025-2029	185,785	119,071
2030-2034	177,875	83,918
2035-2039	161,405	50,628
2040-2044	92,920	24,864
2045-2049	68,295	8,070
2050	1,445	42
Total	<u>\$ 840,010</u>	<u>\$ 434,493</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Future Principal and Interest Requirements (Continued)

Agency Component	Fixed and Unhedged Variable Rate		Hedged Variable Rate			Total Principal	Related Interest and Interest Rate Swaps, Net
	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net		
Multi-Family							
2020	\$ 86,295	\$ 30,745	\$ 7,495	\$ 4,658	\$ 6,458	\$ 93,790	\$ 41,861
2021	91,220	28,613	7,585	4,619	6,135	98,805	39,367
2022	33,920	26,599	7,895	4,478	5,884	41,815	36,961
2023	49,710	25,191	8,695	4,326	5,620	58,405	35,137
2024	34,185	23,727	9,655	4,148	4,764	43,840	32,639
2025-2029	172,865	95,706	49,105	17,735	16,793	221,970	130,234
2030-2034	115,485	61,860	45,360	12,594	10,632	160,845	85,086
2035-2039	94,745	39,039	38,025	7,463	5,836	132,770	52,338
2040-2044	77,530	19,392	27,035	3,817	3,012	104,565	26,221
2045-2049	38,810	6,072	16,145	783	776	54,955	7,631
2050-2054	10,240	945	-	-	-	10,240	945
2055-2058	1,430	108	-	-	-	1,430	108
Total	<u>\$ 806,435</u>	<u>\$ 357,997</u>	<u>\$ 216,995</u>	<u>\$ 64,621</u>	<u>\$ 65,910</u>	<u>\$ 1,023,430</u>	<u>\$ 488,528</u>

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, 2019, conduit debt outstanding aggregated \$1,103,998.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 9 CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Agency's MF Conduit Bonds outstanding as of December 31, 2019 are as follows:

Conduit Project	Series	Closing Date	Debt Issuance	Balance 12/31/2019
*Capital Funds Program Revenue Bonds	2004-A	12/23/2004	\$ 79,860	\$ 20,570
*Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	6,070
2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,415
Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,280
Asbury Park Gardens	2012-A	7/1/2012	14,310	12,975
Washington Dodd	2012-F	12/12/2012	19,755	16,895
Carl Miller Homes	2012-C	12/28/2012	31,656	2,495
Hampshire House	2012-D	1/11/2013	6,400	6,025
Alexander Hamilton III	2013-B	2/20/2013	11,762	520
Mclver Homes	2013-C	5/23/2013	5,200	4,290
Great Falls	2013-M	1/9/2014	15,400	14,697
Brigantine Apts.	2014-G	1/30/2014	11,510	10,780
Catherine Todd	2014-N	10/24/2014	9,415	4,331
Atlantic City Townhouses	2014-P	12/23/2014	17,800	13,090
Glennview Townhouses II	2014-R	12/30/2014	6,243	2,931
Willows at Waretown	2014-M	6/27/2014	9,281	2,367
Paragon Village	2015-Q	2/27/2015	13,700	13,280
Fairview Homes	2015-L	5/7/2015	13,200	12,408
609 Broad	2015-D	5/12/2015	66,800	46,515
Lexington Manor	2015-B	6/29/2015	11,750	10,710
Hollybush I & II	2015-S	10/14/2015	14,500	13,920
Riverside Arms	2015-H	11/20/2015	17,550	11,416
Edward Sisco	2015-O	12/4/2015	18,232	15,691
North 25	2015-F	12/15/2015	14,850	14,355
Brunswick Estates	2015-AA	12/17/2015	27,000	10,040
Egg Harbor	2015-BB	12/30/2015	10,790	837
Colt Arms	2016-A	1/15/2016	21,455	16,605
Pavilion	2016-B	3/1/2016	26,667	22,762
The Aspire Project	2016-1	5/24/2016	49,935	49,935
Ocean Towers	2016-E	5/26/2016	9,200	6,113
Wesmont Station	2016-J	6/27/2016	2,638	2,556
Glassworks at Aberdeen	2016-L	8/23/2016	17,540	2,909
Keansburg Mixed Income	2016-I	9/27/2016	35,745	21,853
999 Broad Phase I	2016-H	11/1/2016	10,706	10,084
Montgomery Gardens Family Phase I	2016-M	11/21/2016	23,573	21,998
Oak Lane at Little Egg Harbor	2017-C	3/10/2017	8,977	1,480
New Horizons	2017-A	4/12/2017	20,798	14,995
Montgomery Heights II	2017-3	4/28/2017	21,300	18,604
Willows at Whiting	2017-1	5/5/2017	10,079	2,188
Jacobs Landing	2017-2	5/18/2017	17,065	3,152
Residences at Willow Pond Village	2017-H	5/24/2017	2,089	2,037
Stafford Senior Apartments	2017-E	5/31/2017	13,065	4,114
Bridgeton Villas	2017-4	6/19/2017	9,553	7,265
Camden Townhouses	2017-F	7/28/2017	15,075	-
Berkeley Terrace Apartments	2017-G	7/14/2017	17,500	15,956
New Hope Village	2017-D	9/14/2017	14,511	8,482
Victorian Towers	2017-5	10/31/2017	13,067	9,527
Gardens Family & Senior	2017-7	11/21/2017	23,568	23,568
Douglas Homes	2017-8	11/21/2017	12,583	12,583
Roseville Senior	2017-9	11/21/2017	7,238	6,728
Carrino Plaza Apartments	2017-L	11/29/2017	11,600	-
Commons Family & Senior	2017-10	11/21/2017	40,321	34,532
PERTH Amboy Housing Authority Family RAD	2017-K	11/30/2017	11,300	2,347
Washington Street/ St. James	2017-6	11/30/2017	17,375	15,837
Marveld Crescent	2017-M	12/22/2017	5,955	2,898
Cedar Meadows Apartments	2017-11	12/22/2017	16,070	14,554
Garden Spires	2018-A	8/23/2018	59,385	59,385
Spruce Spires	2018-B	8/23/2018	16,315	16,315
Grace West Apartments	2018-C	11/11/2018	45,000	45,000
Georgia King Village	2018-E	10/18/2018	40,640	40,640
Villa Victoria	2018-F	11/28/2018	24,000	24,000
Heritage at Galloway	2018-G 1,2	9/11/2018	16,021	6,672
Manahawkin Family Apartments	2018-I	11/15/2018	9,690	5,408
Flemington Junction Apartments	2018-J	11/1/2018	4,659	4,608
North Brunswick Crescent	2018-L 1,2	11/20/2018	15,255	15,139
Dalina Manor	2018-M	11/2/2018	2,804	2,775
Vista Village Apartments	2018-I	8/23/2018	10,263	7,253
Harvard Printing Apartments	2018-2	10/25/2018	9,690	9,565
Waretown Family Apartments	2019-A	2/8/2019	8,940	4,230
The Station at Grant Avenue	2019-B1,2	4/18/2019	15,415	6,351
Oceanport Gardens	2019-C	6/28/2019	14,700	14,700
Riverside Senior Apartments	2019-D	12/20/2019	15,070	15,070
Pilgrim Baptist Village I & II	2019-E	9/27/2019	44,000	44,000
Riverside Family Apartments	2019-F	12/19/2019	37,480	37,480
Peter J. McGuire Gardens Preservation	2019-G	11/21/2019	22,080	22,080
Al Gomer	2019-1A,B	5/16/2019	9,525	4,969
Daughters of Israel	2019-2A,B	5/16/2019	19,770	13,411
Howell Family Apartments	2019-3A,B	4/5/2019	12,180	2,274
Sencit Liberty Apartments	2019-4A,B	9/30/2019	23,211	7,828
Franklin Square Village	2019-5	8/19/2019	25,500	25,500
Greater Englewood Apartments	2019-6	12/19/2019	22,600	13,880
Cooper Plaza Townhomes	2019-7A,B	12/12/2019	6,900	6,900
540 Broad Street	2019-8A	12/19/2019	15,000	15,000
		Total Conduit Debt	<u>\$ 1,531,090</u>	<u>\$ 1,103,998</u>

*Capital Fund bonds to finance certain capital renovations

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NOTE 10 FUNDS HELD IN TRUST FOR MORTGAGORS

Funds held by the Agency for its projects include proceeds from conversion of projects from nonprofit 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, 2019, include the following:

General Fund:	
Community Development Escrows	\$ 1,473
Development Cost Escrows	898
Other Funds Held in Trust	308,199
Total General Fund	<u>310,570</u>
Multi-Family Housing Component	3,091
Total	<u>\$ 313,661</u>

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, 2019, include the following:

General Fund:	
Reserve for Repairs and Replacements	\$ 194,758
Tax and Insurance Escrows	48,756
Total	<u>\$ 243,514</u>

NOTE 12 CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Bonds and Obligations, Net	\$1,876,089	\$ 356,207	\$ (348,733)	\$1,883,563	\$ 121,890
Minimum Escrow Requirement	7,171	250	(467)	6,954	-
Funds Held in Trust for Mortgagor	321,628	364,220	(372,187)	313,661	-
Other Noncurrent Liabilities	7,291	-	(1,707)	5,584	-
OPEB Liability	48,814	-	(34,793)	14,021	-
Net Pension Liability	53,554	-	(3,005)	50,549	-
Derivative Instrument	29,644	12,788	-	42,432	-
Unearned Revenues	35,975	47,014	(21,124)	61,865	-
Total	<u>\$ 2,418,445</u>	<u>\$ 780,479</u>	<u>\$ (782,016)</u>	<u>\$ 2,378,629</u>	<u>\$ 121,890</u>

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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, 2018	\$ 6,070	\$ 498,867	\$ 518,495	\$ 1,023,432
Net Income	-	4,172	86,758	90,930
Acquisition of Capital Assets	170	-	(170)	-
Transfer	-	451	(451)	-
Depreciation on Capital Assets	(1,048)	-	1,048	-
Net Position at December 31, 2019	<u>\$ 5,192</u>	<u>\$ 503,490</u>	<u>\$ 605,680</u>	<u>\$ 1,114,362</u>

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, 2019. The appropriated general fund net position makes up part, but not all, of the unrestricted net position reported on the statement of net position.

ABC Corporation	\$ 9
Affordable Rental Housing Subsidy Loan Program	2
Bond Refunding Proceeds	1,625
CDBG Advance Funding	2,283
CDBG RAP	2,720
CHOICE	5,068
CHOICE Mortgage Commitment	1,846
CIAP Loan Program	1,768
Developmental Disabilities Partnership	11,170
Ex-Offenders Re-Entry Housing Program	37
Foreclosure Mediation Assistance Program	960
Homeless Management Information System	100
HOPE	500
Hospital Partnership Subsidy Program	12,000
MBS Mortgage Backed Security Start up	782
Neighborhood Redevelopment and Revitalization	9,971
NJHMFA Portion of Undisbursed Mortgage Proceeds	60
Non-Bond Multi-Family Program	36,890
Portfolio Reserve Balance	999
Smart Start	1,503
Special Needs Revolving Loan Program	802
Strategic Zone Lending Pool	5,731
Total	<u>\$ 96,826</u>

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NOTE 13 NET POSITION (CONTINUED)

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 members 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. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the active member contribution rate was 7.50% in State fiscal year 2019. Employer contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

The Agency's contributions to the plan for fiscal years ended December 31, 2019, 2018, and 2017 were \$2,729, \$2,705, and \$2,632, respectively, and were equal to the required contributions.

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NOTE 13 PENSION PLAN (CONTINUED)

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, 2018, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The proportionate share for the Agency is 0.2786%, an increase of 0.0066 from the prior year amount of 0.2720%. At December 31, 2019, the Agency reported a NPL of \$50,549 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, 2019, the Agency recognized pension expense of \$3,674. At December 31, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual Experience	\$ 907	\$ 224
Changes of Assumptions	5,048	17,545
Changes in Proportion	3,173	2,826
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	798
Total	<u>\$ 9,128</u>	<u>\$ 21,393</u>

Actuarial Assumptions

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ (1,450)
2021	(4,702)
2022	(4,199)
2023	(1,971)
2024	57
Total	<u>\$ (12,265)</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 13 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The total pension liability (TPL) for the year ended June 30, 2019 was measured as of a valuation date of July 1, 2018 and projected to June 30, 2019 using the entry age normal cost method. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. Significant actuarial assumptions used in the valuation included:

Inflation	2.75%
Salary Increases	
2019-2026	2.00-6.00% Based on Years of Service
Thereafter	3.00-7.00% Based on Years of Service
Long-Term Expected Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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' target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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NOTE 13 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2019, 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:

	<u>1% Decrease (5.28%)</u>	<u>Current Discount Rate (6.28%)</u>	<u>1% Increase (7.28%)</u>
Total Net Pension Liability PERS			
Local Group	\$ 22,918,608	\$ 18,143,832	\$ 14,120,407
Agency's Proportionate Share	63,851	50,549	39,339

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Agency is a local employer in the State of New Jersey State Health Benefits Plan (SHBP). 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 under the umbrella of the State plan for purposes of the Agency, is not a separate entity or trust, and does not issue stand-alone financial statements.

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NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

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. At the valuation date of January 1, 2019, the following employees were covered by the benefit terms:

Active Plan Members	288
Retirees Currently Receiving Benefit Payments	<u>94</u>
Total	<u><u>382</u></u>

Contributions

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 range from 1% – 8.75% of the insurance premium based on salary, with a minimum of 1.5% of salary to be contributed. During the year ended December 31, 2019, the Agency paid \$2,983 in health insurance premiums for current employees. The Agency also paid \$1,155 for the year ended December 31, 2019, 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.

Net OPEB Liability

The Agency's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 which was rolled forward to a measurement date of December 31, 2019 for purposes of calculating the net OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.50%
Investment Rate of Return	5.50%
Healthcare Cost Trend Rates	0% for 2019, increasing to an ultimate rate of 4.20% in 2068

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NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

The plan has not had a formal actuarial experience study performed. Mortality rates were based on the PUBG.H-2010 Mortality Tables head count weighted, projected forward using Mortality Improvement Scale MP-2019 from 2010 base year on a generational basis. The other actuarial assumptions are based on the 2014 experience study report for the New Jersey Public Employees Retirement System (PERS).

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	3.00 %	0.34%
U.S. Core Fixed Income	47.00	2.13%
U.S. Large Caps	10.50	4.70%
U.S. Small Caps	4.00	5.89%
U.S. Mid Caps	7.00	5.17%
U.S. Large Growth	8.00	5.37%
U.S. Large Value	8.00	4.63%
Non-U.S. Equity	12.50	6.38%
Total	<u>100.00 %</u>	

Actuarial Methods and Assumptions

Discount Rate

The discount rate used to measure the OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at December 31, 2018	\$ 60,295	\$ 11,481	\$ 48,814
Changes for the Year:			
Service Cost	1,748	-	1,748
Interest on Total OPEB Liability	3,381	-	3,381
Differences Between Expected and Actual Experience	(935)	-	(935)
Effect of Assumptions, Changes or Inputs	(29,903)	-	(29,903)
Losses	-	-	-
Contributions - Employer	-	6,899	(6,899)
Net Investment Income	-	2,185	(2,185)
Benefit Payments	(1,155)	(1,155)	-
Administrative Expense	-	-	-
Net Changes	<u>(26,864)</u>	<u>7,929</u>	<u>(34,793)</u>
Balances at December 31, 2019	<u>\$ 33,431</u>	<u>\$ 19,410</u>	<u>\$ 14,021</u>

Sensitivity of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Agency calculated using the discount rate of 5.50%, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current discount rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 19,608	\$ 14,021	\$ 9,532

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the Agency calculated using the current healthcare cost trend rates as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. No trend is assumed for 2019 since plan premiums did not increase between 2019 and 2020. Healthcare cost trend rates through 2068 range from 3.2% to 5.6%:

Changes in the Net OPEB Liability

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 8,803	\$ 14,021	\$ 20,696

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NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2019, the Agency recognized OPEB expense of \$954. At December 31, 2019, the Agency reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 939
Changes of assumptions	26,581
Net Difference Between Projected and Actual Earnings	584
Total	<u>\$ 28,104</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ (3,534)
2021	(3,534)
2022	(3,534)
2023	(3,751)
2024	(3,442)
Thereafter	(10,309)
Total	<u>\$ (28,104)</u>

NOTE 15 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.

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NOTE 16 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, 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 17 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% 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% confidence level, and a regression coefficient for the slope between -1.25 and -0.80.

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NOTE 17 DERIVATIVE INSTRUMENTS (CONTINUED)

Terms, Fair Values, and Credit Risk

At December 31, 2019, all multi-family derivatives met the criteria for effectiveness.

The terms and fair values of the outstanding swaps as of December 31, 2019, 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.

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NOTE 17 DERIVATIVE INSTRUMENTS (CONTINUED)

The following table presents both the hedging derivative value and the off market loan balances for Multi-Family Bond Component Swaps at December 31, 2019. This presentation has no effect on the net position of the Agency.

Multi-Family Bond Component Swaps

Associated Bond Issue	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	\$ 2,320	\$ 2,320	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	\$ (324)	\$ (1)	Merrill Lynch Capital Services, Inc. (MLCS)	A2 / A- / A+
MHRB 2013-5	101,000	30,365	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	(752)	(4,479)	Merrill Lynch Capital Services, Inc. (MLCS)	A2 / A- / A+
MHRB 2013-5	-	19,600	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	(876)	(2,993)	Goldman Sachs MMDP	Aa2 / AA- / NR
MHRB 2013-5	-	51,495	5/1/2005	5/1/2024	4.0010%	67% of 1-Mo LIBOR + 18bp	(591)	(4,434)	Bank of America, N.A.	Aa2 / A+ / AA-
MHRB 2013-6	13,995	6,510	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(339)	(1,086)	Bank of America, N.A.	Aa2 / A+ / AA-
MHRB 2013-6	-	7,450	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	(133)	(1,531)	JPMorgan Chase Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-F HMFA #1426 - Heritage Village at Manalapan	27,185	2,420	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(184)	(291)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-F HMFA #2190 - Royal Crescent	-	2,950	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(226)	(367)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-F; MRB 2018-G	-	46,550	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(4,290)	(8,418)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-G	49,700	20,115	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(1,162)	(2,844)	Bank of America, N.A.	Aa2 / A+ / AA-
MRB 2018-G	-	4,850	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(778)	(576)	JPMorgan Chase Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-H HMFA #2265 Sharp Rd	6,960	2,265	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(234)	(391)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-H	-	1,800	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(191)	(348)	JPMorgan Chase Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-H	-	2,895	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(263)	(489)	Bank of America, N.A.	Aa2 / A+ / AA-
MRB 2009D HMFA #2101 - Acorn	15,835	1,295	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	(176)	(203)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #1352 - King	-	6,750	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(862)	(967)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #2171 - Royal	-	1,330	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(204)	(235)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #2272 - Toms	-	3,325	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(468)	(400)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #1437 -Trenton	-	1,215	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(149)	(177)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
	<u>\$ 216,995</u>	<u>\$ 215,500</u>					<u>\$ (12,202)</u>	<u>\$ (30,230)</u>		
							1, 2	1, 2		

MHRB = Multi-Family Housing Revenue Bonds
MRB = Multi-Family Revenue Bonds

Σ 1 = Derivative instrument \$ (42,432)
Σ 2 = Accumulated decrease in fair value of hedging derivative (42,432)

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

NOTE 17 DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2019 was \$215,500. This portfolio of derivative instruments is used to hedge \$216,995 of the Agency's total \$221,110 variable rate debt as of December 31, 2019.

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.

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

NOTE 18 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	<u>\$ 2,959</u>
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Interfund Payable:

Multi-Family Housing Component	<u>\$ 2,959</u>
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NOTE 19 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, 2019, the line of credit had \$5,173 aggregate amount outstanding which was comprised of three (3) separate fixed rate, amortizing advances. Repayments on the advances vary with maturity dates in 2038 and 2039, payable monthly at rates ranging from 5.08% to 6.57%. The Agency has pledged mortgages receivable totaling \$2,547 and \$3,170 of cash collateral securing this line of credit.

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.

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 set aside \$525 in their budget for potential payments due under this program.

The Agency had a \$25,000 revolving line of credit with Wells Fargo Bank which accrues interest on any advances based on an applicable LIBOR rate as described in the agreement. At December 31, 2019 there were no advances under this line of credit. On December 31, 2019, the Agency and Wells Fargo Bank extended the availability of the line of credit through December 30, 2020 and reduced the limit to \$15,000.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(IN THOUSANDS)

NOTE 20 SUBSEQUENT EVENTS

In January 2020 the Agency transferred \$5,000 to SFHMB Resolution to provide additional support to the Resolution and \$5,000 to the SFHRB Resolution to cover costs of issuance expenses of future bond issuances and to provide additional support to the Resolution.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Agency, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, an increase in non-performing loans, an increase in loans in forbearance and a decrease in loan production, all of which would likely reduce revenues and increase expenses. Management believes the Agency is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF DECEMBER 31, 2019
(IN THOUSANDS)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's Proportion of Net Pension Liability	0.2786%	0.2720%	0.2841%	0.2949%	0.2783%
Agency's Proportionate Share of Net Pension Liability	\$ 50,549	\$ 53,554	\$ 66,132	\$ 87,342	\$ 62,473
Agency's Covered Payroll	\$ 20,212	\$ 20,815	\$ 19,000	\$ 18,509	\$ 21,083
Agency's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	250%	257%	348%	472%	296%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.04%	40.45%	36.78%	31.20%	38.21%

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S PENSION CONTRIBUTIONS
AS OF DECEMBER 31, 2019
(IN THOUSANDS)

	2019	2018	2017	2016	2015
Actuarial Determined Contributions	\$ 2,729	\$ 2,705	\$ 2,632	\$ 2,393	\$ 2,098
Contributions in Relation to the Actuarial Determined Contribution	\$ 2,729	\$ 2,705	\$ 2,632	\$ 2,393	\$ 2,098
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's Covered Payroll	\$ 20,212	\$ 20,815	\$ 19,000	\$ 18,509	\$ 21,083
Contributions as a Percentage of Covered Payroll	13.50%	13.00%	13.85%	12.93%	9.95%

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

Notes to Schedule

Valuation Date:

Actuarially determined contribution amounts were calculated as of June 30, 2019

Methods and Assumptions Used to Determine

Contribution Rates:

Actuarial cost method:	Projected Unit Credit Cost
Amortization method:	Level percentage of payroll
Remaining amortization period:	30 years, closed
Asset valuation method:	5 year, smoothed marked
Inflation:	2.75%
Salary increases:	3.00-7.00%
Investment rate of return:	7.30%
Retirement age:	Rates vary by participant age
Mortality:	Society of Actuaries Scale MP-2019

Changes in Assumptions

There were no changes in assumptions when comparing to the prior year

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF CHANGES IN THE AGENCY'S NET OPEB LIABILITY AND RELATED RATIOS
AS OF DECEMBER 31, 2019
(IN THOUSANDS)

	Last 10 Fiscal Years									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
TOTAL OPEB LIABILITY										
Service Cost	\$ 1,748	\$ 1,708	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Total OPEB Liability	3,381	3,196	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of Benefit Terms	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference Between Expected and Actual Experience	(935)	(138)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of Assumptions	(29,903)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(1,155)	(1,704)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in total OPEB Liability	(26,864)	3,062	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability - Beginning	60,295	57,233	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability - Ending (a)	<u>\$ 33,431</u>	<u>60,295</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 6,899	\$ 13,795	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Investment Income	2,185	(610)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(1,155)	(1,704)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative Expenses	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	7,929	11,481	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	11,481	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	<u>\$ 19,410</u>	<u>\$ 11,481</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB Liability (a) - (b)	\$ 14,021	\$ 48,814	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a % of Total OPEB Liability	58.06%	19.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	\$ 20,240	\$ 18,991	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as a % of Covered Employee Payroll	69.27%	257.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:
Benefit Changes: None
Changes of Assumptions: None

This schedule presents all information that is available until ten years of information is compiled.

N/A – Information not yet available

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S OPEB CONTRIBUTIONS
AS OF DECEMBER 31, 2019
(IN THOUSANDS)**

	Last 10 Fiscal Years									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	\$ 4,967	\$ 5,441	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution in Relation to the Actuarially Determined Contribution	6,899	13,795	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	<u>\$ (1,932)</u>	<u>\$ (8,354)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered Employee Payroll	\$ 20,240	\$ 18,991	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a % of Covered Employee Payroll	34.09%	72.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule

Valuation date: 1/1/2019
Actuarially determined contribution rates are calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level Dollar Amortization, closed.
Amortization period	30 years
Asset valuation method	Market Value
Inflation	2.20 percent
Healthcare cost trend rate	0.0 percent, decreasing to an ultimate rate of 4.2 percent in 2068
Salary increases	3.50 percent, average, including inflation
Investment rate of return	5.50 percent
Retirement age	Expected retirements of employees with at least 25 years of service are assumed at a rate of 11.7% for employees aged 55, increasing to a rate of 50% for employees aged 65 or older
Mortality	PUBG.H-2010 Mortality Tables, head count weighted, projected forward using Mortality Improvement Scale MP-2019 from 2010 base year on a generational basis to reflect mortality improvements both before and after the valuation date (based on most recent tables published by the Society of Actuaries' Retirement Plans Experience Committee as of the measurement date). Employee rates before benefit commencement, healthy annuitant rates after benefit commencement,

This schedule presents all information that is available until ten years of information is compiled.

N/A – Information not yet available

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
DECEMBER 31, 2019**

**(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018
(IN THOUSANDS))**

	FY 2019			2018 Total
	Housing Revenue Bonds	Home Mortgage Bonds	Total	
ASSETS				
CURRENT ASSETS				
Restricted Cash and Cash Equivalents	\$ 202,090	\$ 26,506	\$ 228,596	\$ 174,766
Restricted Investments - Current	-	-	-	30,083
Accrued Interest Receivable on Investments	154	-	154	98
Mortgage Loans Receivable, Net	17,267	7,951	25,218	24,346
Accrued Interest Receivable on Mortgages	2,592	1,840	4,432	5,616
Due from Loan Servicers	1,704	1,626	3,330	2,389
Due from Other Funds	-	-	-	43
Other Current Assets	6,790	2,148	8,938	17,055
Total Current Assets	<u>230,597</u>	<u>40,071</u>	<u>270,668</u>	<u>254,396</u>
NONCURRENT ASSETS				
Restricted Investments - Noncurrent	3,696	-	3,696	6,502
Mortgage Loans Receivable, Net	523,225	226,618	749,843	681,643
Supplemental Mortgages and Other Loans, Net	86	4	90	36
Real Estate Owned, Net	4,818	2,629	7,447	11,537
Total Noncurrent Assets	<u>531,825</u>	<u>229,251</u>	<u>761,076</u>	<u>699,718</u>
Total Assets	762,422	269,322	1,031,744	954,114
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
CURRENT LIABILITIES				
Bonds and Obligations, Net	19,295	8,805	28,100	24,140
Accrued Interest Payable on Bonds and Obligations	5,727	2,193	7,920	6,966
Interfund Allocation	-	-	-	43
Other Current Liabilities	401	215	616	375
Total Current Liabilities	<u>25,423</u>	<u>11,213</u>	<u>36,636</u>	<u>31,524</u>
NONCURRENT LIABILITIES				
Bonds and Obligations, Net	589,190	242,940	832,130	753,547
Total Noncurrent Liabilities	<u>589,190</u>	<u>242,940</u>	<u>832,130</u>	<u>753,547</u>
Total Liabilities	614,613	254,153	868,766	785,071
DEFERRED INFLOWS OF RESOURCES				
Commitment Fees	-	-	-	43
NET POSITION				
Restricted Under Bond and Obligation Resolutions	147,809	15,169	162,978	169,000
Total Net Position	<u>\$ 147,809</u>	<u>\$ 15,169</u>	<u>\$ 162,978</u>	<u>\$ 169,000</u>

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, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED DECEMBER 31, 2018)
(IN THOUSANDS)

	FY 2019			2018 Total
	Housing Revenue Bonds	Home Mortgage Bonds	Total	
OPERATING REVENUES				
Interest Income on Mortgage Loans	\$ 25,113	\$ 10,799	\$ 35,912	\$ 35,192
Recovery on Mortgage Modifications	1,283	1,095	2,378	2,326
Recovery of Bad Debt	2,296	251	2,547	23,719
Total Operating Revenues	<u>28,692</u>	<u>12,145</u>	<u>40,837</u>	<u>61,237</u>
OPERATING EXPENSES				
Interest and Amortization of Bond Prem/Disc	21,151	9,192	30,343	28,820
Servicing Fees and Other	1,977	863	2,840	2,265
Professional Services and Financing Costs	5,565	6	5,571	3,885
Loss on Sale of Real Estate Owned	3,647	1,382	5,029	2,556
Provision for Loan Losses	6,613	1,894	8,507	12,769
Total Operating Expenses	<u>38,953</u>	<u>13,337</u>	<u>52,290</u>	<u>50,295</u>
OPERATING (LOSS) INCOME	(10,261)	(1,192)	(11,453)	10,942
NONOPERATING REVENUES				
Investment Income	<u>5,935</u>	<u>184</u>	<u>6,119</u>	<u>2,283</u>
(LOSS) INCOME BEFORE TRANSFERS	(4,326)	(1,008)	(5,334)	13,225
TRANSFERS (TO) FROM OTHER RESOLUTIONS	<u>(185)</u>	<u>(503)</u>	<u>(688)</u>	<u>40,115</u>
INCREASE IN NET POSITION	(4,511)	(1,511)	(6,022)	53,340
Net Position - Beginning of Year	<u>152,320</u>	<u>16,680</u>	<u>169,000</u>	<u>115,660</u>
NET POSITION - END OF YEAR	<u>\$ 147,809</u>	<u>\$ 15,169</u>	<u>\$ 162,978</u>	<u>\$ 169,000</u>

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM**

DECEMBER 31, 2019

**(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)
(IN THOUSANDS)**

	FY 2019				2018 Total
	1991-I	Housing Revenue 1995	Revenue 2005	Total	
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	\$ 9	\$ 158,019	\$ 286,654	\$ 444,682	\$ 363,352
Accrued Interest Receivable on Investments	51	129	135	315	313
Mortgage Loans Receivable, Net	5,532	11,153	30,235	46,920	113,321
Supplemental Mortgages and Other Loans, Net	-	46	-	46	-
Accrued Interest Receivable on Mortgages	404	851	2,781	4,036	5,114
Fees and Other Charges Receivable	-	-	-	-	115
Other Current Assets	-	5	94	99	20
Total Current Assets	5,996	170,203	319,899	496,098	482,235
NONCURRENT ASSETS					
Restricted Investments - Noncurrent	5,748	15,739	16,450	37,937	41,021
Mortgage Loans Receivable, Net	63,811	194,143	534,186	792,140	866,682
Supplemental Mortgages and Other Loans, Net	-	35,250	-	35,250	36,858
Total Noncurrent Assets	69,559	245,132	550,636	865,327	944,561
Total Assets	75,555	415,335	870,535	1,361,425	1,426,796
DEFERRED OUTFLOWS OF RESOURCES					
Acc. Dec. in Fair Value of Hedging Derivatives	-	17,539	24,893	42,432	29,644
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Bonds and Obligations, Net	5,450	11,490	76,850	93,790	132,126
Accrued Interest Payable on Bonds and Obligations	886	1,552	4,145	6,583	6,845
Interfund Allocation	-	913	2,046	2,959	3,151
Other Current Liabilities	-	28	17	45	879
Total Current Liabilities	6,336	13,983	83,058	103,377	143,001
NONCURRENT LIABILITIES					
Bonds and Obligations, Net	70,470	208,513	650,560	929,543	966,277
Minimum Escrow Requirement	-	2,159	4,149	6,308	6,502
Funds Held in Trust for Mortgagor	-	3,091	-	3,091	3,091
Other Noncurrent Liabilities	-	-	557	557	2,117
Derivative Instrument	-	17,539	24,893	42,432	29,644
Total Noncurrent Liabilities	70,470	231,302	680,159	981,931	1,007,631
Total Liabilities	76,806	245,285	763,217	1,085,308	1,150,632
NET POSITION (DEFICIT)					
Restricted Under Bond and Obligation Resolutions	(1,251)	187,589	132,211	318,549	305,808
Total Net Position	\$ (1,251)	\$ 187,589	\$ 132,211	\$ 318,549	\$ 305,808

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, 2019
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED DECEMBER 31, 2018)
(IN THOUSANDS)

	FY 2019				2018 Total
	1991-I	Housing Revenue 1995	Revenue 2005	Total	
OPERATING REVENUES					
Interest Income on Mortgage Loans	\$ 5,015	\$ 12,626	\$ 32,597	\$ 50,238	\$ 50,971
Fees and Charges	135	-	-	135	6,212
Recovery of Bad Debt	-	-	87	87	7,858
Other Income - Net	-	92	2,235	2,327	555
Total Operating Revenues	5,150	12,718	34,919	52,787	65,596
OPERATING EXPENSES					
Interest and Amortization of Bond Prem/Disc	5,524	10,470	29,016	45,010	44,466
Insurance Costs	-	7	42	49	59
Servicing Fees and Other	270	-	-	270	270
Salaries and Related Benefits	-	-	-	-	3,576
Professional Services and Financing Costs	7	18	706	731	2,500
General and Administrative Expenses	-	-	-	-	1,232
Provision for Loan Losses	-	2,946	90	3,036	90
Total Operating Expenses	5,801	13,441	29,854	49,096	52,193
OPERATING (LOSS) INCOME	(651)	(723)	5,065	3,691	13,403
NONOPERATING (EXPENSES) REVENUES					
Investment (Loss) Income	(448)	1,894	6,465	7,911	7,934
(LOSS) INCOME BEFORE TRANSFERS	(1,099)	1,171	11,530	11,602	21,337
TRANSFERS	-	3,260	(2,121)	1,139	(40,000)
(DECREASE) INCREASE IN NET POSITION	(1,099)	4,431	9,409	12,741	(18,663)
Net Position - Beginning of Year	(152)	183,158	122,802	305,808	324,471
NET POSITION - END OF YEAR	<u>\$ (1,251)</u>	<u>\$ 187,589</u>	<u>\$ 132,211</u>	<u>\$ 318,549</u>	<u>\$ 305,808</u>