Deloitte & Touche

New Jersey Housing & Mortgage Finance Agency

Financial Statements for the Years Ended June 30, 1999 and 1998, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the New Jersey Housing & Mortgage Finance Agency, which includes its wholly-owned subsidiary, the STAR Corporation (the "Agency"), a component unit of the State of New Jersey, as of June 30, 1999 and 1998, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the Agency adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, in 1998.
The year 2000 supplementary information on page 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Agency is or will become Year 2000 Compliant, that the Agency's year 2000 remediation efforts will be successful, in whole or in part, or that parties with which the Agency does business are or will become Year 2000 Compliant. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, which is the responsibility of the Agency's management, presented in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Deloitte & Touche LLP

August 27, 1999
Except for Note 15 as to which
the date is September 1, 1999

Deloitte Touche Tohmatsu

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

BALANCE SHEETS
JUNE 30, 1999 AND 1998
(In Thousands)

	Bond and Obligation Funds					
ASSETS	**Single Family Mortgage Component**	**Multi-family Housing Component**	**Adminis-trative Fund**	**STAR Corporation**	**1999 Total**	**1998 Total**
Cash and cash equivalents - substantially restricted (Note 4)	$ 37,343	$ 67,252	$ 511,407	$ 44	$ 616,046	$ 575,025
Investments - substantially restricted (Note 4)	318,308	303,874	21,860	-	644,042	670,384
Interest in partnership	-	-	-	3,308	3,308	-
Accrued interest receivable on investments	4,914	2,870	523	-	8,307	8,394
Mortgage loans receivable - net (Note 5)	1,214,936	1,078,069	45,874	-	2,338,879	2,345,239
Debt service arrears receivable - net (Note 6)	7,138	1,097	240	-	8,475	9,791
Interest receivable on construction advances and mortgages	-	-	1,675	-	1,675	1,675
Due from loan servicers and insurers	3,662	-	28	-	3,690	3,742
Supplemental mortgages and other loans - net (Note 7)	-	-	122,958	-	122,958	91,260
Fees and charges receivable	-	-	14	-	14	111
Deferred charges - bond issuance costs, net	10,317	7,090	4,331	-	21,738	23,571
Real estate owned	3,525	-	316	-	3,841	3,024
Property, plant and equipment - net (Note 8)	-	-	13,590	3,515	17,105	14,051
Other assets	437	177	1,317	80	2,011	1,972
Due from other funds	-	-	13,332	-	13,332	15,761
TOTAL ASSETS	$1,600,580	$1,460,429	$ 737,465	$ 6,947	$3,805,421	$3,764,000
LIABILITIES AND RETAINED EARNINGS						
LIABILITIES:						
Bonds and obligations - net (Note 9)	$1,456,964	$1,219,387	$ -	$ -	$2,676,351	$2,717,089
Accrued interest payable on bonds and obligations	21,156	13,149	-	-	34,305	35,843
Advances from the State of New Jersey for bond and housing assistance	-	5,779	25,158	-	30,937	28,367
Minimum escrow requirement	-	8,407	144	-	8,551	8,568
Funds held in trust for mortgagors (Note 10)	-	8,309	140,938	-	149,247	133,792
Mortgagor escrow deposits (Note 11)	-	6,956	176,392	-	183,348	168,118
Subsidy payments received in advance	-	-	32,464	-	32,464	20,271
Deferred revenues	-	-	4,140	-	4,140	3,940
Other liabilities	3,830	244	4,887	833	9,794	8,263
Due to other funds	5,898	4,519	-	2,915	13,332	15,761
Total liabilities	1,487,848	1,266,750	384,123	3,748	3,142,469	3,140,012
RETAINED EARNINGS (Note 12):						
Restricted under bond and obligation resolutions	96,420	191,544	-	-	287,964	301,679
Reserved for New Money Program	-	-	-	-		441
Reserved for mandatory retirement of bonds and obligations	-	735	-	-	735	780
Reserved for certain bonds and obligations	16,312	1,400	-	-	17,712	17,712
Appropriated administrative fund retained earnings	-	-	135,374	-	135,374	130,488
Administrative fund retained earnings	-	-	217,968	3,199	221,167	172,888
Total retained earnings	112,732	193,679	353,342	3,199	662,952	623,988
TOTAL LIABILITIES AND RETAINED EARNINGS	$1,600,580	$1,460,429	$ 737,465	$ 6,947	$3,805,421	$3,764,000

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

INCOME STATEMENTS
YEARS ENDED JUNE 30, 1999 AND 1998
(In Thousands)

	Bond and Obligation Funds: Single Family Mortgage Component	Bond and Obligation Funds: Multi-family Housing Component	Adminis-trative Fund	STAR Corporation	1999 Total	1998 Total
OPERATING REVENUES:						
Interest income:						
Mortgage loans	$ 89,709	$ 86,031	$ 5,598	$ -	$181,338	$188,069
Investments	23,818	19,540	11,983	-	55,341	53,138
Total interest income	113,527	105,571	17,581	-	236,679	241,207
Equity in earnings of partnership interest	-	-	-	509	509	-
Fees and charges	-	6,210	6,540	-	12,750	10,419
Other income - net	79	270	400	1	750	1,863
Unrealized (loss) gain in investment securities	-	(1,670)	(58)	-	(1,728)	2,238
Total operating revenues	113,606	110,381	24,463	510	248,960	255,727
OPERATING EXPENSES:						
Interest	89,753	82,773	-	-	172,526	177,252
Insurance costs	1,821	520	380	-	2,721	2,722
Servicing fees and other	4,548	283	64	-	4,895	5,088
Salaries and related benefits	1,771	5,114	5,534	-	12,419	11,845
Professional services and financing costs	226	401	744	-	1,371	1,346
General and administrative expenses	1,028	1,691	5,638	-	8,357	9,919
Loss on sale of real estate owned	1,742	-	-	-	1,742	1,194
Provision for loan losses (Note 2)	2,082	(1,206)	(1,154)	-	(278)	8,886
Other	-	-	-	1,566	1,566	-
Total operating expenses	102,971	89,576	11,206	1,566	205,319	218,252
OPERATING INCOME BEFORE EXTRAORDINARY ITEM	10,635	20,805	13,257	(1,056)	43,641	37,475
EXTRAORDINARY ITEM (Note 3):						
Loss on early extinguishment of debt	3,539	15	1,123	-	4,677	797
Operating income after extraordinary item and before operating transfers	7,096	20,790	12,134	(1,056)	38,964	36,678
OPERATING TRANSFERS (TO) FROM OTHER FUNDS	(41,646)	(441)	40,535	1,552	-	-
Net income (loss)	(34,550)	20,349	52,669	496	38,964	36,678
RETAINED EARNINGS, BEGINNING OF YEAR	147,282	173,330	300,673	2,703	623,988	582,937
ADJUSTMENT TO MARK SECURITIES TO MARKET (Note 2)	-	-	-	-	-	4,373
ADJUSTED RETAINED EARNINGS, BEGINNING OF YEAR (Note 2)	147,282	173,330	300,673	2,703	623,988	587,310
RETAINED EARNINGS, END OF YEAR	$112,732	$193,679	$353,342	$ 3,199	$662,952	$623,988

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998
(In Thousands)

	Bond and Obligation Funds					
	Single Family Mortgage Component	Multi-family Housing Component	Adminis-trative Fund	STAR Corporation	1999 Total	1998 Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$ (34,550)	$ 20,349	$ 52,669	$ 496	$ 38,964	$ 36,678
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Provision for loan losses - net	2,082	(1,206)	(1,154)	-	(278)	8,595
Depreciation expense	-	-	1,338	-	1,338	894
Loss on early extinguishment of debt	3,539	15	1,123	-	4,677	797
Equity in earnings of partnership interest	-	-	-	(509)	(509)	-
Net (increase) decrease in loans	13,916	(2,472)	(35,388)	-	(23,944)	(34,652)
Decrease (increase) in due from loan servicers and insurers	27	-	25	-	52	(260)
Decrease in deferred charges bond issuance cost - net	386	150	1,289	-	1,825	457
Decrease in fees and charges	-	-	97	-	97	337
Net acquisition of real estate	(557)	-	(260)	-	(817)	464
Decrease (increase) in other assets	86	(33)	(12)	(80)	(39)	(1,118)
(Increase) decrease in due to/due from other funds	(4,778)	(566)	2,429	2,915	-	-
Increase (decrease) in advance from the State of New Jersey for bond and housing assistance	-	-	2,570	-	2,570	(2,788)
Decrease in minimum escrow requirement	-	(17)	-	-	(17)	(142)
Increase (decrease) in funds held in trust for mortgagors	-	(1,272)	16,727	-	15,455	9,185
Increase in mortgagor escrow deposits	-	406	12,121	-	12,527	11,309
Increase in subsidy payments received in advance	-	-	12,193	-	12,193	8,869
Increase (decrease) in deferred revenue	-	-	200	-	200	(5,624)
Increase (decrease) in other liabilities	450	(37)	285	693	1,391	2,756
Interest income on investments	(23,818)	(19,540)	(11,983)	-	(55,341)	(53,238)
Interest expense	89,753	82,773	-	-	172,526	177,252
Net cash provided by operating activities	46,536	78,550	54,269	3,515	182,870	159,771
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from the sale of bonds and obligations	221,065	41,184	-	-	262,249	107,655
Retirement of bonds and obligations	(248,480)	(54,507)	-	-	(302,987)	(118,680)
Interest paid on bonds	(95,655)	(80,690)	-	-	(176,345)	(175,755)
Net cash used in noncapital activities	(123,070)	(94,013)	-	-	(217,083)	(186,780)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - Additions to property, plant and equipment	-	-	(877)	(3,515)	(4,392)	(149)
Net cash used in capital and related finance activities	-	-	(877)	(3,515)	(4,392)	(149)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of investments	(303,151)	(300,877)	(8,985)	-	(613,013)	(557,990)
Sales/maturities of investments	336,191	300,764	-	-	636,955	612,056
Interest on investments	23,083	18,631	11,998	-	53,712	52,752
Market value adjustment/premium discount	-	1,870	58	-	1,928	-
Proceeds from partnership interest	-	-	-	44	44	(2,238)
Net cash provided by investing activities	56,123	20,388	3,071	44	79,626	104,580
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,411)	4,925	56,463	44	41,021	77,422
CASH AND CASH EQUIVALENTS, Beginning of year	57,754	62,327	454,944	-	575,025	497,312
End of year	$ 37,343	$ 67,252	$511,407	$ 44	$616,046	$574,734

See notes to financial statements.

1. DESCRIPTION OF THE AGENCY

Authorizing Legislation and Organization - The New Jersey Housing & Mortgage Finance Agency (the "Agency"), which is established in, but not part of, the Department of Community Affairs, is a body, corporate and politic, created by the New Jersey Housing & Mortgage Finance Agency Law of 1983, constituting Chapter 530, Laws of New Jersey, 1983 (the "Act"), which combined the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency into a single agency. The Agency is considered to be a component unit of the State of New Jersey and, as such, is a nontaxable entity.

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

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

Certain bonds and other obligations issued under the provisions of the Act are general obligations of the Agency to which its full faith and credit are pledged. Certain mortgages issued from the proceeds of Multi-family Housing Revenue Bonds are insured by the Federal Housing Administration and one of these issues is Government National Mortgage Association ("GNMA") backed. Certain bonds issued are separately secured, special and limited obligations of the Agency. The Agency has no taxing power, and the State of New Jersey is not liable on bonds, notes or other obligations issued by the Agency. See Note 9 to the combined financial statements for a more detailed discussion of the Agency's bonds, notes and obligations.

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

Federal Subsidy Programs - Many of the Agency-financed Multi-family Housing Projects (the "Projects") have entered into subsidy contracts with the U.S. Department of Housing and Urban Development ("HUD") under Section 236 of the National Housing Act, as amended, or under Section 8 of the United States Housing act of 1937, as amended (Note 5). The subsidies, paid to the Agency for the account of the respective Projects, have been pledged, under the terms of the bond resolutions, for the security of the bondholders.

The Section 8 program provides for payment of housing assistance payments to or for the account of the owners of Projects assisted under such program. The housing assistance payments represent the difference between the total contract rents (up to 227% of fair market rents as determined by HUD) for such developments and the eligible tenants' rental payments, which are up to 30% of each such tenant's adjusted income. The housing assistance payments, as adjusted from time to time by HUD to reflect changing economic conditions and subject to the limitations of the Section 8 program, together with the tenants' rental payments, are used to pay all operating costs of the Project and debt service on the Project's mortgage.

The Section 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 8 Housing Assistance Payments ("HAP") received by the Projects amounted to approximately $170,477 and $171,299 for the years ended June 30, 1999 and 1998, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Cash Equivalents - Cash equivalents include amounts held in the State of New Jersey Cash Management Fund which include obligations of banking institutions of which a substantial portion are either secured by investments in governmental obligations or are FDIC insured. Cash equivalents also include short-term highly liquid money market funds, overnight repurchase agreements, and amounts held in a tax free cash management fund, all of which are readily convertible to known amounts of cash.

Investments - In 1998, the Agency changed its method of accounting for investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. This resulted in U.S. Government and Agency securities being reported at market value. The statement was implemented effective July 1, 1997, which resulted in an adjustment to beginning retained earnings.

Interest in Partnership - During 1996, the Agency received 17 limited partnership interests in the Norman Towers Development, which represents a 46% ownership interest. These interests were subsequently transferred to the STAR Corporation and are being held as an asset. The general partner of the Norman Towers limited partnership has the ability to repurchase the limited partnership interests for $2,302. Both the terms of the repurchase and of the interest transfer are a matter of public record and can be obtained at STAR with adequate notice.

STAR's interest in Norman Towers is accounted for under the equity method. During the years ended June 30, 1999 and 1998, STAR recognized income of $509 and $473, respectively, relating to this equity interest and received distributions of $44 for each of the respective years. As of June 30, 1999 and 1998, the balance of STAR's investment in Norman Towers is $3,308 and $2,843, respectively.

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

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

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

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

The Housing Finance Fund requirements receivable represents fees and charges due, but not collected, from projects originally funded under the Multi-family General Housing Loan Bonds and the Multi-family Mortgage Revenue Bonds, 1976 Series A resolutions. The fees and charges are due over the life of the bonds to fund the Housing Finance Fund requirements related to these bond resolutions. The housing finance fees past due have been recorded as receivables with revenues offset by reserves until they are collected.

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

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

Mortgage Loans - Mortgage loans are stated at principal amounts outstanding, net of unearned discount. Interest income on first mortgage loans is accrued and credited to interest income as earned. Loan origination costs and commitment fees are deferred and recognized over the life of the mortgage loan as an adjustment to the loan's yield. The Agency is involved in foreclosure proceedings relating to both single-family 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 division with the approval of the Agency's Board. The Agency is the first lienholder for all supplemental mortgages. Interest income on supplemental mortgages is not accrued, but is credited to income as collected.

Allowance for Loan Losses - Certain Projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these Projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's Administrative Fund. The Agency has provided allowances for loan losses aggregating $123,846 and $119,664 as of June 30, 1999 and 1998, respectively, against mortgage loans receivable, debt service arrears receivable, supplemental mortgages, other loans, and fees and charges including provision for negative cash flows and cost overruns for these Projects. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of the loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Economic conditions may result in the necessity to change the allowance quickly in order to react to deteriorating financial conditions of the Agency's borrowers. As a result, additional provisions on existing loans may be required in the future if borrowers' financial conditions deteriorate or if real estate values decline.

Advances from the State of New Jersey for Bond and Housing Assistance - Pursuant to the provisions of agreements with the State of New Jersey Department of Community Affairs, the Agency has received funds from the 1968 and 1976 State of New Jersey General Obligation Bond Assistance Funds. These funds have been pledged as security for the bonds of certain bond resolutions and to provide supplemental financing to certain housing projects (Note 7).

Advances from the State of New Jersey for Affordable Housing - Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low income projects. Outstanding project commitments amounted to $2,054 and $1,368 as of June 30, 1999 and 1998.

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

New Accounting Pronouncements - During 1998, the Governmental Accounting Standards Board issued Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions ("GASB 33"). GASB 33 is effective for financial statements for periods beginning after June 15, 2000. During 1999, the Governmental Accounting Standards Board issued Statement No. 34, Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). GASB 34 is effective for financial statements for periods beginning after June 15, 2001. The Agency has not completed the process of evaluating the impact on the financial statements of adopting GASB 33 and GASB 34.

Reclassifications - The 1998 financial statements contain the reclassification of certain amounts which have been made in order to conform to the classifications used in 1999.

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

3. EXTRAORDINARY ITEM

During the years ended June 30, 1999 and 1998, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, approximately $232,555 and $65,730, respectively. Net losses of $4,677 and $797 for the years ended June 30, 1999 and 1998, respectively, on early extinguishment of debt have been recorded as an extraordinary item. These losses arise as a result of immediate recognition of deferred bond issuance costs, bond discounts that would have been amortized over the life of the applicable bond issues had they not been retired, and call premiums as required by the resolution.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Cash and Cash Equivalents - The carrying amount and the bank balance of the Agency's cash deposits as of June 30, 1999 and 1998 were as follows:

Cash in Banks:

	1999		1998	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Single family component:				
Insured	$ 204	$ 226	$ 208	$ 298
Collateralized	6,161	6,161	3,279	3,279
Uncollateralized	885	885	898	898
Multi-family component:				
Uninsured	1,004	1,004	986	994
Administrative fund:				
Insured	191	298	156	556
Uncollateralized	-	274	1,701	3,045
STAR:				
Insured	44	44	-	-
	$8,489	$8,892	$7,228	$9,070

New Jersey Cash Management Fund - The State of New Jersey Cash Management Fund is managed by the State of New Jersey, Division of Investments under the Department of the Treasury. The Fund consists of U.S. Treasury obligations, government agency obligations, certificates of deposit and commercial paper.
Amounts invested in the New Jersey Cash Management Fund as of June 30, 1999 and 1998 are as follows:

	1999	1998
Single family component	$ 30,093	$ 53,370
Multi-family component	66,248	61,341
Administrative fund	455,001	400,540
	$551,342	$515,251

In addition, as of June 30, 1999 and 1998, the Administrative Fund has $56,215 and $52,546, respectively, invested in a tax-free management fund. This is a commingled fund consisting generally of U.S. Treasury obligations.

Investments - The Agency's investments have been categorized to give an indication of the level of risk assumed by the Agency as of June 30, 1999. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or trustee in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the trustee's trust department or agency. Category 3 includes uninsured and unregistered investments for which the securities are held by the trustee or by its trust department or agent, but not in the Agency's name. The Agency Administrative Fund is authorized to use a variety of investments. The Bond and Obligation funds are confined to those investments allowed by the applicable bond documents which have been approved by the Agency's Board.

Investments held as of June 30, 1999 have been categorized as follows

Single-Family Component

	Category			Book	Market
	1	2	3	Value	Value
Investment agreements	$ -	$ 8,767	$132,605	$141,372	$141,372
Repurchase agreements	-	176,936	-	176,936	176,936
	$ -	$185,703	$132,605	$318,308	$318,308

Multi-Family Component

	Category			Book	Market
	1	2	3	Value	Value
Repurchase agreements	$ -	$ 50,685	$ -	$ 50,685	$ 50,685
Investment agreements	-	27,109	89,229	116,338	116,338
U. S. Government and Agency securities	-	-	132,910	132,910	136,851
	$ -	$ 77,794	$222,139	$299,933	$303,874

Administrative Component

	Category 1	Category 2	Category 3	Book Value	Market Value
Investment agreements	$ -	$ -	$ 8,218	$ 8,218	$ 8,218
U. S. Government and Agency securities	-	-	12,615	12,615	13,442
Other	200	-	-	200	200
	$ 200	$ -	$ 20,833	$ 21,033	$ 21,860

Investments held as of June 30, 1998 have been categorized as follows:

Single-Family Component

	Category 1	Category 2	Category 3	Book Value	Market Value
Investment agreements	$ -	$ 6,710	$162,163	$168,873	$168,873
Repurchase agreements	-	182,475	-	182,475	182,475
	$ -	$189,185	$162,163	$351,348	$351,348

Multi-Family Component

	Category 1	Category 2	Category 3	Book Value	Market Value
Repurchase agreements	$ -	$ 58,985	$ -	$ 58,985	$ 58,985
Investment agreements	-	26,284	87,220	113,504	113,504
U. S. Government and Agency securities	-	-	127,236	127,236	133,262
	$ -	$ 85,269	$214,456	$299,725	$305,751

Administrative Component

	Category 1	Category 2	Category 3	Book Value	Market Value
Investment agreements	$ -	$ -	$ 8,218	$ 8,218	$ 8,218
U. S. Government and Agency securities	-	-	3,817	3,817	4,867
Other	200	-	-	200	200
	$ 200	$ -	$ 12,035	$ 12,235	$ 13,285

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

The Agency also purchases U.S. Government securities from certain financial institutions under agreements, whereby the seller has agreed to repurchase the securities at cost plus accrued interest.
Pursuant to most bond resolutions, the Agency is required to maintain certain invested debt reserves with the Trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. These debt reserve investments for the Multi-family Component (funded by bond proceeds) are included in the cash equivalents and investment balances above and aggregate approximately $110,203 and $120,344, respectively (market value) as of June 30, 1999 and 1998. The debt reserve for many of the Multi-family issues is called the Housing Finance Fund or account. The debt reserve investments for the Single-family Component (funded by bond proceeds) are included above and aggregate approximately $44,405 and $66,564, respectively, as of June 30, 1999 and 1998. In addition to the above investments, the debt service reserves may be satisfied with a Surety Bond issued by a qualified insurer as of June 30, 1999. The Multi-family component had $15,990 and $7,323 and the Single-family component had $29,805 and 19,844 of Surety Bonds outstanding as of June 30, 1999 and 1998, respectively.

5. MORTGAGE LOANS RECEIVABLE

Single-family Mortgage Component - Mortgage loans held by the Single-family Mortgage Component of the Agency have stated interest rates and are secured by first liens on the related real property. The outstanding balances by type of loan as of June 30, 1999 and 1998 are as follows:

1999	Single Family Mortgage Purchase Revenue Bond Resolution	Home Mortgage Purchase Revenue Bond Resolution	Home Buyer Revenue Bond Resolution	Total
Mortgage loans receivable	$ -	$ -	$1,225,297	$1,225,297
Unearned discounts - net	-	-	(587)	(587)
Loan origination costs - net	-	-	14,540	14,540
Commitment fees - net	-	-	(16,120)	(16,120)

1998	Single Family Mortgage Purchase Revenue Bond Resolution	Home Mortgage Purchase Revenue Bond Resolution	Home Buyer Revenue Bond Resolution	Total
Mortgage loans receivable	$24,138	$103,962	$1,109,662	$1,237,762
Unearned discounts - net	(298)	-	(492)	(790)
Loan origination costs - net	336	1,002	13,174	14,512
Commitment fees - net	-	(1,193)	(15,715)	(16,908)
Allowance for loan losses	(103)	(1,106)	(4,928)	(6,137)
	$24,073	$102,665	$1,101,701	$1,228,439

Multi-family Housing Component - The Multi-family Housing mortgage loans receivable as of June 30, 1999 and 1998 consisted of the following:

	1999	1998
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 540,031	$ 569,833
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	266,809	271,490
Unsubsidized mortgage loans	287,273	262,185
Government National Mortgage Association, 9.95% and 9.50%, maturity November 15, 2020 and November 15, 2027, respectively	5,292	5,327
	1,099,405	1,108,835
Allowance for loan losses	(42,872)	(45,518)
Construction advances (undisbursed)	21,536	11,376
	$1,078,069	$1,074,693

Administrative Component - The Administrative mortgage loans receivable as of June 30, 1999 and 1998 consisted of the following:

	1999	1998
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 4,354	$ 4,461
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	5,482	5,556
Unsubsidized mortgage loans	36,168	32,209
Unearned discounts - net	(263)	(301)
Unearned premiums - net	5	6
Loan origination costs - net	238	275
Allowance for loan losses	(110)	(99)
Mortgage receivable - net	$ 45,874	$ 42,107

These mortgage loans are repayable over terms originally up to 48 years and bear interest at rates from 0% to 13.25% per annum. Substantially all mortgage loans receivable are collateralized by first mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principles 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.

Troubled Debt Restructuring - On August 2, 1996, the Agency entered into a workout agreement (the "Agreement") with the project known as New Community Douglass-Harrison HMFA #1053 (the "project"). The Agreement revised the interest rate on the second mortgage from 9.0% to 5.2% for the remaining term of the mortgage and also called for the issuance of three additional supplemental mortgage loans to the project. On June 18, 1998, the Agency revised the terms on the Second Mortgage from 5.2% to 0% and on the Third Mortgage from 3.3% to 0%. Both revisions were retroactive to November 1, 1997. The gross interest income that would have been recorded on the second and third mortgage for the years ended June 30, 1999 and 1998, if it had been current in accordance with the original terms and had been outstanding throughout the period, is $288,663 and 295,449, respectively. As a result of the Agreement, there was no interest income for the current year, and $149,161 for the year ended June 30, 1998.

As of June 30, 1999 and 1998, the project owed a total of $4,800 and $5,120, respectively, outstanding principal on the second mortgage loan. As a result of the Agreement, the Agency committed to and issued an additional $2,263 in supplemental mortgage loans on August 2, 1996 of which $2,155 and $2,195 in principal was outstanding at June 30, 1999 and 1998, respectively.

6. DEBT SERVICE ARREARS RECEIVABLE

Debt service arrears consist of mortgage principal, interest payments and fees in arrears on permanently financed loans, net of the allowance for loan losses as described in Note 2. The debt service allowance for loan losses was $11,858 and $9,835, respectively, as of June 30, 1999 and 1998.

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

For the Single-family component, the Agency's allowance is based on historical loss percentages applied to all mortgage loan principal balances. Accrued interest in excess of 180 days is fully reserved. On home improvement loans, the Agency provides an allowance for 10% of the principal in arrears and all interest in arrears over 90 days not deemed reimbursable from FHA Title One Insurance.

For the Multi-family Housing Component, the Agency's policy is to provide an allowance for substantially all interest receivable on first mortgage loans when interest payments become past due, except for Section 8 program loans for which no allowance is recorded. An allowance of approximately $4,638 and $3,777 against interest receivable was recorded at June 30, 1999 and 1998, respectively. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $168,486 and $181,804 as of June 30, 1999 and 1998, respectively.

7. SUPPLEMENTAL MORTGAGES AND OTHER LOANS

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

The supplemental mortgages and other loans receivable as of June 30, 1999 and 1998 consisted of the following:

	1999	1998
Agency supplemental mortgages	$ 86,857	$ 85,510
HUD supplemental mortgages	881	881
Loans to projects	11,605	7,944
State of New Jersey supplemental mortgages	16,364	16,210
Closing cost assistance loans	13,888	14,460
Other	59,282	29,922
Total	188,877	154,927
Allowance for loan losses	(37,649)	(33,662)
Undisbursed supplemental mortgage proceeds	(28,270)	(30,005)
	$122,958	$ 91,260

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 1999 and 1998 is summarized as follows:

	1999	1998	Estimated Useful Lives
Land	$ 1,384	$ 1,200	
Buildings and building improvements	12,187	11,875	25 years
Automobiles	300	179	3 years
Machinery and equipment	1,382	1,508	3-5 years
Furniture and fixtures	1,732	1,562	5 years
Construction in Progress	3,135	-	-
	20,120	16,324	

9. BONDS AND OBLIGATIONS

The Agency obtains funds to finance its operations through the sale of bonds and other obligations. Interest on Agency bonds and obligations is payable monthly or semiannually. Amounts used to fund financing are generated by the Agency from interest earned on mortgage loans, home improvement loans and investments. Generally, bonds are due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of June 30, 1999 and 1998 the following bonds and obligations:

Single Family Component -

	1999 Amount Outstanding	1998 Amount Outstanding
Single Family Mortgage Purchase Revenue Bonds, 6.80% to 8.50%, due 1997 to 2014	$ -	$ 25,005
Home Mortgage Purchase Revenue Bonds, 6.60% to 10.875%, due 1997 to 2018	-	126,919
Home Buyer Revenue Program Bonds, 3.70% to 7.90%, due 1997 to 2029	1,457,019	1,332,658
Total bonds and obligations	1,457,019	1,484,582

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

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

	1999 Amount Outstanding	1998 Amount Outstanding
General Housing Loan Bonds*:		
1970 Series A, 4.50%, due 1997 to 2019	$ 3,425	$ 3,525
1971 Series A, 5.20% to 5.40%, due 1997 to 2019	27,120	28,110
1972 Series A, 5.60% to 5.80%, due 1997 to 2021	36,330	37,585
1972 Series B, 5.10% to 5.25%, due 1997 to 2021	36,095	36,980
	102,970	106,200
Special Pledge Revenue Obligations, 1975 Series One, 6.75% to 9.00%, due 1997 to 2020	41,370	43,540
Mortgage Revenue Bonds*, 1977 Issue A (Section 8 Assisted), 6.00% to 6.25%, due 1997 to 2020	45,385	45,385
Mortgage Revenue Bonds*, 1977 Issue B (Section 236 Assisted), 6.00% to 6.375%, due 1998 to 2026	60,225	61,135
Section 8 Bonds (Section 8 Assisted)*:		
1981 Series A, 7.00% to 8.00%, due 1997 to 2014	22,005	24,135
1991 Series A, 6.00% to 7.10%, due 1997 to 2012	68,385	70,440
1992 Series A, 7.55%, due 1997 to 2014	7,450	7,705
	97,840	102,280
Section 8 Housing Revenue Bonds, 1982 Series A (Norfolk Square), 12.46%, due 1997 to 2014	3,599	3,687
Section 11(b) Mortgage Revenue Bonds, 1983 Series A (Chestnut Street Housing Project), 10.00%, due 1997 to 2024	3,610	3,640
Section 11(b) Mortgage Revenue Bonds, 1983 Series A (Hampshire House Project), 10.00%, due 1998 to 2025	4,720	4,760
Section 11(b) Multi-family Housing Revenue Bonds, 1983 Series A (Highview Terrace Project), 10.375%, due 1997 to 2025	2,960	2,980
Multi-family Housing Revenue Bonds, 1984 Series I (Corinthian Towers Project), 10.50% to 11.75%, due 1997 to 2025	9,592	9,675
Multi-family Housing Revenue, 1985 Series I (Roger Gardens Project), 9.60% to 11.40%, due 1997 to 2026	5,060	5,104

	1999 Amount Outstanding	1998 Amount Outstanding
Multi-family Housing Revenue Bonds:		
1985 Series B (Douglass Harrison Project), 9.25% to 10.625%, due 1997 to 2016	$ 2,785	$ 2,854
1988 Series H (Regency Park), 7.00% to 7.70%, due 1997 to 2030	5,895	5,940
1989 Series I (Chestnut Park), 9.50%, due 1997 to 2019	3,650	3,700
1989 Series J (Montclarion), 7.70%, due 1997 to 2029	3,280	3,310
	15,610	15,804
Multi-family Housing Revenue Refunding Bonds, 1991 Series I (Presidential Plaza), 5.80% to 7.00%, due 1997 to 2030	133,995	135,300
Rental Housing Revenue Bonds*:		
1991 Series A, 6.10% to 7.25%, due 1997 to 2022	7,190	7,310
1991 Series B, 5.90% to 6.75%, due 1997 to 2022	13,830	14,060
1991 Series C, 6.50% to 7.10%, due 1997 to 2022	2,450	2,495
1991 Series D, 8.40% to 9.25%, due 1997 to 2022	5,240	5,310
1992 Series E, 7.00% to 9.00%, due 1997 to 2024	12,575	12,880
	41,285	42,055
Housing Revenue Bonds:		
1992 Series A, 6.40% to 6.95%, due 2002 to 2015	106,370	106,370
1992 Series B, 6.15% to 6.40%, due 2000 to 2002	9,435	9,435
1992 Series C, 6.05% to 6.35%, due 1998 to 2000	5,135	10,235
	120,940	126,040
Housing Revenue Refunding Bonds, 1992 Series One 5.50% to 6.70%, due 1997 to 2028	192,760	220,075

	1999 Amount Outstanding	1998 Amount Outstanding
Multi-family Housing Revenue Bonds:		
1995 Series A, 3.95% to 6.10%, due 1997 to 2030	$ 154,800	$ 158,435
1995 Series B, 4.05% to 6.20%, due 1997 to 2020	7,040	7,205
1995 Series C, 7.25%, due 1997 to 2012	2,265	2,360
1996 Series A, 4.60% to 6.25%, due 1999 to 2028	28,875	30,880
1996 Series B, 7.33% to 8.37%, due 1998 to 2028	16,115	16,605
1997 Series A, 3.95% to 5.65%, due 1999 to 2040	73,140	73,140
1997 Series B, 3.7% to 5.4%, due 1998 to 2028	11,700	11,745
1997 Series C, 6.04% to 7.42%, due 1999 to 2040	22,315	22,770
1999 Series A, 3.30% to 5.15%, due 2000 to 2030	29,850	-
1999 Series B, 3.00% to 4.70%, due 1999 to 2013	2,060	-
1999 Series C, 5.97% to 7.12%, due 2008 to 2030	5,805	-
	353,965	323,140
Total bonds and obligations	1,235,886	1,250,800
Less:		
Unamortized discount	(5,095)	(6,056)
Deferred loss	(11,404)	(12,034)
Bonds and obligations - net	$ 1,219,387	$ 1,232,710

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

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

In October 1995, the Agency issued Multi-family Housing Revenue Bonds 1995 Series A, 1995 Series B and 1995 Series C in the aggregate amount of $173,500 to provide funds for second mortgage loans and to refund six existing multi-family bond issues. The economic gain on this transaction was $53,630, and the difference between the reacquisition price and the net carrying value of the refunded debt was $13,672, which is being deferred and amortized using the straight-line method over the life of the refunded debt as a component of interest expense.

As of June 30, 1999 and 1998, there was $21,536 and $11,376, respectively, of undisbursed proceeds from the sale of bonds and obligations. Such funds represent initial mortgage loan funds committed to Multi-family Housing sponsors authorized under various resolutions.

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

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

June 30,	Single Family Mortgage Component Principal	Single Family Mortgage Component Interest	Multi-family Housing Component Principal	Multi-family Housing Component Interest
2000	$ 21,160	$ 84,345	$ 37,443	$ 79,852
2001	23,430	83,138	47,379	77,508
2002	24,041	82,398	40,035	75,058
2003	26,232	81,679	41,141	72,686
2004	27,631	80,363	45,812	70,104
Thereafter	1,330,064	1,132,111	1,010,343	765,919
	$1,452,558	$1,544,034	$1,222,153	$1,141,127

The table above states principal at the amount when originally issued and interest at the amount to be accreted by the respective maturity dates. Accordingly, total principal above does not agree with the bonds and obligation tables which state the bond amounts at their accreted value as of June 30, 1999 and 1998.

10. FUNDS HELD IN TRUST FOR MORTGAGORS

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

Funds held in trust for mortgagors as of June 30, 1999 and 1998 include the following:

	1999	1998
Multi-family Housing Component - unspent subsidies	$ 8,309	$ 9,581
Administrative Fund (components included on the balance sheet category “Funds Held in Trust”):		
Community development escrows	6,812	7,856
Development cost escrows	31,366	32,419
Other funds held in trust	102,760	83,936
	140,938	124,211
	$149,247	$133,792

11. MORTGAGOR ESCROW DEPOSITS

The Agency holds, in escrow, monthly deposits from the Projects for payments of property and liability insurance, hazard insurance, payments in lieu of taxes, and major repairs and replacements and undisbursed earnings. Mortgagor escrow deposits as of June 30, 1999 and 1998 include the following:

	1999	1998
Multi-family Housing Component	$ 6,956	$ 6,550
Administrative Fund:		
Reserve for repairs and replacements	157,367	146,302
Tax and insurance escrows	19,025	17,969
	176,392	164,271
	$183,348	$170,821

12. RETAINED EARNINGS

Restricted under Bond and Obligation Resolutions - As described in Note 1, monies within each Bond and Obligation Fund are pledged as security for the respective bondholders, and thus are restricted as to their application.

Reserved for New Money Program - The project monies in the Housing Revenue Bonds Resolution adopted March 3, 1992 are pledged property of the Resolution until disbursed under the New Money Program. Under the New Money Program, the Agency anticipates making below-market loans, which ultimately may not be collectible, and/or grants. Moreover, the loans or grants resulting from the New Money Program are not pledged security for the Resolution. The 1992 Series A, B, C and D Bonds will be repaid from and secured by a pledge of revenues generated by Resolution investments and the Section 8 subsidized mortgage loans under the Resolution.

Reserved for Mandatory Retirement of Bonds and Obligations - Pursuant to the Special Pledge Revenue Obligations, 1975 Series One, certain monies are pledged, to the extent available, for the mandatory retirement of bonds and obligations in the inverse order of their scheduled maturity.

Reserved for Certain Bonds and Obligations - To facilitate the sale of certain 1975 obligations of the Multi-family Housing Component, the Agency deposited $1,400 in the Bond and Obligation Funds. These funds, together with monies received from the State, have been segregated as "Special Coverage Funds" and serve in lieu of a debt reserve fund or account for the respective bondholders.

The Agency has made pledges of $20,000 from surplus funds within the Single Family Mortgage Purchase Revenue Bond Resolution to fund agency programs. For both years ended as of June 30, 1999 and 1998, $16,312 of the pledged surplus funds remain undisbursed.

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

	1999	1998
For commitments to assist financially troubled projects with supplemental mortgages that will be used to fund operating and debt service deficiencies as well as to fund construction costs to rehabilitate some of the projects	$ 21,360	$ 19,194
To fund debt service arrearages, operating deficits or essential capital improvements of any project that cannot fund these items from normal project income	1,868	1,944
For loans to rental projects meeting low and moderate income housing needs	2,920	3,920
To fund potential loan losses on the Multi-family Bond Resolutions	5,700	5,700
To create and administer a revolving loan program providing for the financing of emergency and/or transitional housing developments	1,938	2,135
To fund the Urban Home Ownership Recovery Program	30,399	34,766
To fund the Equity Gap Program	135	135
To fund the Royal Court Townhouses project	497	629
For AIDS permanent housing	1,182	3,802
To fund the Stockton Street Project	350	350
To fund the Shore Easy Program	551	485
For environmental remediation, life and safety repairs for the Amity Projects	400	400
Fund the Life Safety Rehabilitation Program	50	1,300
To fund the Community Loan Fund Grant	400	900
To fund the ABC Corporation	800	800
To fund the Non-Bond Multi-family Program	13,944	13,944
To fund the Camden Inititive Program	1,486	2,886
To fund the Funds remaining from Housing Revenue Refunding Bonds, 1992 Series One and 1992 Series A, B and D transferred to the Administrative Fund and appropriated for program purposes	30,600	34,213
To fund the Ethel Lawrence Homes Project	1,545	1,545
To fund the Miners Overlook Village Project	940	940
To fund the Asbury Park Inititive Program	500	500
To fund Developmentaly Disabled Program	1,000	-
To fund HOPE Program	500	-
To fund Sweat Equity Program	300	-
To Fund McCorristin Square Program	1,900	-
To fund Tax Certificate Redemption 106 N. Walnut	202	-
For Business Consultants	466	-
To fund Urban Statewide Aqusition Program	10,000	-
To fund Upstairs Downtown Program	3,441	-
Total appropriated retained earnings	$ 135,374	$ 130,488

13. PENSION PLAN

Salaried employees of the Agency are members of the Public Employees' Retirement System of the State of New Jersey (PERS), a cost-sharing multiple employer public retirement system. PERS' designated purpose is to provide retirement benefits and medical benefits for qualified retirees, and other benefits to its members. The payroll for Agency members of PERS for the years ended June 30, 1999 and 1998 was approximately $10,357 and $9,858, respectively. The Agency's total payroll for the years ended June 30, 1999 and 1998 was $10,714 and $10,110, respectively.

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

Members are required by PERS to contribute 4.5% of their salary. The Agency is required by state statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the Agency's contribution is certified each year by PERS on the recommendation of the actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of PERS. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

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

Contributions required and made for the years ended June 30, 1999 and 1998 were $474 and $472 (4.8%), respectively, which was all contributed by the employees.

The Pension Benefit Obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The benefit obligations were determined as part of the most recent annual actuarial valuation dated March 31, 1996. For the year ended June 30, 1997, the State portion of employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

Per the 1997 PERS annual report, the asset valuation method was changed from market related value to full-market value for the valuation report dated March 31, 1996. In addition, the employee contribution rate was reduced by ½ of 1% to 4.5% for calendar years 1998 and 1999. The actuarial assumptions used in the valuation were developed on the basis of a three-year experience investigation for the period ended March 31, 1993. Due to the recognition of the bond proceeds and the change in the asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities of the System were eliminated except for the unfunded liability for local early retirement incentive benefits. As of March 31, 1996, the System has a net accrued liability surplus of $1,235,006,217. At the State of New Jersey level, accrued benefits for basic allowances and cost-of-living adjustments are in a surplus position as of March 31, 1996 to the extent of $455,438,647. Prior to Chapters 114 and 115, the System had a $168,337,292 unfunded liability for such benefits. At the local level, the change in asset valuation method resulted in a $767,594,942 increase in the accrued liability surplus for basic benefits and cost-of-living adjustments from $248,916,300 to $1,016,511,242 as of March 31, 1996. As there is a $236,943,682 unfunded liability for early retirement incentive benefits, the net accrued liability surplus at the local level is $779,567,460 as of March 31, 1996.

A variety of significant actuarial assumptions are used to determine the valuation of the pension benefit obligation, including: (a) an assumed discount rate of 8¾%, which is in excess of the current prevailing market rate, (b) projected salary increases, including inflation, merit, and productivity of 6.75% at age 25 to 3.61% at age 69. Mortality, vestings, retirement age and withdrawal estimates are based upon tables supplied by the Plan actuary.

14. COMMITMENTS AND CONTINGENCIES

On March 15, 1994, the Agency entered into an Advances, Collateral Pledge and Security Agreement (the "Agreement") with the Federal Home Loan Bank. As of June 30, 1999 and 1998, the available line of credit was $17,621 and $18,911, respectively, of which none was outstanding.

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

15. SUBSEQUENT EVENT

During September 1999, the Agency issued Single Family Home Buyer Revenue Bonds, 1999 Series Z, and 1999 Series AA to provide funds for single family mortgage loans and to refund the 1989 Series A, B, C and D bonds of the Resolution.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Disclosures about Year 2000 Issues

The Year 2000 Issue ("Y2K") arises because most computer software programs and some devices with embedded chip technology allocate two digits to the data field for "year" on the assumption that the first two digits will be "19". Such programs thus interpret the year 2000 as 1900, the year 2001 as 1901, etc., absent reprogramming. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software, and could impact the ability of a system to function, the ability to enter data into computer programs and the ability of such programs to correctly process data. The Agency has implemented a plan to address Y2K to ensure continuation of its operations into the Year 2000 and beyond. Planning for Y2K commenced in 1997 with an inventory and assessment for Y2K compliance of all the Agency's hardware, software, applications and environments. In addition, external parties have been submitting their plans for addressing Y2K in order to fulfill their contractual and fiduciary responsibilities to the Agency.

The Agency has tested and validated its hardware and software. To date, testing and validation have been completed for 100% of the Agency's personal computers, its server inventory and its in-house applications. Testing of the Agency's operating systems and major applications was conducted in duplicate testing environments by the Agency and a Y2K consultant. Testing was completed in June 1999. The Y2K consultant has also prepared a contingency plan to address possible failure scenarios.