New Jersey Housing and Mortgage Finance Agency

Financial Statements for the Years Ended June 30, 2000 and 1999

Independent Auditor's Report

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the New Jersey Housing & Mortgage Finance Agency, which includes its wholly-owned subsidiaries, the STAR Corporation and ABC Corporation (the "Agency"), a component unit of the State of New Jersey, as of June 30, 2000 and 1999, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.*

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

September 1, 2000

Deloitte
Touche
Tohmatsu

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

BALANCE SHEETS
JUNE 30, 2000 AND 1999
(In Thousands)

	Bond and Obligation Funds						
	Single Family Mortgage Component	Multi-family Housing Component	Administrative Fund	STAR Corporation	ABC Corporation	2000 Total	1999 Total
ASSETS							
Cash and cash equivalents - substantially restricted (Note 4)	$ 41,727	$ 76,208	$ 568,693	$ 21	$ 18	$ 686,667	$ 616,046
Investments - substantially restricted (Note 4)	306,181	344,563	23,552	-	-	674,296	644,042
Interest in partnership	-	-	-	-	-	-	3,308
Escrow Deposits	-	-	-	-	121	121	-
Accrued interest receivable on investments	4,617	4,571	474	-	-	9,662	8,307
Mortgage loans receivable - net (Note 5)	1,248,884	1,048,492	55,510	-	-	2,352,886	2,338,879
Debt service arrears receivable - net (Note 6)	7,074	1,151	226	-	-	8,451	8,475
Interest receivable on construction advances and mortgages	-	-	1,675	-	-	1,675	1,675
Due from loan servicers and insurers	4,135	-	40	-	-	4,175	3,690
Supplemental mortgages and other loans - net (Note 7)	-	-	159,009	-	-	159,009	122,958
Fees and charges receivable	-	-	-	-	-	-	14
Deferred charges - bond issuance costs, net	9,112	7,069	4,167	-	-	20,348	21,738
Real estate owned	3,349	-	313	-	-	3,662	3,841
Property, plant and equipment - net (Note 8)	-	-	12,582	5,659	818	19,059	17,105
Other assets	382	179	1,201	80	1,233	3,075	2,011
Due from other funds	-	-	14,252	-	-	14,252	13,332
TOTAL ASSETS	$1,625,461	$1,482,233	$ 841,694	$ 5,760	$ 2,190	$ 3,957,338	$3,805,421
LIABILITIES AND RETAINED EARNINGS							
LIABILITIES:							
Bonds and obligations - net (Note 9)	$1,477,925	$1,266,923	$ -	$ -	$ -	$ 2,744,848	$2,676,351
Due to Camden RCA Fund and 1997 Unsafe Building Demolition Bond Act Payable	-	-	-	-	1,233	1,233	-
Accrued interest payable on bonds and obligations	20,700	15,664	-	-	-	36,364	34,305
Advances from the State of New Jersey for bond and housing assistance	-	1,779	25,559	-	-	27,338	30,937
Minimum escrow requirement	-	8,228	456	-	-	8,684	8,551
Funds held in trust for mortgagors (Note 10)	-	8,164	181,978	-	-	190,142	149,247
Mortgagor escrow deposits (Note 11)	-	7,235	187,456	-	-	194,691	183,348
Subsidy payments received in advance	-	-	28,315	-	-	28,315	32,464
Deferred revenues	-	-	2,445	-	-	2,445	4,140
Other liabilities	1,366	1,148	5,884	833	7	9,238	9,794
Due to HUD	-	623	-	-	-	623	-
Due to other funds	5,824	4,824	-	3,604	-	14,252	13,332
Total liabilities	1,505,815	1,314,588	432,093	4,437	1,240	3,258,173	3,142,469
RETAINED EARNINGS (Note 12):							
Restricted under bond and obligation resolutions	119,646	167,645	-	-	-	287,291	287,964
Reserved for mandatory retirement of bonds and obligations	-	-	-	-	-	-	735
Reserved for certain bonds and obligations	-	-	-	-	-	-	17,712
Appropriated administrative fund retained earnings	-	-	135,375	-	-	135,375	135,374
Administrative fund retained earnings	-	-	274,226	1,323	950	276,499	221,167
Total retained earnings	119,646	167,645	409,601	1,323	950	699,165	662,952
TOTAL LIABILITIES AND RETAINED EARNINGS	$1,625,461	$1,482,233	$ 841,694	$ 5,760	$ 2,190	$ 3,957,338	$3,805,421

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

INCOME STATEMENTS
YEARS ENDED JUNE 30, 2000 AND 1999
(In Thousands)

	Bond and Obligation Funds						
	Single Family Mortgage Component	Multi-family Housing Component	Adminis-trative Fund	STAR Corporation	ABC Corporation	2000 Total	1999 Total
OPERATING REVENUES:							
Interest income:							
Mortgage loans	$ 86,211	$ 84,112	$ 6,546	$ -	$ -	$ 176,869	$ 181,338
Investments	24,229	21,374	13,225	-	-	58,828	55,341
Total interest income	110,440	105,486	19,771	-	-	235,697	236,679
Equity in earnings of partnership interest	-	-	-	632	-	632	509
Fees and charges	-	5,665	6,962	-	-	12,627	12,750
Other income - net	96	216	5,049	-	3	5,364	750
Unrealized (loss) gain in investment securities	-	(515)	(3,366)	-	-	(3,881)	(1,728)
Total operating revenues	110,536	110,852	28,416	632	3	250,439	248,960
OPERATING EXPENSES:							
Interest	86,241	83,874	-	-	-	170,115	172,526
Insurance costs	1,637	440	381	-	-	2,458	2,721
Servicing fees and other	4,333	283	62	-	-	4,678	4,895
Salaries and related benefits	1,817	4,899	5,965	-	-	12,681	12,419
Professional services and financing costs	259	866	629	-	-	1,754	1,371
General and administrative expenses	1,007	2,954	1,526	-	-	5,487	8,357
Loss on sale of real estate owned	1,102	-	-	-	-	1,102	1,742
Provision for loan losses (Note 2)	2,641	(3,665)	3,777	-	-	2,753	(278)
Transfer of interest of Norman Towers to general partner (Note 2)	-	-	-	3,883	-	3,883	-
Other	-	-	-	519	304	823	1,566
Total operating expenses	99,037	89,651	12,340	4,402	304	205,734	205,319
OPERATING INCOME BEFORE EXTRAORDINARY ITEM	11,499	21,201	16,076	(3,770)	(301)	44,705	43,641
EXTRAORDINARY ITEM (Note 3):							
Loss on early extinguishment of debt	4,585	4,804	-	-	-	9,389	4,677
Operating income after extraordinary item and before operating transfers	6,914	16,397	16,076	(3,770)	(301)	35,316	38,964
OPERATING TRANSFERS (TO) FROM OTHER FUNDS	-	(42,431)	40,183	1,894	354	-	-
Net income (loss)	6,914	(26,034)	56,259	(1,876)	53	35,316	38,964
RETAINED EARNINGS, BEGINNING OF YEAR	112,732	193,679	353,342	3,199	897	663,849	623,988
RETAINED EARNINGS, END OF YEAR	$ 119,646	$ 167,645	$ 409,601	$ 1,323	$ 950	$ 699,165	$ 662,952

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2000 AND 1999
(In Thousands)

	Bond and Obligation Funds: Single Family Mortgage Component	Bond and Obligation Funds: Multi-family Housing Component	Administrative Fund	STAR Corporation	ABC Corporation	2000 Total	1999 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Operating income (loss) before extraordinary item	$ 11,499	$ 21,197	$ 14,799	$ (3,770)	$ (301)	$ 43,424	$ 43,641
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Provision for loan losses	2,641	(3,665)	3,777	-	-	2,753	(278)
Depreciation expense	-	-	1,277	-	-	1,277	1,338
Equity in earnings of partnership interest	-	-	-	(632)	-	(632)	(509)
Net (increase) decrease in loans	(36,525)	33,188	(49,450)	-	-	(52,787)	(23,944)
Decrease (increase) in due from loan servicers and insurers	(473)	-	(12)	-	-	(485)	52
Decrease in deferred charges bond issuance cost - net	5,790	4,825	164	-	-	10,779	6,502
Decrease in fees and charges	-	-	14	-	-	14	97
Net acquisition of real estate	176	-	3	-	-	179	(817)
Increase in due to Norman Towers	-	-	-	2,723,740	-	2,723,740	-
Decrease in due to Norman Towers	-	-	-	(2,723,740)	-	(2,723,740)	-
Decrease (increase) in other assets	55	(2)	116	-	(1,233)	(1,064)	(39)
(Increase) decrease in due to/due from other funds	(74)	1,705	(2,320)	689	-	-	-
Decrease in advance from the State of New Jersey for bond and housing assistance	-	-	(3,599)	-	-	(3,599)	2,570
(Decrease) increase in minimum escrow requirement	-	(179)	312	-	-	133	(17)
Increase (decrease) in funds held in trust for mortgagors	-	(145)	41,040	-	-	40,895	15,455
Decrease in escrow deposits	-	-	-	-	63	63	-
Increase in mortgagor escrow deposits	-	278	11,064	-	-	11,342	12,527
Decrease in subsidy payments received in advance	-	-	(4,148)	-	-	(4,148)	12,193
Decrease in deferred revenue	-	-	(1,695)	-	-	(1,695)	200
(Decrease) increase in other liabilities	(2,464)	904	996	-	1,240	676	1,391
Operating transfers (to) from other funds	-	(42,431)	40,183	1,894	354	-	-
Interest income on investments	(24,229)	(21,374)	(13,225)	-	-	(58,828)	(55,341)
Interest expense	86,242	83,874	-	-	-	170,116	172,526
Net cash provided by (used in) operating activities	42,638	78,175	39,296	(1,819)	123	158,413	187,547
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Proceeds from the sale of bonds and obligations	274,230	153,540	-	-	-	427,770	262,249
Retirement of bonds and obligations	(258,295)	(113,183)	-	-	-	(371,478)	(302,987)
Loss on early extinguishment of debt	(4,585)	(4,804)	-	-	-	(9,389)	(4,677)
Increase in due to HUD	-	623	-	-	-	623	-
Interest paid on bonds	(86,257)	(78,983)	-	-	-	(165,240)	(176,345)
Net cash used in noncapital activities	(74,907)	(42,807)	-	-	-	(117,714)	(221,760)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Additions to property, plant and equipment	-	-	1,008	(2,144)	(105)	(1,241)	(4,392)
Net cash used in capital and related financing activities	-	-	1,008	(2,144)	(105)	(1,241)	(4,392)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of investments	(495,305)	(423,485)	(8,700)	-	-	(927,490)	(613,013)
Sales/maturities of investments	507,432	376,995	8,708	-	-	893,135	636,955
Interest on investments	24,526	19,673	13,274	-	-	57,473	53,712
Market value adjustment/premium discount	-	405	3,700	57	-	4,162	1,928
Proceeds from partnership interest	-	-	-	3,883	-	3,883	44
Net cash provided by (used in) investing activities	36,653	(26,412)	16,982	3,940	-	31,163	79,626
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,384	8,956	57,286	(23)	18	70,621	41,021
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,343	67,252	511,407	44	-	616,046	575,025
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 41,727	$ 76,208	$ 568,693	$ 21	$ 18	$ 686,667	$ 616,046

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2000 AND 1999
(Dollar Amounts in Thousands)

1. DESCRIPTION OF THE AGENCY

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

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

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

Certain bonds and other obligations issued under the provisions of the Act are general obligations of the Agency to which its full faith and credit are pledged. Certain mortgages issued from the proceeds of Multi-Family Housing Revenue Bonds are insured by the Federal Housing Administration and one of these issues is Government National Mortgage Association ("GNMA") backed. 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.

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the ABC Corporation ("ABC"). The Corporation shall have a Board of Directors comprised of not less than four and not more than seven Directors. The Board may consist of four State Directors and three Camden Directors as follows: The Commissioner of the New Jersey Department of Community Affairs, ex officio, or his or her designee; the Executive Director of the Agency, ex officio, or his or her designee; two employees of the Agency appointed by, and serving at the pleasure of the Executive Director of the Agency; the Mayor of the City of Camden, ex officio, or his or her designee; the Executive Director of the Camden Redevelopment Agency, ex officio, or his or her designee; and one resident of Camden appointed by a majority of the other directors to serve for a term of two years.

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

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

The Section 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 $171,195 and $170,477 for the years ended June 30, 2000 and 1999, 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, STAR and ABC. All significant inter-company accounts and transactions have been eliminated.

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

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

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

Cash Equivalents - Cash equivalents include amounts held in the State of New Jersey Cash Management Fund which include obligations of banking institutions of which a substantial portion are either secured by investments in governmental obligations or are FDIC insured. Cash equivalents 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 49% 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 $2,272. Both the terms of the repurchase and of the interest transfer are a matter of public record and can be obtained at STAR with adequate notice.

STAR's interest in Norman Towers is accounted for under the equity method. During the years ended June 30, 2000 and 1999, STAR recognized income of $632 and $509, respectively, relating to this equity interest and received distributions of $57 and $44 for each of the respective years.

During April 2000, the general partners of Norman Towers exercised the option to repurchase the 17 limited partnership interests from the Agency for approximately $2,724. The total repurchase price was comprised of a $133.7 principal cost and a $26.6 interest cost per partnership interest. Pursuant to the agreement between Norman Towers and the Agency, "all monies paid by the general partners to the Agency or its assignee upon exercise of any option hereunder, shall be immediately remitted by the Agency or its assignee to the Project." The general partner used residual receipts generated from the prepayment of its Agency financed mortgage to repurchase the 17 limited partnership interests. Therefore, at the prepayment mortgage closing (April 2000) the STAR Corporation simultaneously reimbursed the Norman Towers limited partnership for the $2,724 purchase price.

Upon completion of the transfer of interest to Norman Towers, STAR eliminated their investment in Norman Towers for the year ended June 30, 2000. As of June 30, 1999, the balance of STAR's investment in Norman Towers was $3,308.

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- 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 $122,723 and $123,846 as of June 30, 2000 and 1999, 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 $3,081 and $2,054 as of June 30, 2000 and 1999, respectively.

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

New Accounting Pronouncements - During 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 1999 financial statements contain the reclassification of certain amounts which have been made in order to conform to the classifications used in 2000.

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, 2000 and 1999, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, approximately $299,775 and $232,555, respectively. Net losses of $9,389 and $4,677 for the years ended

June 30, 2000 and 1999, 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, 2000 and 1999 were as follows:

	2000		1999	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Single family component:				
Insured	$ 207	$ 251	$ 204	$ 226
Collateralized	3,791	3,791	6,161	6,161
Uncollateralized	173	173	885	885
Multi-family component:				
Uninsured	805	805	1,004	1,004
Administrative fund:				
Insured	365	419	191	298
Uncollateralized	1,285	16,830	-	274
STAR:				
Insured	21	21	44	44
ABC:				
Insured	18	58	-	-
	$ 6,665	$ 22,348	$ 8,489	$ 8,892

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, 2000 and 1999 are as follows:

	2000	1999
Single family component	$ 37,556	$ 30,093
Multi-family component	75,403	66,248
Administrative fund	506,463	455,001
	$ 619,422	$ 551,342

In addition, as of June 30, 2000 and 1999, the Administrative Fund has $60,580 and $56,215, 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, 2000. 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, 2000 have been categorized as follows:

Single-family Component

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

Multi-family Component

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

Administrative Component

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

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

Single-Family Component

	Category 1	Category 2	Category 3	Book Value	Market 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 1	Category 2	Category 3	Book Value	Market Value
Investment agreements	$ -	$ 50,685	$ -	$ 50,685	$ 50,685
Repurchase 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

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 $109,368 and $110,203, respectively (market value) as of June 30, 2000 and 1999, respectively. 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 $35,115 and $44,405, respectively, as of June 30, 2000 and 1999. 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 $39,931 and $15,990 and the Single-family component had $41,526 and $29,805 of Surety Bonds outstanding as of June 30, 2000 and 1999, 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, 2000 and 1999 are as follows:

	2000	1999
Mortgage loans receivable	$ 1,260,603	$ 1,225,297
Unearned discounts - net	(473)	(587)
Loan origination costs - net	15,040	14,540
Commitment fees - net	(15,731)	(16,120)
Allowance for loan losses	(10,555)	(8,194)
	$ 1,248,884	$ 1,214,936

Multi-family Housing Component - The Multi-family Housing mortgage loans receivable as of June 30, 2000 and 1999 consisted of the following:

	2000	1999
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 496,080	$ 540,031
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	254,347	266,809
Unsubsidized mortgage loans	289,931	287,273
Government National Mortgage Association, 9.95% and 9.5%, maturity November 15, 2020 and November 15, 2027, respectively	5,251	5,292
	1,045,609	1,099,405
Allowance for loan losses	(40,097)	(42,872)
Construction advances (undisbursed)	42,980	21,536
	$1,048,492	$1,078,069

Administrative Component - The Administrative mortgage loans receivable as of June 30, 2000 and 1999 consisted of the following:

	2000	1999
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$ 7,825	$ 4,354
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	12,145	5,482
Unsubsidized mortgage loans	35,641	36,168
Unearned discounts - net	(241)	(263)
Unearned premiums - net	4	5
Loan origination costs - net	239	238
Allowance for loan losses	(103)	(110)
Mortgage receivable - net	$ 55,510	$ 45,874

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.

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 $10,587 and $11,858, respectively, as of June 30, 2000 and 1999, respectively.

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

For the Single-family component, the Agency's allowance is based on historical loss percentages applied to all mortgage loan principal balances. Accrued interest in excess of 180 days is fully reserved. 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 $3,892 and $4,638 against interest receivable was recorded at June 30, 2000 and 1999, respectively. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $78,878 and $168,486 as of June 30, 2000 and 1999, 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, 2000 and 1999 consisted of the following:

	2000	1999
Agency supplemental mortgages	$ 78,350	$ 86,857
HUD supplemental mortgages	881	881
Loans to projects	11,767	11,605
State of New Jersey supplemental mortgages	16,238	16,364
Closing cost assistance loans	13,456	13,888
Other	96,886	59,282
Total	217,578	188,877
Allowance for loan losses	(41,643)	(37,649)
Undisbursed supplemental mortgage proceeds	(16,926)	(28,270)
	$ 159,009	$ 122,958

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2000 and 1999 is summarized as follows:

	2000	1999	Estimated Useful Lives
Land	$ 2,202	$ 1,384	
Buildings and building improvements	12,191	12,187	25 years
Automobiles	210	300	3 years
Machinery and equipment	1,231	1,382	3-5 years
Furniture and fixtures	1,753	1,732	5 years
Construction in Progress	5,279	3,135	-
	22,866	20,120	
Less accumulated depreciation	(3,807)	(3,015)	
Property, plant, and equipment - Net	$ 19,059	$ 17,105	

9. BONDS AND OBLIGATIONS

The Agency obtains funds to finance its operations through the sale of bonds and other obligations. Interest on Agency bonds and obligations is payable quarterly or semiannually. Amounts used to fund financing are generated by the Agency from interest earned on mortgage loans, home improvement loans and investments. Generally, bond principal is due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of June 30, 2000 and 1999 the following bonds and obligations:

Single Family Component -	2000 Amount Outstanding	1999 Amount Outstanding
Home Buyer Revenue Program Bonds, 3.7% to 7.9%, due 2000 to 2029	$1,477,925	$1,457,019
Total bonds and obligations	1,477,925	1,457,019
Unamortized discount	-	(55)
Bonds and obligations - net	$1,477,925	$1,456,964

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

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

Multi-family Housing Component -

	2000 Amount Outstanding	1999 Amount Outstanding
General Housing Loan Bonds*:		
1970 Series A, 4.50%, due 1997 to 2019	$ 3,325	$ 3,425
1971 Series A, 5.20% to 5.40%, due 1997 to 2019	26,060	27,120
1972 Series A, 5.60% to 5.80%, due 1997 to 2021	34,995	36,330
1972 Series B, 5.10% to 5.25%, due 1997 to 2021	35,155	36,095
	99,535	102,970
Special Pledge Revenue Obligations, 1975 Series One, 6.75% to 9.00%, due 1997 to 2020	-	41,370
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	59,255	60,225
Section 8 Bonds (Section 8 Assisted)*:		
1981 Series A, 7.00% to 8.00%, due 1997 to 2014	-	22,005
1991 Series A, 6.00% to 7.10%, due 1997 to 2012	66,205	68,385
1992 Series A, 7.55%, due 1997 to 2014	7,180	7,450
	73,385	97,840
Section 8 Housing Revenue Bonds, 1982 Series A (Norfolk Square), 12.46%, due 1997 to 2014	3,501	3,599
Section 11(b) Mortgage Revenue Bonds, 1983 Series A (Chestnut Street Housing Project), 10.00%, due 1997 to 2024	3,580	3,610
Section 11(b) Mortgage Revenue Bonds, 1983 Series A (Hampshire House Project), 10.00%, due 1998 to 2025	-	4,720
Section 11(b) Multi-family Housing Revenue Bonds, 1983 Series A (Highview Terrace Project), 10.375%, due 1997 to 2025	2,935	2,960
Multi-family Housing Revenue Bonds, 1984 Series I (Corinthian Towers Project), 10.50% to 11.75%, due 1997 to 2025	9,505	9,592
Multi-family Housing Revenue, 1985 Series I (Roger Gardens Project), 9.60% to 11.40%, due 1997 to 2026	5,015	5,060

	2000 Amount Outstanding	1999 Amount Outstanding
Multi-family Housing Revenue Bonds:		
1985 Series B (Douglass Harrison Project), 9.25% to 10.625%, due 1997 to 2016	$ 2,711	$ 2,785
1988 Series H (Regency Park), 7.00% to 7.70%, due 1997 to 2030	-	5,895
1989 Series I (Chestnut Park), 9.50%, due 1997 to 2019	3,595	3,650
1989 Series J (Montclarion), 7.70%, due 1997 to 2029	-	3,280
	6,306	15,610
Multi-family Housing Revenue Refunding Bonds, 1991 Series I (Presidential Plaza), 5.80% to 7.00%, due 1997 to 2030	132,615	133,995
Rental Housing Revenue Bonds*:		
1991 Series A, 6.10% to 7.25%, due 1997 to 2022	7,060	7,190
1991 Series B, 5.90% to 6.75%, due 1997 to 2022	13,585	13,830
1991 Series C, 6.50% to 7.10%, due 1997 to 2022	2,405	2,450
1991 Series D, 8.40% to 9.25%, due 1997 to 2022	5,170	5,240
1992 Series E, 7.00% to 9.00%, due 1997 to 2024	12,245	12,575
	40,465	41,285
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	9,135	9,435
1992 Series C, 6.05% to 6.35%, due 1998 to 2000	-	5,135
	115,505	120,940
Housing Revenue Refunding Bonds, 1992 Series One 5.50% to 6.70%, due 1997 to 2028	180,585	192,760

	2000 Amount Outstanding	1999 Amount Outstanding
Multi-family Housing Revenue Bonds:		
1995 Series A, 3.95% to 6.10%, due 1997 to 2030	$ 150,970	$ 154,800
1995 Series B, 4.05% to 6.20%, due 1997 to 2020	6,865	7,040
1995 Series C, 7.25%, due 1997 to 2012	2,160	2,265
1996 Series A, 4.60% to 6.25%, due 1999 to 2028	28,515	28,875
1996 Series B, 7.33% to 8.37%, due 1998 to 2028	15,585	16,115
1997 Series A, 3.95% to 5.65%, due 1999 to 2040	71,990	73,140
1997 Series B, 3.7% to 5.4%, due 1998 to 2028	11,535	11,700
1997 Series C, 6.04% to 7.42%, due 1999 to 2040	21,720	22,315
1999 Series A, 3.30% to 5.15%, due 2000 to 2030	29,850	29,850
1999 Series B, 3.00% to 4.70%, due 1999 to 2013	2,005	2,060
1999 Series C, 5.97% to 7.12%, due 2008 to 2030	5,805	5,805
2000 Series A1, 4.6% to 6.35%, due 2001 to 2032	32,105	-
2000 Series A2, 4.6% to 6.35%, due 2001 to 2029	2,965	-
2000 Series B, 4.2% to 6.25%, due 2000 to 2026	60,890	-
2000 Series C1, 8.38%, due 2032	42,580	-
2000 Series C2, variable rate, due 2032	15,000	-
	500,540	353,965
Total bonds and obligations	1,278,112	1,235,886
Less:		
Unamortized discount	(417)	(5,095)
Deferred loss	(10,772)	(11,404)
Bonds and obligations - net	$ 1,266,923	$ 1,219,387

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, 2000 and 1999, there was $143,795 and $21,536, respectively, of undisbursed proceeds from the sale of bonds and obligations. Such funds represent initial mortgage loan funds committed to Multi-family Housing sponsors authorized under various resolutions.

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

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

	Single Family Mortgage Component		Multi-family Housing Component	
June 30,	Principal	Interest	Principal	Interest
2001	$ 21,680	$ 82,551	$ 49,444	$ 83,632
2002	23,090	81,533	38,055	78,915
2003	24,235	80,426	50,981	76,442
2004	25,455	79,236	46,942	73,657
2005	28,795	77,949	47,391	70,870
Thereafter	1,354,670	1,040,092	1,045,299	776,764
	$1,477,925	$1,441,787	$1,278,112	$1,160,280

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, 2000 and 1999.

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, 2000 and 1999 include the following:

	2000	1999
Multi-family Housing Component - unspent subsidies	$ 8,164	$ 8,309
Administrative Fund (components included on the balance sheet category "Funds Held in Trust"):		
Community development escrows	6,563	6,812
Development cost escrows	32,447	31,366
Other funds held in trust	142,968	102,760
	181,978	140,938
	$190,142	$149,247

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, 2000 and 1999 include the following:

	2000	1999
Multi-family Housing Component	$ 7,234	$ 6,956
Administrative Fund:		
Reserve for repairs and replacements	167,227	157,367
Tax and insurance escrows	20,230	19,025
	187,457	176,392
	$ 194,691	$ 183,348

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.

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

	2000
For commitments to assist financially troubled projects with supplemental mortgages that will be used to fund operating and debt service deficiencies as well as to fund construction costs to rehabilitate some of the projects	$ 21,360
To fund debt service arrearages, operating deficits or essential capital improvements of any project that cannot fund these items from normal project income	1,868
For loans to rental projects meeting low and moderate income housing needs	3,420
To fund potential loan losses on the Multi-family Bond Resolutions	5,700
To create and administer a revolving loan program providing for the financing of emergency and/or transitional housing developments	1,938
To fund the Urban Home Ownership Recovery Program	30,400
To fund the Equity Gap Program	135
To fund the Royal Court Townhouses project	497
For AIDS permanent housing	1,182
To fund the Stockton Street Project	350
To fund the Shore Easy Program	551
For environmental remediation, life and safety repairs for the Amity Projects	400
Fund the Life Safety Rehabilitation Program	50
To fund the Community Loan Fund Grant	400
To fund the ABC Corporation	800
To fund the Non-Bond Multi-family Program	13,944
To fund the Camden Initiative Program	1,486
To fund the Funds remaining from Housing Revenue Refunding Bonds, 1992 Series One and 1992 Series A, B and D transferred to the Administrative Fund and appropriated for program purposes	30,600
To fund the Ethel Lawrence Homes Project	1,545
To fund the Miners Overlook Village Project	940
To fund Developmentally Disabled Program	1,000
To fund HOPE Program	500
To fund Sweat Equity Program	300
To Fund McCorristin Square Program	1,900
To fund Tax Certificate Redemption 106 N. Walnut	202
For Business Consultants	466
To fund Urban Statewide Acquisition Program	10,000
To fund Upstairs Downtown Program	3,441
Total appropriated retained earnings	$ 135,375

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, 2000 and 1999 was approximately $11,138 and $10,357, respectively.

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

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

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

Contributions required and made for the years ended June 30, 2000 and 1999 were $389 and $474 (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 year 1999 and was reduced by 1.5% to 3% for calendar year 2000. 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. 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 $455,439. Prior to Chapters 114 and 115, the System had a $168,337 unfunded liability for such benefits. At the local level, the change in asset valuation method resulted in a $767,595 increase in the accrued liability surplus for basic benefits and cost-of-living adjustments from $248,916 to $1,016,511 as of March 31, 1996. As there is a $236,944 unfunded liability for early retirement incentive benefits, the net accrued liability surplus at the local level is $779,567 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, 2000 and 1999, the available line of credit was $18,637 and $17,621, 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

On July 28, 2000, the Agency issued Multi Family Housing Revenue Bonds, 2000 Series E1, 2000 Series E2, 2000 Series F and 2000 Series G to provide funds for multi-family mortgage loans and to refund the 1977 Series A and B, 1982 Series A, 1984 Series I, 1985 Series B and 1989 Series I bonds of the Resolution. During August 2000, the Agency was preparing to issue Single Family Home Buyer bonds to provide funds for single family mortgage loans.

Schedule 1

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

SINGLE-FAMILY MORTGAGE COMPONENT
BALANCE SHEETS
JUNE 30, 2000 AND 1999
(In Thousands)

	Home Buyer Revenue Bond Program	2000 Total Bond and Obligation Funds	1999 Total Bond and Obligation Funds
ASSETS:			
Cash and cash equivalents, substantially restricted	$ 41,727	$ 41,727	$ 37,343
Investments, substantially restricted	306,181	306,181	318,308
Accrued interest receivable on investments	4,617	4,617	4,914
Mortgage loans receivable - net	1,248,884	1,248,884	1,214,936
Debt service arrears receivable - net	7,074	7,074	7,138
Due from loan servicers and insurers	4,135	4,135	3,662
Deferred charges - bond issuance costs, net	9,112	9,112	10,317
Real estate owned	3,349	3,349	3,525
Other assets	382	382	437
TOTAL ASSETS	$ 1,625,461	$ 1,625,461	$ 1,600,580
LIABILITIES AND RETAINED EARNINGS			
LIABILITIES:			
Bonds and obligations - net	$ 1,477,925	$ 1,477,925	$ 1,456,964
Accrued interest payable on bonds and obligations	20,700	20,700	21,156
Other liabilities	1,366	1,366	3,830
Due to other funds	5,824	5,824	5,898
Total liabilities	1,505,815	1,505,815	1,487,848
RETAINED EARNINGS:			
Restricted under bond and obligation resolutions	119,646	119,646	96,420
Appropriated retained earnings	-	-	16,312
Total retained earnings	119,646	119,646	112,732
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 1,625,461	$ 1,625,461	$ 1,600,580

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

SINGLE-FAMILY MORTGAGE COMPONENT
INCOME STATEMENTS
YEARS ENDED JUNE 30, 2000 AND 1999
(In Thousands)

	Home Buyer Revenue Bond Program	2000 Total Bond and Obligation Funds	1999 Total Bond and Obligation Funds
Revenues:			
Interest income:			
Mortgage loans	$ 86,211	$ 86,211	$ 89,709
Investments	24,229	24,229	23,818
Other income - net	96	96	79
Total revenues	110,536	110,536	113,606
Expenses:			
Interest	86,241	86,241	89,753
Insurance costs	1,637	1,637	1,821
Servicing fees and other	4,333	4,333	4,548
Salaries and related benefits	1,817	1,817	1,771
Professional services and financing costs	259	259	226
General and administrative expenses	1,007	1,007	1,028
Loss on sale of real estate owned	1,102	1,102	1,742
Provision for loan losses	2,641	2,641	2,082
Total expenses	99,037	99,037	102,971
Operating income before extraordinary items	11,499	11,499	10,635
Extraordinary items:			
Loss on early extinguishment of debt	4,585	4,585	3,539
Operating income after extraordinary items and before operating transfers	6,914	6,914	7,096
Operating transfers - net	-	-	(41,646)
Net Income	6,914	6,914	(34,550)
Retained earnings, Beginning of year	112,732	112,732	147,282
Retained earnings, End of year	$ 119,646	$ 119,646	$ 112,732

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

MULTI-FAMILY HOUSING COMPONENT
BALANCE SHEETS
JUNE 30, 2000 AND 1999
(In Thousands)

	General Housing Loan Bond Funds	1975-1 SPRO	1977-A	1977-B	1982-A Norfolk Square	1983-A Chestnut Street	1983-A Hampshire House	1983-A Highview Terrace
ASSETS:								
Cash and cash equivalents, substantially restricted	$ 5,997	$ -	$ 233	$ 2	$ 705	$ 293	$ -	$ 253
Investments, substantially restricted	27,757	-	28,039	11,376	-	221	-	173
Accrued interest receivable on investments	-	-	167	62	-	9	-	13
Mortgage loans receivable - net	86,528	-	47,432	55,326	3,436	3,290	-	2,814
Debt service arrears receivable - net	22	-	-	6	-	-	-	-
Deferred charges - bond issuance costs - net	-	-	397	512	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 120,304	$ -	$ 76,268	$ 67,284	$ 4,141	$ 3,813	$ -	$ 3,253
LIABILITIES AND RETAINED EARNINGS								
LIABILITIES:								
Bonds and obligations - net	$ 99,535	$ -	$ 45,385	$ 59,255	$ 3,501	$ 3,580	$ -	$ 2,935
Accrued interest payable on bonds and obligations	901	-	473	630	72	59	-	51
Advances from the State of New Jersey for bond and housing assistance	1,779	-	-	-	-	-	-	-
Minimum escrow requirement	690	-	398	356	49	-	-	26
Funds held in trust for mortgagors	4,622	-	-	-	-	-	-	-
Mortgagor escrow deposits	7,235	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	17
Due to HUD after due to other funds	-	-	-	-	-	330	-	293
Due to other funds	494	-	56	(34)	-	-	-	-
Total liabilities	115,256	-	46,312	60,207	3,622	3,969	-	3,322
RETAINED EARNINGS:								
Restriction under bond and obligation resolutions	5,048	-	29,956	7,077	519	(156)	-	(69)
Mandatory retirement of bonds and obligations	-	-	-	-	-	-	-	-
Appropriated bond and obligation fund balances	-	-	-	-	-	-	-	-
Total retained earnings	5,048	-	29,956	7,077	519	(156)	-	(69)
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 120,304	$ -	$ 76,268	$ 67,284	$ 4,141	$ 3,813	$ -	$ 3,253

Schedule 3

1984-I Corinthian Terrace	1985-I Roger Gardens	Housing Revenue Bonds	1991-I	1981-A&B, 1991-AS8 and 1992-AS8	Rental Housing Revenue Bonds	1992-A-D	1992-I	1995	2000 Total Multi-family	1999 Total Multi-family
$ -	$ -	$ 3,331	$ 4	$ 1	$ 77	$ 21,347	$ -	$ 43,965	$ 76,208	$ 67,252
1,350	937	857	7,856	19,058	15,449	23,554	53,882	154,054	344,563	303,874
20	14	26	85	204	172	510	558	2,731	4,571	2,870
9,594	5,039	7,183	126,290	64,385	30,233	109,316	158,038	339,588	1,048,492	1,078,069
-	-	176	-	745	82	5	-	115	1,151	1,097
-	-	72	-	690	604	1,187	-	3,607	7,069	7,090
-	-	-	-	-	-	-	-	179	179	177
$ 10,964	$ 5,990	$ 11,645	$ 134,235	$ 85,083	$ 46,617	$ 155,919	$ 212,478	$ 544,239	$ 1,482,233	$ 1,460,429
$ 9,505	$ 5,015	$ 6,306	$ 132,615	$ 73,385	$ 40,048	$ 115,505	$ 180,585	$ 489,768	$ 1,266,923	$ 1,219,387
-	-	57	1,537	844	525	1,309	1,935	7,271	15,664	13,149
-	-	-	-	-	-	-	-	-	1,779	5,779
-	-	180	-	860	305	1,144	1,791	2,429	8,228	8,407
-	-	8	(28)	(501)	4,063	-	-	-	8,164	8,309
-	-	-	-	-	-	-	-	-	7,235	6,956
-	-	7	-	-	2	66	-	1,056	1,148	244
-	-	-	-	-	-	-	-	-	623	-
-	-	12	3	28	1,048	393	746	2,078	4,824	4,519
9,505	5,015	6,570	134,127	74,616	45,991	118,417	185,057	502,602	1,314,588	1,266,750
1,459	975	5,075	108	10,467	626	37,502	27,421	41,637	167,645	191,544
-	-	-	-	-	-	-	-	-	-	735
-	-	-	-	-	-	-	-	-	-	1,400
1,459	975	5,075	108	10,467	626	37,502	27,421	41,637	167,645	193,679
$ 10,964	$ 5,990	$ 11,645	$ 134,235	$ 85,083	$ 46,617	$ 155,919	$ 212,478	$ 544,239	$ 1,482,233	$ 1,460,429

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

MULTI-FAMILY HOUSING COMPONENT
INCOME STATEMENT
YEARS ENDED JUNE 30, 2000 AND 1999
(In Thousands)

	General Housing Loan Bond Funds	1975-1 SPRO	1977-A	1977-B	1982-A Norfolk Square	1983-A 11(b) Chestnut Street	1983-A Hampshire	1983-A 11(b) Highview Terrace
Revenues:								
Interest income:								
Mortgage loans	$ 5,097	$ 3,429	$ 3,090	$ 3,660	$ 442	$ 336	$ 727	$ 293
Investments	635	1,616	1,510	787	38	(293)	(1,098)	(253)
Total interest income	5,732	5,045	4,600	4,447	480	43	(371)	40
Fees and charges	1,018	191	321	183	-	-	-	-
Other income - net	85	-	-	-	-	-	-	-
Unrealized appreciation in investment securities	60	(288)	18	(150)	-	(12)	124	-
Total revenues	6,895	4,948	4,939	4,480	480	31	(247)	40
Expenses:								
Interest	5,463	3,144	2,856	3,847	440	359	371	306
Insurance costs	-	-	-	-	-	-	-	-
Services fees and other	-	-	-	-	-	-	-	-
Salaries and related benefits	707	185	151	156	-	-	-	-
Professional services and financing costs	138	51	36	39	-	-	-	-
General and administrative expenses	238	64	242	1,129	-	1	1	-
Provision for loan losses	82	(6)	-	(16)	-	-	-	-
Total expenses	6,628	3,438	3,285	5,155	440	360	372	306
Operating income (loss) before extraordinary item	267	1,510	1,654	(675)	40	(329)	(619)	(266)
Extraordinary item - loss on early extinguishment of debt	-	(861)	-	-	-	-	-	-
Operating income (loss) after extraordinary item and before operating transfers	267	649	1,654	(675)	40	(329)	(619)	(266)
Operating transfers - net	8	(28,982)	-	9	-	-	1	-
Net income (loss)	275	(28,333)	1,654	(666)	40	(329)	(618)	(266)
RETAINED EARNINGS, BEGINNING OF YEAR	4,773	28,333	28,302	7,743	479	173	618	197
RETAINED EARNINGS, END OF YEAR	$ 5,048	$ -	$ 29,956	$ 7,077	$ 519	$ (156)	$ -	$ (69)

1984-I Corinthian Terrace	1985-I Roger Gardens	Housing Revenue Bonds	1991-I	1981-A&B, 1991-AS8 and 1992-AS8	Rental Housing Revenue Bonds	1992-A-D	1992-I	1995	2000 Total Multi-family	1999 Total Multi-family
$ 979	$ 503	$ 1,241	$ 8,879	$ 7,662	$ 3,009	$ 9,572	$ 11,497	$ 23,696	$ 84,112	$ 86,031
138	89	409	590	2,155	808	2,420	2,937	8,886	21,374	19,540
1,117	592	1,650	9,469	9,817	3,817	11,992	14,434	32,582	105,486	105,571
-	-	43	135	40	182	747	1,384	1,421	5,665	6,210
-	-	-	-	-	-	44	1	86	216	270
-	-	(18)	-	(142)	(9)	(66)	-	(32)	(515)	(1,670)
1,117	592	1,675	9,604	9,715	3,990	12,717	15,819	34,057	110,852	110,381
1,058	535	1,431	9,272	6,999	3,220	8,136	12,035	24,402	83,874	82,773
-	-	-	-	-	-	-	-	440	440	520
-	-	9	270	-	-	-	-	4	283	283
-	-	24	-	29	77	533	1,024	2,013	4,899	5,114
-	-	6	-	11	16	79	137	353	866	401
-	-	8	8	10	26	180	345	702	2,954	1,691
-	-	-	-	-	(3,819)	-	-	94	(3,665)	(1,206)
1,058	535	1,478	9,550	7,049	(480)	8,928	13,541	28,008	89,651	89,576
59	57	197	54	2,666	4,470	3,789	2,278	6,049	21,201	20,805
-	-	(138)	-	(3,805)	-	-	-	-	(4,804)	15
59	57	59	54	(1,139)	4,470	3,789	2,278	6,049	16,397	20,790
-	-	53	-	(15,124)	(9)	-	-	1,613	(42,431)	(441)
59	57	112	54	(16,263)	4,461	3,789	2,278	7,662	(26,034)	20,349
1,400	918	4,963	26	26,730	(3,807)	33,713	25,143	33,975	193,679	173,330
$ 1,459	$ 975	$ 5,075	$ 80	$ 10,467	$ 654	$ 37,502	$ 27,421	$ 41,637	$ 167,645	$ 193,679