New Jersey Housing and Mortgage Finance Agency

Independent Auditors' Report

Financial Statements for the Year Ended June 30, 2002

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2002 (In Thousands)

Introduction to the Annual Report

This annual report consists of four parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements and Supplementary Information.

The Financial Statements include:

- The "Statement of Net Assets" provides information about the nature and amounts of investments in resources (assets) and the obligations to Agency creditors (liabilities).
- The "Statement of Revenues, Expenses, and Changes in Net Assets" accounts for all of the current year's revenue and expenses, measures the success of the Agency's operations over the past year, and can be used to determine how the Agency has funded its costs.
- The "Statement of Cash Flows" provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Agency's accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Agency.
- Information regarding any other events or developing situations that could materially affect the Agency's financial position.

Supplementary Information:

- Provides presentations of the Agency's financial information in accordance with the requirements of the various Bond Resolutions.

Management's Discussion and Analysis:

- Finally, this section of the Agency's financial statements, the Management's Discussion and Analysis (MD&A), presents an overview of the Agency's financial performance during the year ended June 30, 2002 compared to the year ended June 30, 2001. It provides an assessment of how the Agency's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Agency's overall financial position. It may contain opinions, assumptions or conclusions by the Agency's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements described above.

The Agency's Business

The New Jersey Housing and Mortgage Finance Agency (NJHMFA) was created to provide a strong unified advocate for housing production, financing and improvement. The Agency is established under, but is not a part of, the Department of Community Affairs, and is constituted as a body politic and corporate and an instrumentality of the State, exercising public and essential governmental functions. Included in the Agency's powers is the ability, inter alia, to provide to housing sponsors, through eligible loans or otherwise, financing, refinancing or financial assistance for fully completed, as well as partially completed projects; to issue negotiable bonds and to secure the payment thereof; and to make and enter into and enforce all contracts and agreements necessary, convenient or desirable to the performance of its duties and the execution of its powers.

Overall Financial Highlights

- The Agency's total assets decreased by 4.1% due in part to an 8.5% decline in Single-Family mortgage receivables due to the prepayment of mortgages.
- Total bonds outstanding decreased $111.7 million primarily as a result of Single-Family bonds declining by 9.2%. The reduction resulted from scheduled principal retirements and mandatory retirements as a result of mortgage prepayments. No new Single Family bonds were issued in FY 2002.
- The refunding of the Rental Housing 1991 Series A, B, C, D, 1991 Series A FAF and Housing Revenue Bonds 1992 Series A with the proceeds of the Multi-Family Housing Revenue Bonds 2002 Series A, B, C, D, and E generated a net present value savings of $16.4 million.
- Operating income decreased by $41.5 million due in large part to declines in investment income and substantial increases in the provision for loan losses.
- Investment income decreased $17.6 million as a result of a significant decline in interest rates from the previous year.
- On December 5, 2001, the Agency invested $225.0 million of appropriated and unappropriated general fund monies with Merrill Lynch Investment Managers, L.P. ("MLIM"), the Board designated Investment Advisor/ Manager for general fund monies. From inception to date, this portfolio has earned an annualized yield of 5.46%
- Operating expenses increased by $30.6 million due primarily to increases in the provision for loan losses.

Single-Family Programs

The Agency provides a variety of residential mortgage financing programs. These programs primarily serve low/moderate and middle-income first-time homebuyers and homebuyers purchasing in certain designated urban areas. For the most part the programs are funded with Mortgage Revenue Bond proceeds. The most recent bond financing occurred in September 2000 whereby the Agency effectuated a $150 million Mortgage Revenue Bond transaction, which provided $148.9 million in lendable proceeds. In addition to the Agency funded programs, the Agency administers the Police and Firemen's Retirement System Mortgage program, which provides new mortgage loans and refinancing loans to active members of the New Jersey Police and Firemen's Retirement Systems Pension Fund (PFRS). The program is funded with the PFRS investment assets. In fiscal year 2002 the Agency originated 849 new Single Family loans as compared to 972 new Single Family loans in fiscal year 2001.

Multi-Family Programs

There are several categories of Mortgage Loans financed by the NJHMFA. These are Section 8 Mortgage Loans, Section 236, FHA-Insured Mortgage Loans, and Un-enhanced Mortgage Loans. Below is a brief description of each loan program.

Section 8 Mortgage Loans provide for the payment by HUD of a federal housing subsidy for the benefit of low-income families (generally defined as families whose annual income does not exceed 80% of the median income for the area as determined by HUD) and very low-income families (generally defined as families whose annual income does not exceed 50% of the median income for the area as determined by HUD). The amount of subsidy payable to each development is the applicable Contract Rent less any payment made by the tenant. The tenant payment is generally equal to 30% of family income, with a minimum payment of $25. The specifics for each development's subsidy are established in each respective Housing Assistance Payment (HAP) Contract. The majority of developments financed with Section 8 Mortgage Loans have HAP contracts which are coterminous with the mortgage term. The Section 8 subsidy funds are paid to the operating account of each development, through the NJHMFA, after collection of the debt service and escrow account deposits.

Section 236 Mortgage Loans provide for the payment by HUD of an interest reduction subsidy for the benefit of the NJHMFA. The amount of subsidy payable is the difference between the applicable interest rate on the loan and a 1% interest rate on the same loan amount. The amount of subsidy determined for each development is specified in the Interest Reduction Contract.

FHA-Insured Mortgage Loans are the subject of federal mortgage insurance provided by FHA under the National Housing Act of 1934 (the National Housing Act) or pursuant to Section 542 of the Housing and Community Development Act of 1992 (the 1992 Act). FHA-Insured Mortgage Loans under the National Housing Act are generally insured to the extent of 99% of the amount of the defaulted principal balance thereof, after adjustment for certain expenses and for deposits or assets held by the mortgagee for the benefit of the development. FHA-Insured Mortgage Loans under the 1992 Act are covered by a risk-sharing agreement between the NJHMFA and FHA whereby FHA has agreed to provide FHA Insurance on the loans and the NJHMFA has agreed to reimburse FHA for 25% of any actual loss.

Un-enhanced Mortgage Loans are mortgage loans which are secured by a first lien on the property but are not the subject of a HAP Contract, Interest Reduction Contract or any other subsidy, insurance, or guarantee from the Federal or State Government.

As of June 30, 2002, the Multi-Family portfolio consisted of 235 developments, located in 20 of the 21 counties in New Jersey. Of these, 86 are Section 8 subsidized, 60 are Section 236 subsidized, and 89 are Un-enhanced. In addition, of these 235 developments, six have FHA Insurance and 10 have Risk Share Insurance enhancing the NJHMFA mortgage.

In fiscal year 2002, the Agency issued new money bonds totaling $109.3 million to finance 15 new developments that contain 2,067 housing units, of which 1,570 are set aside for low/moderate-income households.

Details on these projects are as follows:

Project Name	Total Units	Affordable Units	Mortgage Amount	Bonds Issued
Highland Park Sr.	57	57	$3,512,869	$3,512,869
ASL of Wall Twp.	108	36	13,575,000	13,575,000
Madison Turner Sr.	44	44	2,435,046	2,435,046
Christopher Columbus	36	36	6,200,000	4,100,000
Kings Highway Tower	408	293	18,147,620	18,147,620
Marian Towers	154	154	6,963,888	6,963,888
Ferry Station	542	396	14,250,000	14,250,000
The Hamlet @ Bear Creek	61	61	2,945,520	2,945,520
Paragon Village	154	31	11,734,975	9,555,025
Brown Woods Apts.	150	120	6,011,636	6,011,636
Bramblewood Sr.	117	117	6,672,279	6,672,279
Avenel Manor	88	88	5,617,924	5,617,924
Dr. King Plaza	96	85	9,407,729	9,407,729
Metropolitan Inn	16	16	1,627,674	1,627,674
West Electronic Building	36	36	3,225,896	3,225,896

Low-Income Housing Tax Credits

The NJHMFA is also the Housing Credit Agency for the State of New Jersey, and as such administers the allocation of federal low-income housing tax credits to developers of low-income housing. Due to the tremendous demand for these credits, the NJHMFA enlists round table discussions with developers, nonprofit groups, municipal officials, general contractors, real estate syndicators, and other participants in the housing field to effectuate a more equitable and optimal allocation plan. In fiscal year 2002, the Agency allocated $13.3 million in Low-Income Housing Tax Credits which financed construction of 1,081 new low-income units, compared with fiscal year 2001 allocations totaling $10.2 million which financed 887 new low-income units.

Contract Administration

In 2000, HUD awarded the Agency a three-year contract to take over Section 8 contract administrative duties for HUD-administered properties in New Jersey. Under the contract, the Agency is responsible for conducting management and occupancy reviews, adjusting contract rents, processing Housing Assistance Payments to project owners and other monitoring tasks. On December 1, 2000, HMFA received the first installment of 195 contracts representing over 14,629 units throughout the State. An additional 34 contracts have been received representing an additional 3,691 units. The Agency is currently administering 229 contracts representing 18,320 units.

FINANCIAL ANALYSIS

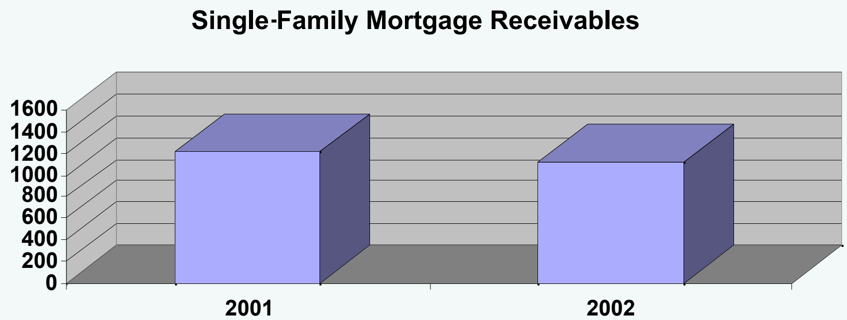
The following sections will discuss the Agency's financial results for fiscal year 2002 compared to fiscal year 2001. Additionally, an examination of major economic factors that have contributed to the Agency's operations is provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented are in conformity with the Agency's financial statements, which are presented in accordance with Generally Accepted Accounting Principles. All amounts are in thousands.

HIGHLIGHTS-BOND FUNDS

Single Family

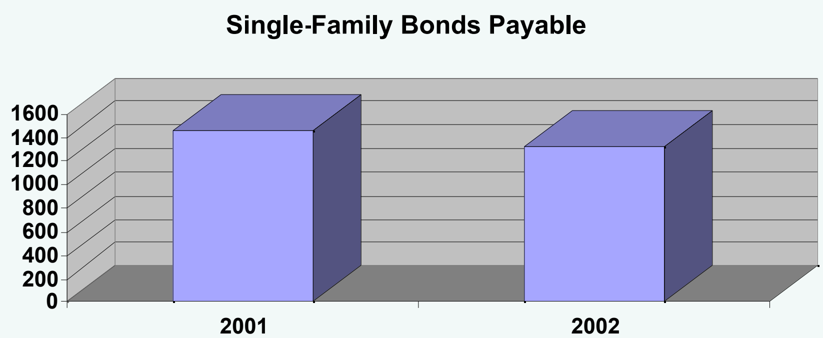
Assets

The Single-Family Bond Fund experienced a decrease in Total Assets of 7.4%. This is due primarily to two factors. First, cash and investments decreased 4.5%, from $378.3 million in 2001 to $361.2 million in 2002. Due to adequate remaining bond funds from the September 2000 transaction, the Agency did not issue new single-family bonds in fiscal year 2002; therefore no funds were added to the mortgage purchase funds while additional mortgage closings were funded from these accounts. Second, mortgage receivables decreased 8.5%, from $1,218.1 million in 2001 to $1,114.3 million in 2002. Although the Agency originated 849 new loans in 2002 compared to 972 in 2001, the most dramatic impact was in the mortgage prepayments. Due to the historically low interest rate environment, prepaid mortgages went from 1,304 in 2001 to 2,131 in 2002.



Liabilities

Bonds Payable decreased 9.2%, from $1,457.2 million in 2001 to $1,323.4 million in 2002. No Single-Family Bonds were issued in 2002. The reduction resulted from scheduled principal retirements and mandatory retirements as a result of mortgage prepayments.



Condensed Statement of Net Assets (in Thousands)

	2002
Current assets	$116,479
Long-term assets	1,382,939
Total assets	1,499,418
Current liabilities	44,923
Long-term liabilities	1,305,170
Total liabilities	1,350,093
Net assets	$149,325

Revenues and Expenses

Interest income on investments decreased 10.1%, from $22.7 million in 2001 to $20.4 million in 2002. Most Single-Family investments are in Guaranteed Investment Contracts (GICs). The interest rates are set for the duration of the contract, which usually corresponds to the term of the bonds. However, some investments are in the New Jersey Cash Management Fund, which experienced a significant drop in rates. The average monthly interest rate went from a high of 6.39% in 2001 to a low of 2.13% in 2002. In addition, in 2002, the rates on the lockbox deposits experienced a similar decrease due to the historically low interest rate environment. Coupled with the significant interest rate decline, overall investment balances declined as mentioned in the prior section.

Mortgage interest income also decreased approximately 8.8%, from $86.7 million in 2001 to $79.1 million in 2002. This is attributed to the volume of mortgage prepayments of higher interest rate mortgages and the origination of new mortgages at reduced interest rates.

The Bond interest expense decreased 5.6%, from $83.2 million in 2001 to $78.5 million in 2002. This is attributed to the regular scheduled principal retirements, increase in mandatory retirements from mortgage prepayments, and no new bond issues.

Condensed Statements of Revenues, Expenses and Changes in Net Assets (in Thousands)

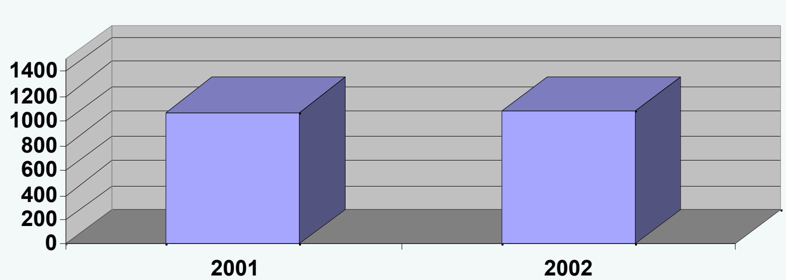
	2002
Operating revenues	$99,564
Operating expenses	83,314
Operating revenues net of operating expenses	16,250
Non-operating expenses	614
Increase in net assets	15,636
Total net assets beginning of year	133,689
Total net assets – end of year	$149,325

Multi-Family

Assets

The Multi-Family Bond Fund experienced a decrease in Total Assets of 1.6%. This is due primarily to investments decreasing 8.6%, from $306.4 million in 2001 to $279.9 million in 2002. Mortgage receivables increased .3% from $1,072.1 million in 2001 to $1,075.5 million in 2002.

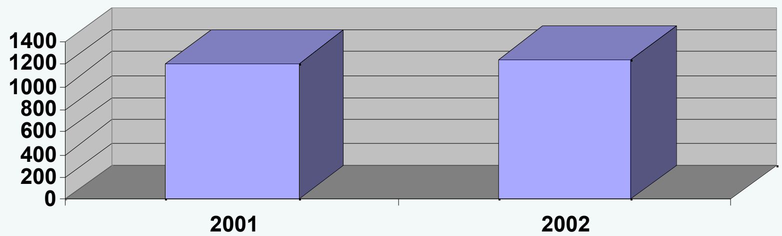
Multi-Family Mortgage Receivables



Liabilities

Bonds Payable increased 1.8%, from $1,206.8 million in 2001 to $1,228.9 million in 2002. The Agency issued one new money bond issue for $109.3 million and also closed a $279.1 million refunding bond sale. The refunding of the Rental Housing 1991 Series A, B, C, D, 1991 Series A FAF and Housing Revenue Bonds 1992 Series A with the proceeds of the Multi-Family Housing Revenue Bonds 2002 Series A, B, C, D, and E generated a net present value savings of $16.4 million.

Multi-Family Bonds Payable



Condensed Statement of Net Assets (in Thousands)

	2002
Current assets	$144,573
Long-term assets	1,231,254
Total assets	1,375,827
Current liabilities	69,337
Long term liabilities	1,203,126
Total liabilities	1,272,463
Net assets	$103,364

Revenues and Expenses

Interest income on investments decreased 36.5%, from $23.0 million in 2001 to $14.6 million in 2002. Most Multi-Family investments are held in Guaranteed Investment Contracts (GICs). The interest rates are set for the duration of the contract, which usually corresponds to the term of the bonds. However, some investments are in the New Jersey Cash Management Fund, which experienced a significant drop in rates. The average monthly interest rate went from a high of 6.39% in 2001 to a low of 2.13% in 2002. In addition, the investments that were sold in order to complete the refunding of the bonds were invested at higher rates than the subsequent investments that were purchased from the new bond proceeds.

Mortgage interest income increased by 2.3%, from $81.8 million in 2001 to $83.7 million in 2002.

The bond interest expense decreased by 1.5% from $81.1 million to $79.9 million. This is attributed to the refunding of higher interest rate bonds.

Condensed Statements of Revenues, Expenses and Changes in Net Assets (in Thousands)

	2002
Operating revenues	$104,653
Operating expenses	(105,550)
Operating revenues net of operating expenses	(897)
Non-operating expenses	(40,491)
Decrease in net assets	(41,388)
Total net assets beginning of year	144,752
Total net assets – end of year	$103,364

Multi-Family Bond SWAP/CAP Transactions

In order to effectively reduce financing costs to the project owners of developments financed with the 2001 Series bonds, the Agency issued a portion of these bonds as variable rate debt. In connection with the issuance of the Agency's 2001 Series C PARS Bonds, the Agency has entered into a delayed start interest rate swap agreement with respect to $48.0 million principal amount of the 2001 Series C PARS Bonds with Merrill Lynch Capital Services and an interest rate cap agreement with Bear Stearns Financial Products.

With respect to the interest rate swap, the Agency will pay interest at the fixed rate of 5.0388% semi-annually each November 1, and May 1, commencing May 1, 2003 and terminating on May 1, 2029. The Agency's payment is based on a notional principal amount which is anticipated to correspond to the principal amount outstanding of the 2001 Series C PARS Bonds, and Merrill Lynch Capital Services will pay interest to the Agency on the same notional amount based upon The Bond Market Association Municipal Swap Index TM (the "BMA Index"), each on a gross basis. This agreement effectively limits the Agency's interest rate exposure to a maximum of 5.0388% on the applicable notional amount related to the 2001 Series C PARS bonds.

The interest rate cap agreement with Bear Stearns Financial Products was effective on the date of delivery of the 2001 Series C PARS Bonds, and has an amortizing notional amount commencing at $68.6 million. With respect to all or a portion of the 2001 Series C PARS Bonds for which there is no effective fixed interest rate, Bear Stearns Financial Products will make payments to the Agency if interest rates on the BMA Index exceed the "strike" rate of 5%. This agreement effectively limits the Agency's interest rate exposure to a maximum of 5% on the applicable notional amount related to the 2001 Series C PARS bonds through the termination date of November 1, 2005.

In connection with the issuance and forward settlement (October 2, 2002) of the 2002 Series G taxable floating rate bonds, the Agency has entered into a delayed start interest rate swap agreement effective October 2, 2002 with Merrill Lynch Capital Services. This agreement requires that the Agency will 6.245% semi-annually each November 1, and May 1, to Merrill Lynch Capital Services based on an initial notional amount of $6.2 million. The swap notional amount will amortize semi-annually and is expected to correlate with the outstanding principal amount of the 2002 Series G Bonds. Merrill Lynch Capital Services will pay interest to the Agency on the first business day of each month at the one-month LIBOR rate, which is expected to correlate with the Agency's interest cost of the 2002 Series G Bonds.

HIGHLIGHTS-GENERAL FUND

The Agency's General Fund consists of all assets (mortgage loans and non-mortgage loan investments) which are not directly pledged to repayment of bonds issued under any of the NJHMFA bond trust indentures. The Net Assets in the General Fund are unrestricted, where as the assets in the bond funds are restricted since they are pledged to the payment of the outstanding bonds.

The dollar amount of General Fund assets is increased over time by the:

- Retention of earnings on General Fund assets; and
- Transfer and deposit of earnings from the various bond programs.

General Fund assets in the form of non-mortgage loan investments readily convertible to cash are first utilized to fund the Agency's operating expenses. Any remaining General Fund liquidity enables the Agency to establish new programs and/or fund primary or secondary mortgages to those developments that qualify for financing but which, due to timing constraints, are not included in an NJHMFA bond issue.

Merrill Lynch Investment Program

On October 21, 1999, the Agency's Board approved a Five-Year Strategic Plan for Fiscal Years 2000–2004. One of the Plan's stated goals was to develop a long-term investment strategy for the Agency's general funds that will enhance and maximize returns while realizing safety and liquidity goals that will provide sufficient funds to meet the Plan's programmatic benchmarks and to ensure long-term financial stability for the Agency. On July 26, 2001, the Board approved the selection of Merrill Lynch Investment Managers, LP ("MLIM") as Investment Advisor/ Manager for general fund monies, and for funds held in trust/escrow for mortgagors.

On December 5, 2001, the Agency invested $225 million of appropriated and unappropriated general fund monies with MLIM. These monies were invested according to the parameters set forth in the Investment Policy statement as approved by the Agency's Board on August 23, 2001. The Investment Policy statement establishes investment objectives and requirements, such as eligible investments, concentration limits/portfolio diversification, and credit quality considerations. Eligible investments include: US Treasury, Government and federal agency obligations, commercial paper, repurchase agreements, corporate bonds and notes, bank time deposits and CDs, asset-backed securities, mortgage-backed securities, collateralized mortgage obligations, and money market mutual funds. From inception to-date (December 5, 2001 through June 30, 2002), this portfolio has earned 5.46% on an annualized basis.

The Agency is currently working with Merrill Lynch to transfer its Funds held in trust for mortgagors and mortgagor escrow deposits from the New Jersey State Cash Management Fund to a similar fund at Merrill Lynch. The transfer is expected to take place in the first half of fiscal year 2003.

Investment Income - General Fund

Investment income has decreased by 38.5%, from $17.8 million in 2001 to $11.0 million in 2002. Until December 2001, our main investment vehicle was the variable rate State of New Jersey Cash Management Fund. This decrease in investment income is attributable to significantly lower interest rates.

Non-Operating Expenses

In March 2002, the State of New Jersey enacted P.L. 2002, Chapter 4, legislation that required the Agency to make a capital contribution to the State of New Jersey in the amount of $25.0 million.

BUDGETARY CONTROLS

The Agency adopts Operating and Capital Plans that are approved by its Board of Directors prior to the start of each new year. Budgets are a measure of the Agency's financial performance and accountability and are reviewed on a monthly basis throughout the year.

CONCLUSION

This section of the Annual Report has been provided to give readers a general overview of the Agency's business, financial position, and fiscal accountability for the funds it generates and receives. If you should still have questions about any information in this report, you are requested to contact the Finance Department of the New Jersey Housing and Mortgage Finance Agency.

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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 statement of net assets of the New Jersey Housing & Mortgage Finance Agency, which includes its wholly-owned subsidiaries, (the "Agency"), a component unit of the State of New Jersey, as of June 30, 2002, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, during 2002, the Agency changed its method of accounting and financial reporting to conform with GASB No. 34.

The accompanying supplemental information presented in Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the management of the Agency and has been subjected to the auditing procedures applied in the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. Management's Discussion and Analysis, which is the responsibility of the Agency's management, is not a required part of the financial statements, but is supplementary information required by the Government Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we also issued our report dated August 27, 2002, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

August 27, 2002

Deloitte
Touche
Tohmatsu

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2002
(In Thousands)

Assets	Bond and Obligation Funds: Single Family Mortgage Component	Bond and Obligation Funds: Multi-Family Housing Component	General Fund	STAR Corporation	ABC Corporation	2002 Total
CURRENT ASSETS:						
Cash and cash equivalents (Note 4)	$58,508	$80,616	$390,136	$117	$ 2,649	$532,026
Investments, substantially restricted (Note 4)	23,652	28,461	45,144	-	-	97,257
Accrued interest receivable on investments	4,481	1,017	2,293	-	-	7,791
Mortgage loans receivable – net (Note 5)	23,434	34,121	1,160	-	-	58,715
Supplemental mortgages and other loans – net (Note 7)	-	-	3,545	-	-	3,545
Due from loan servicers and insurers	6,075	-	(32)	-	-	6,043
Other assets	329	358	206	-	-	893
Total current assets	116,479	144,573	442,452	117	2,649	706,270
NON-CURRENT ASSETS:						
Investments, substantially restricted (Note 4)	274,594	169,816	199,256	-	-	643,666
Escrow deposits	-	-	-	142	45	187
Mortgage loans receivable – net (Note 5)	1,090,903	1,041,369	43,027	-	-	2,175,299
Debt service arrears receivable – net (Note 6)	7,046	1,213	177	-	-	8,436
Interest receivable on construction advances and mortgages	-	-	1,675	-	-	1,675
Supplemental mortgages and other loans – net (Note 7)	-	-	197,161	-	-	197,161
Deferred charges – bond issuance costs – net	8,128	5,812	3,156	-	-	17,096
Deferred economic loss on defeasance of bonds	-	13,044	-	-	-	13,044
Real estate owned	2,268	-	205	-	-	2,473
Property, plant and equipment – net (Note 8)	-	-	12,740	3,531	1,032	17,303
Other non-current assets	-	-	867	-	-	867
Due from other funds	-	-	10,824	-	-	10,824
Total non-current assets	1,382,939	1,231,254	469,088	3,673	1,077	3,088,031
TOTAL ASSETS	$1,499,418	$1,375,827	$911,540	$3,790	$3,726	$3,794,301

(Continued)

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2002
(In Thousands)

LIABILITIES AND NET ASSETS	Bond and Obligation Funds: Single Family Mortgage Component	Bond and Obligation Funds: Multi-Family Housing Component	General Fund	STAR Corporation	ABC Corporation	2002 Total
CURRENT LIABILITIES:						
Bonds and obligations - net (Note 9)	$26,415	$47,728	$ -	$ -	$ -	$74,143
Accrued interest payable on bonds and obligations	18,508	11,979	-	-	-	30,487
Subsidy payments received in advance	-	-	22,631	-	-	22,631
Advances from the State of New Jersey for bond and housing assistance	-	1,779	22,757	-	-	24,536
Other current liabilities	-	-	-	239	2,637	2,876
Mortgagor escrow deposits (Note 11)	-	7,851	199,434	-	-	207,285
Total current liabilities	44,923	69,337	244,822	239	2,637	361,958
NON-CURRENT LIABILITIES:						
Bonds and obligations - net (Note 9)	1,297,000	1,181,126	-	-	-	2,478,126
Minimum escrow requirement	-	8,912	573	-	-	9,485
Funds held in trust for mortgagors (Note 10)	-	7,291	182,426	-	-	189,717
Deferred revenues	-	-	2,391	-	-	2,391
Other non-current liabilities	2,292	517	7,594	991	-	11,394
Due to HUD	-	331	-	-	-	331
Due to other funds	5,878	4,949	-	1,770	-	12,597
Total non-current liabilities	1,305,170	1,203,126	192,984	2,761	-	2,704,041
TOTAL LIABILITIES	1,350,093	1,272,463	437,806	3,000	2,637	3,065,999
NET ASSETS (Note 12):						
Restricted under bond and obligation resolutions	149,325	103,364	-	790	-	253,479
Unrestricted:						
Appropriated	-	-	184,277	-	-	184,277
Unappropriated	-	-	289,457	-	1,089	290,546
Total net assets	149,325	103,364	473,734	790	1,089	728,302
TOTAL LIABILITIES AND NET ASSETS	$1,499,418	$1,375,827	$911,540	$3,790	$3,726	$3,794,301

See notes to financial statements (Concluded)

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002
(In Thousands)

	Bond and Obligation Funds					
	Single Family Mortgage Component	Multi-Family Housing Component	General Fund	STAR Corporation	ABC Corporation	2002 Total
OPERATING REVENUES:						
Interest income on mortgage loans	$79,137	$83,739	$7,163	$ -	$ -	$170,039
Interest income on investments	20,427	14,563	10,964	-	-	45,954
Fees and charges	-	5,939	15,417	-	-	21,356
Other income - net	-	412	1,687	1,876	566	4,541
Unrealized gain in investment securi-ties	-	-	1,977	-	-	1,977
Total operating revenues	99,564	104,653	37,208	1,876	566	243,867
OPERATING EXPENSES:						
Interest	78,473	79,914	-	-	-	158,387
Insurance costs	1,403	924	575	-	-	2,902
Servicing fees and other	4,308	287	2,099	-	-	6,694
Salaries and related benefits	1,712	3,964	8,836	-	-	14,512
Professional services and financing costs	102	581	1,099	-	-	1,782
General and administrative expenses	931	1,331	16,666	619	-	19,547
Loss on sale of real estate owned	469	-	-	-	-	469
Provision for loan losses (Note 2)	(4,084)	18,549	16,843	-	-	31,308
Other	-	-	-	217	670	887
Total operating expenses	83,314	105,550	46,118	836	670	236,488
Net operating income (loss)	16,250	(897)	(8,910)	1,040	(104)	7,379
NON-OPERATING EXPENSES (Note 3):						
Loss on early extinguishment of debt	614	59	-	-	-	673
Amortization of economic loss on defeasance of bonds	-	746	-	-	-	746
Contributed capital	-	-	25,000	-	-	25,000
Non-operating transfers	-	39,686	(39,686)	-	-	-
Total non-operating expenses	614	40,491	(14,686)	-	-	26,419
Increase (decrease) in net assets	15,636	(41,388)	5,776	1,040	(104)	(19,040)
NET ASSETS, BEGINNING OF YEAR	133,689	144,752	467,958	(250)	1,193	747,342
NET ASSETS, END OF YEAR	$149,325	$103,364	$473,734	$790	$1,089	$728,302

See notes to financial statements.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Bond and Obligation Funds					
	Single Family Mortgage Component	Multi-Family Housing Component	Administrative Fund	STAR Corporation	ABC Corporation	2002 Total
CASH FLOWS FROM OPERATING ACTIVITES:						
Interest on mortgages & Loans	$78,230	$82,034	$7,063	-	-	$167,327
Fees, charges and other	717	6,145	17,275	-	-	24,137
Operating expenses	(7,163)	(1,421)	(22,937)	17	1,879	(29,625)
Mortgage purchases and advances	(96,694)	(109,613)	(30,597)	(18)	(1,984)	(238,906)
Principal payments on mortgage receivables	203,879	71,841	22,169	-	-	297,889
Funds held in trust	-	(719)	(20,684)	117	-	(21,286)
Transfers and other	(3,059)	(29,627)	25,393	-	2,637	(4,656)
Net cash provided by (used in) operating activities	175,910	18,640	(2,318)	116	2,532	194,880
CASH FLOWS FROM NON-OPERATING ACTIVITIES:						
Contribution to related entity	-	-	(25,000)	-	-	(25,000)
Net cash used in non-operating activities	-	-	(25,000)	-	-	(25,000)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTVITIES:						
Proceeds from sale of bonds & obligations	-	268,925	-	-	-	268,925
Retirement of bonds	(133,800)	(247,450)	-	-	-	(381,250)
Interest payments net of accrued interest	(79,891)	(79,596)	-	-	-	(159,487)
Cost of issuance	(4)	(1,462)	-	-	-	(1,466)
Increase in due to HUD	-	14	-	-	-	14
Net cash used in non-capital financing	(213,695)	(59,569)	-	-	-	(273,264)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Additions to property, plant and equipment	-	-	(1,861)	-	-	(1,861)
Net cash used in capital financing	-	-	(1,861)	-	-	(1,861)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of investments	(242,223)	(597,613)	(232,612)	-	-	(1,072,448)
Sales/maturities of investments	291,368	606,325	15,231	-	-	912,924
Earnings on investments	21,472	20,601	6,602	-	-	48,675
Net cash provided by (used in) investing activities	70,617	29,313	(210,779)	-	-	(110,849)
NET INCREASE (DECREASE) IN CASH	32,832	(11,616)	(239,958)	116	2,532	(216,094)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,676	92,232	630,094	1	117	748,120
CASH AND CASH EQUIVALENTS, END OF YEAR	$58,508	$80,616	$390,136	$117	$2,649	$532,026

(Continued)

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Bond and Obligation Funds					
	Single Family Mortgage Component	Multi-Family Housing Component	Administrative Fund	STAR Corporation	ABC Corporation	2002 Total
RECONCILIATION OF OPERATION INCOME TO NET CASH PROVIDED BY OPERATING INCOME ACTIVITIES:						
Operating income	$16,250	$(897)	$(8,910)	$1,040	$(104)	$7,379
Adjustments to reconcile net income to net cash provided by operating activities:						
Provision for loan losses, net	(4,084)	18,549	16,843	-	-	31,308
Depreciation expense	-	-	2,652	619	(49)	3,222
Loss on early extinguishment of debt	(614)	(59)	-	-	-	(673)
Investment interest income	(20,427)	(14,563)	(10,964)	-	-	(45,954)
Bond interest expense	78,473	79,914	-	-	-	158,387
Changes in operating assets and liabilities, net of effects from acquisition of business:						
Net (increase) decrease in loans	107,306	(22,052)	(22,973)	-	-	62,281
Amortization of deferred loss	-	(479)	-	-	-	(479)
(Increase) decrease in due from loan servicers and insurers	(2,045)	-	41	-	-	(2,004)
Decrease in deferred charges bond issuance costs – net	1,004	781	272	-	-	2,057
Net acquisition of real estate	771	-	49	-	-	820
(Increase) decrease in other assets	31	(75)	37	(72)	1,021	942
(Increase) decrease in due to/from other funds	(370)	(1,762)	5,782	(1,833)	(45)	1,772
Increase (decrease) in advance from the State of New Jersey for bond and housing assistance	-	-	(2,716)	-	-	(2,716)
Decrease in minimum escrow require-ment	-	182	(69)	-	-	113
Increase (decrease) in funds held in trust for mortgagors	-	(1,031)	(3,306)	-	-	(4,337)
Increase in mortgagor escrow deposits	-	366	2,596	74	48	3,084
Increase in subsidy payments received in advance	-	-	(21,391)	-	-	(21,391)
Increase (decrease) in deferred revenue	-	-	67	-	-	67
Increase (decrease) in other liabilities	274	(410)	324	288	1,661	2,137
Transfers and other	(659)	(39,824)	39,348	-	-	(1,135)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$175,910	$18,640	$(2,318)	$116	$2,532	$194,880

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

(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. The Agency has no taxing power, however, certain bonds issued are separately secured, special and limited obligations of the Agency. See Note 9 to the financial statements for a more detailed discussion of the Agency's bonds, notes and obligations.

On April 29, 1996, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the Statewide Acquisition and Redevelopment 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 A Better Camden Corporation ("ABC"). The Board consists of four State Directors and three Camden Directors as follows: The Commissioner of the New Jersey Department of Community Affairs, ex officio, or his or her designee; the Executive Director of the Agency, ex officio, or his or her designee; two employees of the Agency appointed by, and serving at the pleasure of the Executive Director of the Agency; the Mayor of the City of Camden, ex officio, or his or her designee; the Executive Director of the Camden Redevelopment Agency, ex officio, or his or her designee; and one resident of Camden appointed by a majority of the other directors to serve for a term of two years.

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

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

The Section 8 Housing Assistance Payments ("HAP") received by the projects amounted to approximately $262,887 and $192,264 for the years ended June 30, 2002 and 2001, respectively.

The Section 236 program provides for interest reductions on mortgages of projects assisted under the program. HUD subsidizes the difference between the actual amortization schedule on the mortgages and an amortization schedule based upon a 1% interest rate. Several Section 236 projects also receive additional rental assistance for eligible tenants. The payments represent the difference between contract rent (as defined above) and the tenants' eligible rental payments.

The Section 236 Interest Reduction Payments ("IRP") received by the Agency amounted to approximately $18,129 and $18,053 for the years ended June 30, 2002 and 2001, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Effective July 1, 2001, the financial statements are prepared in accordance with GASB No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The impact of changing to GASB No. 34 involved changing the cash flow statement to the direct method, including a management's discussion and analysis, and changing certain classifications within the basic financial statements.

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 a General Fund which is used to record transactions which are not directly related to a specific bond resolution.

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

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

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

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

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

Investments - Investments are accounted for in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools. Therefore, United States Government and Agency securities, asset-backed securities, corporate notes and commercial paper are reported at market value.

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 General Fund of the Agency for projects in interest-bearing accounts. Such interest accrues to the benefit of the projects and is not recorded as Agency revenue.

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

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

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

The Agency periodically reviews its mortgage loans receivable, debt service arrears receivable, 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 it in Agency-approved foreclosure proceedings. The Agency enacts foreclosure proceedings against Multi-Family loans at the direction of its executive director with the approval of the Agency's Board. The Agency is the first lienholder for all supplemental mortgages. Interest income on supplemental mortgages is not accrued, but is credited to income as collected.

Allowance for Loan Losses - Certain projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's General Fund. The Agency has provided allowances for loan losses aggregating $139,975 and $122,624 as of June 30, 2002 and 2001, 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 as of June 30, 2002.

Capital Contributions to the State of New Jersey - In March 2002, the State of New Jersey enacted P.L. 2002, Chapter 4, legislation that required the Agency to make a capital contribution from unencumbered reserves to the State of New Jersey for housing-related purposes in the amount of $25 million. In July 2002, the State of New Jersey enacted P.L. 2002, Chapter 36, legislation that will require the Agency to make a capital contribution from unencumbered reserves to the State of New Jersey for housing-related purposes in the amount of $25 million in the year ended June 30, 2003.

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.

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. EARLY EXTINGUISHMENT OF DEBT

During the years ended June 30, 2002 and 2001, as a result of prepayment of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $118,825 and $288,735, respectively. Net losses of $673 and $712 for the years ended June 30, 2002 and 2001, respectively, on early extinguishment of debt have been recorded as a non-operating expense. These losses arise as a result of immediate recognition of deferred bond issuance costs, bond discounts that would have been amortized over the life of the applicable bond issues had they not been retired, and call premiums as required by the board resolutions.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Merrill Lynch Investment Program - On December 5, 2001, the Agency invested $225,000 of appropriated and unappropriated general fund monies with MLIM. These monies were invested according to the parameters set forth in the Investment Policy statement as approved by the Agency's Board on August 23, 2001. The Investment Policy statement establishes investment objectives and requirements, such as eligible investments, concentration limits/portfolio diversification, and credit quality considerations. Eligible investments include U.S. Treasury, government and federal agency obligations, commercial paper, repurchase agreements, corporate bonds and notes, bank time deposits and CDs, asset-backed securities, mortgage-backed securities, collateralized mortgage obligations, and money market mutual funds.

Cash and Cash Equivalents - The carrying amounts and the bank balances of the Agency's cash deposits as of June 30, 2002 and 2001 were as follows:

	2002		2001	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Single-family component:				
Insured	$200	$300	$204	$253
Collateralized	4,586	4,586	4,632	4,632
Uncollateralized	103	520	1,969	1,969
Multi-family component:				
Uninsured	415	415	335	335
General fund:				
Insured	27	403	175	600
Uncollateralized	67	2,749	360	19,932
STAR:				
Insured	-	-	1	1
ABC:				
Insured	12	29	100	100
Uncollateralized	-	-	17	192
	$5,410	$9,002	$7,793	$28,014

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, 2002 and 2001 are as follows:

	2002	2001
Single-family component	$53,619	$18,871
Multi-family component	80,203	91,897
General fund	390,041	567,191
STAR	117	-
ABC	2,637	-
	$526,617	$677,959

As of June 30, 2001, the General Fund had $62,368 invested in a tax-free cash management fund. This is a commingled fund consisting generally of short-term New Jersey municipal money market instruments.

Investments - The Agency's investments have been categorized to give an indication of the level of risk assumed by the Agency. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or trustee in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the trustee's trust department or agency. Category 3 includes uninsured and unregistered investments for which the securities are held by the trustee or by its trust department or agent, but not in the Agency's name. The Agency General 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, 2002 have been categorized as follows:

Single-Family component

	Category				
	1	2	3	Par Value	Market Value
Investment agreements	$ -	$ -	$259,807	$259,807	$259,807
Repurchase agreements	-	38,439	-	38,439	38,439
	$ -	$38,439	$259,807	$298,246	$298,246

Multi-Family Component

	Category				
	1	2	3	Par Value	Market Value
Investment agreements	$ -	$15,397	$116,019	$131,416	$131,416
Repurchase agreements	-	36,161	-	36,161	36,161
U. S. Government and Agency Securities	-	-	30,597	30,597	30,700
	$ -	$51,558	$146,616	$198,174	$198,277

General Component

	Category				
	1	2	3	Book Value	Market Value
Investment agreements	$ -	$ -	$8,218	$8,218	$8,218
U. S. Government and Agency Securities	-	-	56,699	56,699	54,200
Commercial Paper	-	-	6,282	6,282	6,282
Floating Rate Notes	-	-	31,535	31,535	31,588
Asset-Backed Securities	11,998	-	35,231	47,229	47,901
Corporate Notes	-	-	89,176	89,176	90,056
Other	200	-	5,859	6,059	6,155
	$12,198	$ -	$233,000	$245,198	$244,400

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

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the years ended June 30, 2002 and June 30, 2001, the maximum amounts invested in repurchase agreements by the Agency were $34,368 and $40,185 respectively. All repurchase agreements were invested overnight and uncollateralized.

Pursuant to most bond resolutions, the Agency is required to maintain certain invested debt service reserves with the Trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. These debt service reserve investments for the Multi-Family Component (funded by bond proceeds) are included in the cash equivalents and investment balances above and aggregate approximately $55,205 and $87,939 (market value) as of June 30, 2002 and 2001, respectively. The debt service reserve for many of the Multi-Family issues is called the Housing Finance Fund or account. The debt service reserve investments for the Single-Family Component (funded by bond proceeds) are included above and aggregate approximately $26,426, as of both June 30, 2002 and 2001. 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 $73,487 and $49,759 and the Single-Family Component had $42,573 and $46,435 of Surety Bonds outstanding as of June 30, 2002 and 2001, 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, 2002 and 2001 are as follows:

	2002	2001
Mortgage loans receivable	$1,123,137	$1,229,819
Unearned discounts - net	(322)	(411)
Loan origination costs - net	14,018	14,787
Commitment fees - net	(12,863)	(14,447)
Allowance for loan losses	(9,633)	(11,677)
Mortgage receivable - net	1,114,337	$1,218,071
Less current portion	(23,434)	
Long-term portion	$1,090,903	

Multi-Family Housing Component - The Multi-Family Housing mortgage loans receivable as of June 30, 2002 and 2001 consisted of the following:

	2002	2001
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$426,427	$464,419
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	224,748	249,897
Unsubsidized mortgage loans	430,999	363,996
Government National Mortgage Association, 9.95% and 9.5%, maturity November 15, 2020 and November 15, 2027, respectively	5,161	5,208
	1,087,335	1,083,520
Allowance for loan losses	(33,793)	(20,002)
Construction advances (undisbursed)	21,948	8,586
Mortgage receivable - net	1,075,490	$1,072,104
Less current portion	(34,121)	
Long term portion	$1,041,370*	

*Difference due to rpounding

General Fund Component - The General Fund mortgage loans receivable as of June 30, 2002 and 2001 consisted of the following:

	2002	2001
Unsubsidized mortgage loans	$44,268	$38,015
Unearned discounts - net	(180)	(211)
Unearned premiums - net	2	3
Loan origination costs - net	176	193
Allowance for loan losses	(79)	(86)
Mortgage receivable - net	44,187	$37,914
Less current portion	(1,160)	
Long-term portion	$43,027	

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

Construction advances made from the proceeds of the sale of bonds and obligations are recorded as mortgage loans receivable. These funds are disbursed for construction costs, interest, carrying fees, working capital advances and other project-related expenses. Upon substantial completion and occupancy of the project, amortization of the loan commences.

6. DEBT SERVICE ARREARS RECEIVABLE

Debt service arrears consist of mortgage principal, interest payments and fees in arrears on permanently financed loans, net of the allowance for loan losses as described in Note 2. The debt service arrears receivable was $25,129 and $31,853 at June 30, 2002 and 2001, respectively. The debt service allowance for loan losses was $17,922 and $25,154, respectively, as of June 30, 2002 and 2001, respectively. A subsidy payment receivable of $1,228 and $1,105 was due at June 30, 2002 and 2001.

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

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

For the Multi-Family Housing Component, the Agency's policy is to provide an allowance for substantially all interest receivable on first mortgage loans when interest payments become past due, except for Section 8 program loans for which no allowance is recorded. An allowance of approximately $4,211 and $4,315 against interest receivable was recorded at June 30, 2002 and 2001, respectively. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $119,376 and $70,038 as of June 30, 2002 and 2001, respectively.

7. SUPPLEMENTAL MORTGAGES AND OTHER LOANS

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

The supplemental mortgages and other loans receivable as of June 30, 2002 and 2001 consisted of the following:

	2002	2001
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$28,503	$13,841
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	19,825	12,022
Agency supplemental mortgages	183,176	126,026
HUD supplemental mortgages	881	881
Loans to projects	10,334	11,723
State of New Jersey supplemental mortgages	15,917	16,143
Other	53,428	96,283
Total	312,064	276,919
Allowance for loan losses	(82,935)	(69,856)
Undisbursed supplemental mortgage proceeds	(28,423)	(19,526)
Supplemental mortgages and other loans receivable - net	200,706	$187,537
Less current portion	(3,545)	
Long-term portion	$197,161	

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2002 and 2001 is summarized as follows:

	2002	2001	Estimated Useful Lives
Land	$2,416	$2,367	
Leasehold improvements	165	165	2 years
Buildings and building improvements	18,093	12,207	25 years
Automobiles	320	327	3 years
Machinery and equipment	2,448	2,574	3-5 years
Furniture and fixtures	409	1,882	5 years
Construction in progress		5,814	
	23,851	25,336	
Less accumulated depreciation	(6,548)	(6,744)	
Property, plant, and equipment - net	$17,303	$18,592	

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 semi-annually. 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 semi-annual 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, 2002 the following bonds and obligations:

Single-Family Component -

	Net bonds outstanding June 30, 2001	Matured/called /redeemed	Issued	Net Accretion Capital Appreciation bonds	Net Change in Unamortized bond discount	Net bonds outstanding June 30, 2002
Home buyer revenue bonds, 3.70% to 7.90%, due 2002 to 2031	$1,457,215	$133,800	$-	$-	$-	$1,323,415

Multi-Family Component -

	Net bonds outstanding June 30, 2001	Matured/called /redeemed	Issued	Net Accretion Capital Appreciation bonds	Net Change in Unamortized bond discount	Net bonds outstanding June 30, 2002
General housing loan bonds*						
1970 SERIES A, 4.50%, due 2002 to 2019	$3,220	110	$ -	$ -	$ -	$3,110
1971 SERIES A, 5.30% to 5.40%, due 2002 to 2019	24,945	1,175	-	-	-	23,770
1972 SERIES A, 5.70% to 5.80%, due 2002 to 2021	33,595	1,485	-	-	-	32,110
1972 SERIES B, 5.20% to 5.25%, due 2002 to 2021	34,175	1,035	-	-	-	33,140
	95,935	3,805	-	-	-	92,130
Section 8 bonds*						
1991 SERIES A, 6.00% to 7.10%, due 2001 to 2012	63,885	63,885	-	-	-	-
1992 SERIES A, 7.55%, due 2002 to 2014	6,885	315	-	-	-	6,570
	70,770	64,200	-	-	-	6,570
Section 11(b) multi-family housing revenue bonds						
1983 SERIES A (Highview Terrace) 10.375%, due 2002 to 2025	2,910	30	-	-	-	2,880
Multi-Family housing revenue						
1985 SERIES I (Roger Gardens) 9.60% to 11.40%, due 2001 to 2026	4,974	-	-	47	-	4,927
Multi-Family housing revenue						
Bonds 1991 SERIES I (Presidential Plaza) 6.30% to 7.00%, due 2002 to 2030	131,145	1,565	-	-	-	129,580
Rental housing revenue bonds*						
1991 SERIES A, 6.50% to 7.25%, due 2002 to 2022	6,925	6,925	-	-	-	-
1991 SERIES B, 6.40% to 6.75%, due 2002 to 2022	13,032	13,032	-	-	-	-
1991 SERIES C, 6.50% to 7.10%, due 2002 to 2022	2,360	2,360	-	-	-	-
1991 SERIES D, 8.40% to 9.25%, due 2002 to 2022	5,085	5,085	-	-	-	-
1992 SERIES E, 8.15% to 9.00%, due 2002 to 2024	11,844	344	-	-	45	11,455
	39,246	27,746	-	-	45	11,455
Housing revenue bonds						
1992 SERIES A, 6.40% to 6.95%, due 2002 to 2015	106,370	106,370	-	-	-	-
1992 SERIES B, 6.30% to 6.40%, due 2002 to 2020	3,335	3,335	-	-	-	-
	109,705	109,705	-	-	-	-
Housing revenue refunding bonds						
1992 SERIES ONE, 6.0% to 6.7, due 2002 to 2028	143,065	12,215	-	-	-	130,850

Multi-Family housing revenue bonds	Net bonds outstanding June 30, 2001	Matured/ called/ redeemed	Issued	Net Accretion Capital Appreciation bonds	Net Change in Unamortized bond discount	Net bonds outstanding June 30, 2002
1995 SERIES A, 4.85% to 6.05%, due 2002 to 2030	$147,135	$7,870	$ -	$ -	$ -	$139,265
1995 SERIES B, 4.90% to 6.20%, due 2002 to 2020	6,680	195	-	-	-	6,485
1995 SERIES C, 7.25%, due 2002 to 2012	2,045	120	-	-	-	1,925
1996 SERIES A, 5.00% to 6.25%, due 2002 to 2028	27,220	440	-	-	-	26,780
1996 SERIES B, 7.33% to 8.37%, due 2002 to 2028	15,015	610	-	-	-	14,405
1997 SERIES A, 4.25% to 5.65%, due 2002 to 2040	69,550	1,755	-	-	-	67,795
1997 SERIES B, 4.10% to 5.40%, due 2002 to 2028	11,365	190	-	-	-	11,175
1997 SERIES C, 6.37% to 7.42%, due 2002 to 2040	21,120	650	-	-	-	20,470
1999 SERIES A, 3.70% to 5.15%, due 2002 to 2030	23,150	295	-	-	-	22,855
1999 SERIES B, 3.60% to 4.70%, due 2002 to 2013	1,885	130	-	-	-	1,755
1999 SERIES C, 5.97% to 7.12%, due 2002 to 2030	5,740	70	-	-	-	5,670
2000 SERIES A1, 4.9% to 6.35%, due 2002 to 2032	32,105	5,025	-	-	-	27,080
2000 SERIES A2, 4.9% to 6.35%, due 2002 to 2029	2,965	65	-	-	-	2,900
2000 SERIES B, 4.50% to 6.25%, due 2002 to 2026	60,485	1,300	-	-	-	59,185
2000 SERIES C1, 8.38%, due 2002 to 2032	42,580	215	-	-	-	42,365
2000 SERIES C2, variable rate, due 2002 to 2032	15,000	75	-	-	-	14,925
2000 SERIES E1, 4.45% to 5.75%, due 2002 to 2025	94,850	7,265	-	-	-	87,585
2000 SERIES E2, 4.45% to 5.75%, due 2002 to 2025	10,215	250	-	-	-	9,965
2000 SERIES F, 7.93%, due 2001 to 2031	16,755	140	-	-	-	16,615
2000 SERIES G, 4.45% to 5.35%, due 2001 to 2013	3,185	180	-	-	-	3,005
2001 SERIES A, 3.10% to 5.05%, due 2004 to 2034	-	-	26,980	-	243	26,737
2001 SERIES B, 6.64%, due 2002 to 2032	-	-	13,745	-	-	13,745
2001 SERIES C, variable rate, due 2007 to 2033	-	425	68,550	-	-	68,125
2002 SERIES A, 1.70% to 4.55%, due 2003 to 2013	-	-	53,555	-	-	53,555
2002 SERIES B, variable rate, due 2002 to 2023	-	-	18,065	-	-	18,065
2002 SERIES C, 2.30% to 4.95%, due 2003 to 2015	-	-	81,680	-	-	81,680
2002 SERIES D, 5.50%, due 2002 to 2022	-	-	2,000	-	-	2,000
2002 SERIES E, 7.00%, due 2002 to 2022	-	-	4,350	-	-	4,350
	609,045	27,265	268,925	-	243	850,462
Total Multi-Family	$1,206,795	$246,531	$268,925	$47	$288	$1,228,854

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.

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 2001, the Agency issued Multi-Family Housing Revenue Bonds 2001 Series A, Series B, and Series C in the aggregate amount of $109,275 to provide funds for first mortgage loans. In February 2002, the Agency issued Multi-Family Housing Revenue Bonds 2002 Series A and Series B in the aggregate amount of $71,620 and in April 2002 the Agency issued Multi-Family Revenue Bonds 2002 Series C, Series D, and Series E in the aggregate amount of $88,030. Proceeds were used to refund six existing multi-family bond issues. The economic gain on these transactions was approximately $16,438, and the difference between the reacquisition price and the net carrying value of debt was $1,969, which is being deferred and amortized using the straight-line method over the life of the refunded debt as a component of interest expense.

In connection with the issuance of the Agency's 2001 Series C tax exempt variable rate PARS Bonds, the Agency has entered into a $47,970 accreting/amortizing delayed start interest rate swap agreement, effective November 1, 2002, with Merrill Lynch Capital Services. The Agency will pay interest at the fixed rate of 5.0388% semi-annually each November 1 and May 1, commencing May 1, 2003 and terminating on May 1, 2029. Merrill Lynch Capital Services will pay interest to the Agency based upon The Bond Market Association Swap Index (the "BMA Index"), commencing November 14, 2002 and every fourth Thursday thereafter.

In connection with the issuance of the 2001 Series C PARS Bonds, the Agency has entered into an interest rate cap agreement with Bear Stearns Financial Products. The interest rate cap agreement was effective on the date of delivery of the 2001 Series C PARS Bonds, and has an amortizing notional amount commencing at $68.6 million. With respect to all or a portion of the 2001 Series C PARS Bonds for which there is no effective fixed interest rate, Bear Stearns Financial Products will make payments to the Agency if interest rates on the BMA Index exceed the "strike" rate of 5%. This agreement effectively limits the Agency's interest rate exposure to a maximum of 5% on the applicable notional amount related to the 2001 Series C PARS bonds through the termination date of November 1, 2005.

In connection with the issuance and forward settlement (October 2, 2002) of the 2002 Series G taxable floating rate bonds, the Agency has entered into a delayed start interest rate swap agreement effective October 2, 2002 with Merrill Lynch Capital Services. This agreement requires that the Agency will pay 6.245% semi-annually each November 1 and May 1 to Merrill Lynch Capital Services based on an initial notional amount of $6.2 million. The swap notional amount will amortize semi-annually and is expected to correlate with the outstanding principal amount of the 2002 Series G Bonds. Merrill Lynch Capital Services will pay interest to the Agency on the first business day of each month at the one-month LIBOR rate, which is expected to correlate with the Agency's interest cost of the 2002 Series G Bonds.

As of June 30, 2002 and 2001, there was $86,102 and $77,598, 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		Multi-Family Mortgage Component	
	Principal	Interest	Principal	Interest
2003	$26,415	$73,705	$48,848	$71,002
2004	27,740	72,421	46,148	65,313
2005	29,160	71,042	47,333	63,082
2006	30,690	69,558	49,182	60,641
2007	32,335	67,965	51,441	58,028
2008-2012	198,235	313,296	279,700	244,639
2013-2017	273,505	252,132	252,940	167,584
2018-2022	226,915	183,484	178,329	103,788
2023-2027	373,275	95,908	145,966	62,725
2028-2032	125,145	12,836	100,340	21,791
2033-2037	-	-	19,150	5,325
2038-2043	-	-	9,765	1,004
	$1,343,415	$1,212,347	$1,229,142	$924,922

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, 2002 and 2001.

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, 2002 and 2001 include the following:

	2002	2001
Multi-Family Housing Component - unspent subsidies	$7,291	$8,322
General Fund (components included on the balance sheet category "Funds Held in Trust") :		
Community development escrows	5,516	5,957
Development cost escrows	25,422	29,187
Other funds held in trust	151,488	150,588
	182,426	185,732
	$189,717	$194,054

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, 2002 and 2001 include the following:

	2002	2001
Multi-Family Housing Component	$7,851	$7,485
General fund:		
Reserve for repairs and replacements	175,635	173,746
Tax and insurance escrows	23,799	23,092
	199,434	196,838
	$207,285	$204,323

12. NET ASSETS

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

Appropriated General Fund Net Assets - Appropriated General Fund net assets are funds set aside by the Agency's members for the following purposes:

	2002
To fund Multi-Family rental investment program	$ 3,000
To fund NJHMFA portion of Undisbursed Mortgage Proceeds	17,360
To fund debt service arrearages, operating deficits or essential capital improvements of any project that cannot fund these items from normal project income	4,686
Reserve for loans losses 1984-A	5,700
To fund transitional housing loans	1,938
To fund the Shore Easy Program	350
To fund the Urban Home Ownership Recovery Program (UHORP)	31,419
To fund the Royal Court Townhouses project	497
To fund the Camden Initiative Program	1,486
To fund the Non-Bond Multi-Family Program	35,586
To fund HOPE Program	500
To fund the Equity Gap Program	5
To fund the Developmentally Disabled Program	1,000
To fund the Life Safety Rehabilitation Program	50
To fund the bond refunding proceeds	30,602
To fund Urban Statewide Acquisition Program	20,000
To fund UHORP Mortgage Commitment	6,177
To fund Upstairs Downtown Program	3,441
To fund ABC	4,300
To fund Neighborhood Revitalization Demonstration Rehab Program	10,000
To fund Home Ownership for Permanency Program	4,000
To fund Servicing Rights Purchase Fund	1,000
To fund Lanning Square West UHORP #229	100
To fund Information Technology	1,080
Total appropriated net assets	$ 184,277

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, 2002 and 2001 was approximately $11,616 and $12,112, 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 1/55 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, 2002 and 2001 were $348 and $424, respectively, which was all contributed by the employees.

The Pension Benefit Obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The benefit obligations were determined as part of the most recent annual actuarial valuation dated June 30, 2001. For the year ended June 30, 2002, the State portion of employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

Legislation passed in 1997 (Chapters 114 and 115, P.L. 1997) provided for the use of excess actuarial valuation assets to offset the required normal contribution of the State of New Jersey and the local participating employees. In addition, the employee contribution rate was reduced from 5% to 3% for calendar years 2002 and 2001. 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, unfunded accrued liabilities of the System were eliminated except for the unfunded liability for local early retirement incentive benefits. Prior to Chapters 114 and 115, the System had a $168,337 unfunded liability for such benefits.

At the State of New Jersey level, the actuarial value of total assets was $9,743,727; the actuarial accrued total liability was $8,538,685; the surplus over actuarial accrued liability was $1,205,042; the funded ratio was 114.1%; the covered payroll was $3,094,281 and the actuarial surplus as a percentage of covered payroll was 38.9%. At the local level, the actuarial value of total assets was $14,380,512; the actuarial accrued total liability was $12,007,161; the surplus over actuarial accrued liability was $2,373,351; the funded ratio was 119.8%; the covered payroll was $4,910,963 and the actuarial surplus as a percentage of covered payroll was 48.3%.

A variety of significant actuarial assumptions are used to determine the valuation of the pension benefits obligation, including (a) an assumed discount rate of 8.75%, which is in excess of the current prevailing market rate, (b) projected salary increases, including inflation, merit and productivity of 4.65% to 6.90%. 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 with the Federal Home Loan Bank. As of June 30, 2002 and 2001, the available line of credit was $12,515 and $18,306, 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.

Schedule 1

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
SINGLE-FAMILY MORTGAGE COMPONENT
JUNE 30, 2002
(In Thousands)

	2002 Home Buyer Revenue Bond Resolution
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents, substantially restricted (Note 4)	$58,508
Investments, substantially restricted (Note 4)	23,652
Accrued interest receivable on investments	4,481
Mortgage loans receivable - net (Note 5)	23,434
Due from loan servicers and insurers	6,075
Other current assets	329
Total current assets	116,479
NON-CURRENT ASSETS:	
Investments, substantially restricted (Note 4)	274,594
Mortgage loans receivable - net (Note 5)	1,090,903
Debt service arrears receivable - net (Note 6)	7,046
Deferred charges - bond issuance costs - net	8,128
Real estate owned	2,268
Total non-current assets	1,382,939
TOTAL ASSETS	$1,499,418
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Bonds and obligations - net (Note 9)	$26,415
Accrued interest payable on bonds and obligations	18,508
Total current liabilities	44,923
NON-CURRENT LIABILITIES:	
Bonds and obligations - net (Note 9)	1,297,000
Other non-current liabilities	2,292
Due to other funds	5,878
Total non-current liabilities	1,305,170
TOTAL LIABILITIES	1,350,093
NET ASSETS (Note 12):	
Restricted under bond and obligation resolutions	149,325
Total net assets	149,325
TOTAL LIABILITIES AND NET ASSETS	$1,499,418

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
SINGLE-FAMILY MORTGAGE COMPONENT
STATEMENT OF REVENUES. EXPENSES. AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002
(In Thousands)

	2002 Home Buyer Revenue Bond Resolution
OPERATING REVENUES:	
Interest income on mortgage loans	$79,137
Interest income on investments	20,427
Total operating revenues	99,564
OPERATING EXPENSES:	
Interest	78,473
Insurance costs	1,403
Servicing fees and other	4,308
Salaries and related benefits	1,712
Professional services and financing costs	102
General and administrative expenses	931
Loss on sale of real estate owned	469
Provision for loan losses (Note 2)	(4,084)
Total operating expenses	83,314
Net operating income	16,250
NON-OPERATING EXPENSES (Note 3):	
Loss on early extinguishment of debt	614
Total non-operating expenses	614
Increase in net assets	15,636
NET ASSETS, BEGINNING OF YEAR	133,689
NET ASSETS, END OF YEAR	$149,325

MULTI-FAMILY HOUSING COMPONENT
STATEMENT OF NET ASSETS
JUNE 30, 2002
(In Thousands)

	General Housing Loan Bond Funds	1983-A Highview Terrace	1985-I Roger Gardens	1991-I	1981-A&B 1991-AS8 and 1992-AS8	Rental Housing Revenue Bonds	1992-I	1995	2002 Total Multi-Family
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents, substantially restricted	$6,565	$283	$ -	$4	$1	$4	$ -	$73,759	$80,616
Investments, substantially restricted	26,089	-	-	-	161	1,918	-	293	28,461
Accrued interest receivable on investments	-	4	15	81	124	109	277	407	1,017
Mortgage loans receivable - net	3,237	31	55	1,634	261	706	8,142	20,055	34,121
Other assets	-	-	-	-	-	-	-	358	358
Total current assets	35,891	318	70	1,719	547	2,737	8,419	94,872	144,573
NON-CURRENT ASSETS:									
Investments, substantially restricted	546	173	1,058	7,818	10,858	8,993	28,343	112,027	169,816
Mortgage loans receivable - net	77,289	2,730	4,890	121,712	5,760	28,360	130,874	669,754	1,041,369
Debt service arrears receivable - net	13	-	-	-	982	25	-	193	1,213
Deferred economic loss on defeasance of bonds	-	-	-	-	-	-	-	13,044	13,044
Deferred charges - bond issuance costs - net	-	-	-	-	-	221	-	5,591	5,812
Total non-current assets	77,848	2,903	5,948	129,530	17,600	37,599	159,217	800,609	1,231,254
TOTAL ASSETS	$113,739	$3,221	$6,018	$131,249	$18,147	$40,336	$167,636	$895,481	$1,375,827
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Bonds and obligations - net	$3,939	$30	$94	$1,665	$340	$410	$11,395	$29,855	$47,728
Accrued interest payable on bonds and obligations	833	50	-	1,506	83	172	1,409	7,926	11,979
Advances from the State of New Jersey for bond and housing assistance	1,779	-	-	-	-	-	-	-	1,779
Mortgagor escrow deposits	7,851	-	-	-	-	-	-	-	7,851
Total current liabilities	14,402	80	94	3,171	423	582	12,804	37,781	69,337
NON-CURRENT LIABILITIES:									
Bonds and obligations - net	88,190	2,850	4,834	127,915	6,230	11,045	119,455	820,607	1,181,126
Funds held in trust for mortgagors	5,156	-	-	-	(502)	2,430	-	207	7,291
Minimum escrow requirement	654	26	-	-	87	76	1,700	6,369	8,912
Other liabilities	-	19	-	-	-	-	-	498	517
Due to HUD	-	331	-	-	-	-	-	-	331
Due to other funds	468	-	-	3	20	1,246	681	2,531	4,949
Total non-current liabilities	94,468	3,226	4,834	127,918	5,835	14,797	121,836	830,212	1,203,126
TOTAL LIABILITIES	108,870	3,306	4,928	131,089	6,258	15,379	134,640	867,993	1,272,463
NET ASSETS:									
Restriction under bond and obligation resolutions	4,868	(84)	1,090	160	11,889	24,957	32,996	27,488	103,364
Total net assets	4,868	(84)	1,090	160	11,889	24,957	32,996	27,488	103,364
TOTAL LIABILITIES AND NET	$113,738	$3,222	$6,018	$131,249	$18,147	$40,336	$167,636	$895,481	$1,375,827

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
MULTI-FAMILY HOUSING COMPONENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
JUNE 30, 2002
(In Thousands)

OPERATING REVENUES:	General Housing Loan Bond Funds	1983-A 11(B) Highview Terrace	1985-I Roger Gardens	1991-I	1981-A&B 1991-AS8 and 1992-AS8	Rental Housing Revenue Bonds	1992-A-D	1992-I	1995	2002 Total Multi-family
Interest income on Mortgage loans	$4,641	$288	$495	$8,680	$3,058	$2,274	$7,288	$10,035	$46,980	$83,739
Interest income on Investments	353	9	96	590	1,158	692	1,919	1,878	7,868	14,563
Total interest income	4,994	297	591	9,270	4,216	2,966	9,207	11,913	54,848	98,302
Fees and charges	897	-	-	135	40	156	606	1,249	2,856	5,939
Other income - net	28	-	-	-	-	5	(268)	-	647	412
Unrealized appreciation in investment securities	-	-	-	-	-	-	-	-	-	-
Total operating revenues	5,919	297	591	9,405	4,256	3,127	9,545	13,162	58,351	104,653
OPERATING EXPENSES:										
Interest	5,073	300	533	9,093	4,719	3,447	8,243	8,865	39,641	79,914
Insurance costs	-	-	-	-	-	-	-	-	924	924
Service fees and other	-	-	-	274	-	-	-	-	13	287
Salaries and related benefits	675	-	-	-	29	46	438	969	1,807	3,964
Professional services and financing costs	112	-	-	4	2	11	66	95	291	581
General and administrative expenses	220	-	-	-	9	14	124	316	648	1,331
Provision for loan losses	(14)	-	-	-	-	(315)	-	-	18,878	18,549
Total operating expenses	6,066	300	533	9,371	4,759	3,203	8,871	10,245	62,202	105,550
NON-OPERATING EXPENSES:										
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-	59	59
Amortization of economic loss on defeasance of bonds	-	-	-	-	-	-	-	-	746	746
Non-operating transfers	-	-	-	-	364	(24,007)	43,038	-	20,291	39,686
Total non-operating expenses	-	-	-	-	364	(24,007)	43,038	-	21,096	40,491
INCREASE (DECREASE) IN NET ASSETS	(147)	(3)	58	34	(867)	23,931	(42,364)	2,917	(24,947)	(41,388)
NET ASSETS, BEGINNING OF YEAR	5,015	(81)	1,033	126	12,756	1,026	42,363	30,079	52,435	144,752
NET ASSETS, END OF YEAR	$4,868	$(84)	$1,091	$160	$11,889	$24,957	$(1)	$32,996	$27,488	$103,364