FINANCIAL STATEMENTS AND SUPPLEMENTAL FINANCIAL INFORMATION

New Jersey Housing and Mortgage Finance Agency
(A Component Unit of the State of New Jersey)
Year Ended December 31, 2007
With Report of Independent Auditors

New Jersey Housing and Mortgage Finance Agency

Financial Statements and
Supplemental Financial Information

December 31, 2007

Contents

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the Single Family Mortgage Bond and Obligation Fund, Multi-Family Mortgage Bond and Obligation Fund, the General Fund and the aggregate discretely presented component units of the New Jersey Housing and Mortgage Finance Agency (the "Agency"), a component unit of the State of New Jersey, as of December 31, 2007 and for the year then ended, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's December 31, 2006 financial statements and, in our report dated July 16, 2007 we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in 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. We were not engaged to perform an audit of the Agency's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Single Family Mortgage Bond and Obligation Fund, Multi-Family Mortgage Bond and Obligation Fund, General Fund and the aggregate discretely presented component units of the Agency, as of December 31, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 16, during 2007, the Agency adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Management's discussion and analysis and the schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management of the Agency 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental information included in Schedules 1 through 4, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

June 16, 2008

New Jersey Housing and Mortgage Finance Agency

Management's Discussion and Analysis

December 31, 2007

Introduction to the Financial Report

This financial report consists of five parts; Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information and Supplementary Information. The New Jersey Housing and Mortgage Finance Agency (NJHMFA or Agency) as referred to throughout Management's Discussion and Analysis is for financial reporting purposes, the primary government.

The Financial Statements include:

- The Statements of Net Assets provides information about the nature and amounts of investments in resources (assets) and the obligations to Agency creditors (liabilities).

- The Statements of Revenues Expenses and Changes in Net Assets account for all of the current year's revenue and expenses, measure 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 Statements 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.

- Any other events or developing situations that could materially affect the Agency's financial position.

Required Supplementary Information:

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

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

This section of the Agency's financial statements, the Management's Discussion and Analyses (MD&A), presents an overview of the Agency's financial performance for the year ended December 31, 2007. It provides an assessment of how the Agency's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Agency's overall financial position.

The Agency's Business

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

NJHMFA has two subsidiaries that are discretely presented as component units in the financial statements. The Statewide Acquisition and Redevelopment Corporation (STAR) was formed to act as a housing service Agency under the Shore Easy Program, the AFL-CIO Demonstration Program and/or any other project or program as authorized by the Agency. A Better Camden Corporation ("ABC") was formed to stimulate and encourage the construction, rehabilitation and improvement of adequate and affordable housing in the City of Camden. Financial statements for ABC and STAR may be obtained by contacting NJHMFA.

During 2006, the Agency elected to change its fiscal year end from June 30 to December 31.

Overall Financial Highlights – Year Ended December 31, 2007:

- The Agency had an overall increase in net assets of $142.5 million due to a strong performance on investments and a contribution received from the Economic Development Authority for deposit into the Special Needs Housing Trust Fund.

- The Agency implemented GASB 45 to recognize "Other Post Employment Benefits" (OPEB) in 2007. The Agency recognized the entire unfunded actuarial liability of $28.1 million during 2007, with a net OPEB obligation of $27.7 million outstanding as of December 31, 2007. The related expense is included as part of salaries and related benefits on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

- Operating income decreased due to an increase in the provision for loan loss primarily from the decision to reserve the entire balance of the Special Needs Loans made to date in the amount of $27.3 million and the recognition of the entire OPEB liability in one year.

- The Agency received the remaining $150 million from the sale of New Jersey Economic Development Authority Motor Vehicle Surcharge Revenue Bonds to fund the Special Needs Housing Trust Fund for the sole purpose of providing housing and residential opportunities for individuals with special needs.

- During the year ended December 31, 2007, the Agency issued a total of $107.3 million in Multi Family bonds to finance 19 new multi-family developments that contain 1,736 housing units.

- In 2007 the Agency issued $375.6 million in Single Family housing revenue bonds to finance new single-family loans. In addition, the Agency issued $47.8 million to advance refund the Home Buyer Revenue Bond Resolutions Series 1995 N&O, 1996 P&Q and 1996 R&S for a net present value savings of $2.8 million.

- The Agency originated 2,190 new single-family mortgage loans in the year ended December 31, 2007.

- The Agency's mortgage loan receivable increased by 18% from December 31, 2006 to December 31, 2007.

- Bonds outstanding increased by 12.05% from December 31, 2006 to December 31, 2007.

Overall Financial Highlights – Six Month Period Ended December 31, 2006

- The Agency has changed its fiscal year end from June 30 to December 31. The period reported herein is for the six-months ended December 31, 2006.

- In the six-month period ended December 31, 2006, the Agency issued a total of $74.25 million in bonds to finance 10 new multi-family developments that contain 1,595 housing units.

- The Agency originated 775 new single-family mortgage loans in the six-month period ended December 31, 2006.

- The Agency had an operating income of $9.76 million for the six-month period ended December 31, 2006. In addition, there was an overall increase in net assets of $35.3 million.

- The Agency's total assets and liabilities remained relatively flat for December 31, 2006 compared to June 30, 2006.

- The Agency's mortgage loan receivable increased by 7.6% due in large part to the 14.9% increase in Single-Family mortgage loan receivable during the six-month period.

Overview of the Financial Statements

The Agency is a self-supporting entity and follows enterprise fund reporting. An enterprise fund reports activity that is financed with debt that is secured solely by a pledge of the net revenue from that activity as well as activity that is not supported by taxes or similar revenues. NJHMFA's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting matches revenues and expenses to the time period in which they are earned or attributable, respectively, which may differ from the period in which the associated cash is received or expended.

Enterprise fund statements offer short-term and long-term financial information about the Agency's activities. While detailed sub-fund information is not presented in the Agency's financial statements, separate accounts are maintained for each bond issue and component unit, as well as the Agency's general operating fund, known as the General Fund. These sub-funds permit NJHMFA to control and manage money for particular purposes and to determine that the Agency is properly using specific resources.

Financial Analysis

The following sections will discuss the Agency's financial position at December 31, 2007 as compared to December 31, 2006 and the changes in financial position for the year ended December 31, 2007. Additionally, an examination of major economic factors that have contributed to the Agency's operations is provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented are in conformity with the Agency's financial statements, which are presented in accordance with accounting principles generally accepted in the United States. All amounts are in thousands.

NJHMFA's Assets and Liabilities

The Statements of Net Assets in the financial statements presents the Agency's assets, liabilities, and net assets as of December 31, 2007. The following table represents the comparison of net assets as of December 31, 2007 and 2006 and June 30, 2006. The change between December 31, 2007 and December 31, 2006 should be read in conjunction with the financial statements.

The Agency's total assets and liabilities increased about 14% primarily as a result of an increase of bonds outstanding and the proceeds and the receipt of the Special Needs Housing Trust Fund final installment for December 31, 2007 when compared to balance at December 31, 2006.

Condensed Statement of Net Assets
(In Thousands)

	December 31, 2007	December 31, 2006	June 30 2006	% Change Dec 2007/2006	% Change Dec/June 2006
Current and other assets	**$ 3,931,301**	$ 3,421,014	$ 3,403,854	14.9%	.5%
Capital assets	**12,165**	12,798	13,222	(4.9)	(3.2)
Total assets	**3,943,466**	3,433,812	3,417,076	14.8	.5
Current liabilities	**348,225**	334,947	336,131	4.0	(.4)
Long term liabilities	**2,604,426**	2,248,216	2,265,598	15.8	(.8)
Total liabilities	**2,952,651**	2,586,163	2,601,729	14.2	(.7)
Net assets:					
Invested in capital assets, net of related debt	**12,165**	12,798	13,222	(4.9)	(3.2)
Restricted under Bond Obligation Resolutions	**322,340**	272,544	259,978	18.2	4.8
Restricted for Special Needs	**175,741**	41,588	48,833	322.6	(14.8)
Unrestricted	**480,569**	523,720	493,314	(8.2)	6.2
Total net assets	**$ 990,815**	$ 850,650	$ 815,347	16.5	4.3

Net assets restricted increased due to net income on the bond issues. Net assets – Restricted for Special Needs net assets increased due to the $150,000 contribution from the State of New Jersey, and unrestricted net assets decreased primarily due to the recognition of the entire $28,146 of other post employment benefits and an increase in the general fund mortgage allowance.

NJHMFA's Revenues and Expenses

The Statements of Revenues, Expenses and Changes in Fund Net Assets reports revenues recognized and expenses incurred for the year ended December 31, 2007. The table below summarizes the Agency's revenues and expenses for the year ended December 31, 2007. It should be read in conjunction with the financial statements.

The Agency had an increase in net assets of $140,165 for the year ended December 31, 2007 primarily due to the contribution from the State of New Jersey for the Special Needs Housing Trust Fund.

Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended December 31, 2007
(In Thousands)

Operating revenues:	
Interest income on mortgage loans	$ 132,382
Fees and charges	32,518
Other	4,399
	169,299
Operating expenses	224,028
Operating loss	(54,729)
Non-operating revenues, net	194,894
Increase in net assets	140,165
Total net assets – beginning of year	850,650
Total net assets – end of year	$ 990,815

Summary of Operating Expenses for the Year Ended December 31, 2007
(In Thousands)

Operating expenses:	
Interest	$ 109,344
Insurance costs	1,896
Servicing fees and other	3,879
Salaries and related benefits	47,752
Professional services and financing costs	1,153
General and administrative expenses	6,558
Grant expense	15,003
Loss on sale of real estate owned	397
Provision for loan losses	38,046
Total operating expenses	$ 224,028

Debt Administration

At December 31, 2007, the Agency had $2.270 billion of bond principal outstanding, net of deferral on refunding, discount and premium, an increase of 12.05% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2007 and 2006 and June 30, 2006, and the changes in bonds payable. Dollars are in thousands.

	December 31		June 30	% Change	
	2007	**2006**	**2006**	**Dec 2007/2006**	**Dec/June 2006**
Bonds Payable, Net	**$ 2,270,141**	$ 2,025,985	$ 2,045,712	12.1%	(1.0%)

Additional information about the Agency's debt is presented in Note 10 of the financial statements.

Single Family Programs

The Agency provides a variety of residential mortgage financing programs that primarily serve low to moderate and middle-income first time homebuyers and homebuyers purchasing in certain designated urban areas. For the most part the programs are funded with Mortgage Revenue Bond proceeds.

During the year ended December 31, 2007, the Agency issued Single Family Housing Revenue Bonds Series 2007 S&T totaling $198.4 million. Of this amount, $47 million was used to economically refund the SFHBRB 1995 Series N & O, and 1996 Series P, Q, R, S. Additionally issued were Series 2007 UVW totaling $225 million.

Multi-Family Programs

During the year ended December 31, 2007 the Agency issued 2007 Series A, B, C, D, F, and J new money bonds totaling $107.3 million to finance 19 new developments that contain 1736 housing units. In addition, 2007 Series G, H and I were issued in the amount of $37.5 million to economically refund the 1997 Series B bonds and partially refund 1997 Series A and C bonds.

Contacting The Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's business, financial position, and fiscal accountability for the funds it generates and receives. If you have questions about any information in this report, contact the Finance Division of the New Jersey Housing and Mortgage Finance Agency.

New Jersey Housing and Mortgage Finance Agency

Statements of Net Assets

at December 31, 2007
(With Comparative Summarized Financial Information as of December 31, 2006)
(In Thousands)

	Primary Government				Discretely Presented Component Units			Reporting Entity	
	Bonds and Obligation Funds								
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	Eliminations	December 31, 2007 Total	December 31, 2006 Total
Assets									
Current assets:									
Cash and cash equivalents	$ 92,833	$ 59,582	$ 656,321	$ 808,736	$ 340	$ 75	$ –	**$ 809,151**	$ 687,889
Investments	–	30,021	21,382	51,403	–	–	–	**51,403**	69,958
Accrued interest receivable on investments	622	1,214	2,585	4,421	–	–	–	**4,421**	4,978
Mortgage loans receivable, net	22,796	63,961	3,772	90,529	–	–	–	**90,529**	85,740
Supplemental mortgages and other loans, net	–	–	1,623	1,623	–	–	–	**1,623**	1,775
Fees and other charges receivable	–	–	3,100	3,100	–	–	–	**3,100**	2,559
Due from loan servicers and insurers	2,623	20	7	2,650	–	–	–	**2,650**	2,414
Interfund allocation	–	–	5,955	5,955	–	–	(5,955)	**–**	–
Other assets	47	298	1,667	2,012	–	–	–	**2,012**	1,071
Total current assets	118,921	155,096	696,412	970,429	340	75	(5,955)	**964,889**	856,384
Noncurrent assets:									
Investments	56,688	129,558	228,291	414,537	–	–	–	**414,537**	399,290
Escrow deposits	–	–	–	–	164	–	–	**164**	172
Mortgage loans receivable, net	1,074,292	1,052,919	138,366	2,265,577	–	–	(1,771)	**2,263,806**	1,909,533
Debt service arrears receivable, net	3,186	1,376	98	4,660	–	–	–	**4,660**	4,699
Interest receivable on construction advances and mortgages	–	–	1,675	1,675	–	–	–	**1,675**	1,675
Supplemental mortgages and other loans, net	15,655	62,250	170,475	248,380	–	–	–	**248,380**	220,040
Deferred charges, bond issuance costs, net	5,980	7,287	–	13,267	–	–	–	**13,267**	11,130
Real estate owned	625	–	8,288	8,913	–	–	–	**8,913**	7,957
Real estate held for redevelopment	–	–	–	–	–	1,287	–	**1,287**	1,366
Capital assets, net	–	–	12,165	12,165	120	–	–	**12,285**	13,469
Other non-current assets	–	–	227	227	–	–	–	**227**	378
Due from other funds	–	–	3,636	3,636	–	–	(3,636)	**–**	–
Total noncurrent assets	1,156,426	1,253,390	563,221	2,973,037	284	1,287	(5,407)	**2,969,201**	2,569,709
Total assets	$1,275,347	$1,408,486	$ 1,259,633	$3,943,466	$ 624	$ 1,362	$ (11,362)	**$ 3,934,090**	$ 3,426,093

See accompanying notes.

New Jersey Housing and Mortgage Finance Agency

Statements of Net Assets (continued)

at December 31, 2007
(With Comparative Summarized Financial Information as of December 31, 2006)
(In Thousands)

	Primary Government								
	Bonds and Obligation Funds				Discretely Presented Component Units			Reporting Entity	
	Single–Family Mortgage Component	Multi–Family Housing Component	General Fund	Subtotal	STAR Corporation	ABC Corporation	Eliminations	December 31, 2007 Total	December 31, 2006 Total
Liabilities									
Current liabilities:									
Bonds and obligations, net	$ 30,355	$ 55,565	$ –	$ 85,920	$ –	$ –	$ –	**$ 85,920**	$ 88,850
Accrued interest payable on bonds and obligations	11,192	10,293	–	21,485	–	–	–	**21,485**	20,480
Subsidy payments received in advance	–	–	11,222	11,222	–	–	–	**11,222**	9,770
Advances from the State of New Jersey for bond and housing assistance	–	–	19,096	19,096	–	–	–	**19,096**	19,300
Other current liabilities	–	–	492	492	236	70	–	**798**	658
Mortgagor escrow deposits	–	7,109	196,946	204,055	–	–	–	**204,055**	191,932
Interfund allocation	2,025	3,930	–	5,955	–	–	(5,955)	**–**	–
Total current liabilities	43,572	76,897	227,756	348,225	236	70	(5,955)	**342,576**	330,990
Noncurrent liabilities:									
Bonds and obligations, net	1,042,292	1,141,929	–	2,184,221	–	–	–	**2,184,221**	1,937,135
Minimum escrow requirement	–	8,835	715	9,550	–	–	–	**9,550**	9,652
Funds held in trust for mortgagor	–	42,083	310,140	352,223	–	–	–	**352,223**	273,669
Deferred revenues	–	–	6,841	6,841	–	–	–	**6,841**	6,099
Other noncurrent liabilities	727	1,521	18,012	20,260	488	3	–	**20,751**	17,949
OPEB Liability	–	–	27,694	27,694	–	–	–	**27,694**	–
Due to other funds	2,759	878	–	3,637	1,770	–	(5,407)	**–**	–
Total noncurrent liabilities	1,045,778	1,195,246	363,402	2,604,426	2,258	3	(5,407)	**2,601,280**	2,244,504
Total liabilities	1,089,350	1,272,143	591,158	2,952,651	2,494	73	(11,362)	**2,943,856**	2,575,494
Net assets:									
Invested in capital assets, net of related debt	–	–	12,165	12,165	120	–	–	**12,285**	13,469
Restricted under Bond and Obligation Resolutions	185,997	136,343	–	322,340	–	–	–	**322,340**	272,544
Restricted for Special Needs Housing	–	–	175,741	175,741	–	–	–	**175,741**	41,588
Restricted for Redevelopment	–	–	–	–	–	1,289	–	**1,289**	1,369
Unrestricted (deficit)	–	–	480,569	480,569	(1,990)	–	–	**478,579**	521,629
Total net assets (deficit)	$ 185,997	$ 136,343	$ 668,475	$ 990,815	$ (1,870)	$ 1,289	$ –	**$ 990,234**	$ 850,599

See accompanying notes.

New Jersey Housing and Mortgage Finance Agency

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended December 31, 2007
(In Thousands)

	Primary Government				Discretely Presented Component Units			Reporting Entity
	Bonds and Obligation Funds							
	Single-Family Mortgage Component	**Multi-Family Housing Component**	**General Fund**	**Subtotal**	**STAR Corporation**	**ABC Corporation**	**Eliminations**	**December 31, 2007 Total**
Operating revenues								
Interest income on mortgage loans	$ 49,255	$ 78,358	$ 4,769	$ 132,382	$ –	$ –	$ –	**$ 132,382**
Fees and charges	–	7,734	24,784	32,518	–	–	–	**32,518**
Other income-net	169	442	3,788	4,399	265	138	–	**4,802**
Total operating revenues	49,424	86,534	33,341	169,299	265	138	–	**169,702**
Operating expenses								
Interest and amortization of bond premiums and discounts	43,992	65,221	131	109,344	21	–	–	**109,365**
Insurance costs	468	810	618	1,896	–	–	–	**1,896**
Servicing fees and other	3,365	455	59	3,879	–	–	–	**3,879**
Salaries and related benefits	2,826	5,348	39,578	47,752	–	–	–	**47,752**
Professional services and financing costs	122	166	865	1,153	–	–	–	**1,153**
General and administrative expenses	717	1,258	4,583	6,558	–	218	–	**6,776**
Grant expense	–	–	15,003	15,003	–	–	–	**15,003**
Loss on sale of real estate owned	373	–	24	397	–	–	–	**397**
Other expenses	–	–	–	–	154	–	–	**154**
Provision for loan losses	2,201	14,880	20,965	38,046	551	–	–	**38,597**
Total operating expenses	54,064	88,138	81,826	224,028	726	218	–	**224,972**
Operating income (loss)	(4,640)	(1,604)	(48,485)	(54,729)	(461)	(80)	–	**(55,270)**
Nonoperating revenues/(expenses)								
Contribution from State of New Jersey	–	–	154,056	154,056	–	–	–	**154,056**
Investment income	10,628	10,145	20,825	41,598	11	–	–	**41,609**
Loss on early extinguishment of old debt	(470)	(290)	–	(760)	–	–	–	**(760)**
Total nonoperating revenues, net	10,158	9,855	174,881	194,894	11	–	–	**194,905**
Income (loss) before transfers	5,518	8,251	126,396	140,165	(450)	(80)	–	**139,635**
Transfers	524	35,503	(36,027)	–	–	–	–	**–**
Increase (decrease) in net assets	6,042	43,754	90,369	140,165	(450)	(80)	–	**139,635**
Net assets, beginning of year	179,955	92,589	578,106	850,650	(1,420)	1,369	–	**850,599**
Increase (decrease) in net assets, during period	6,042	43,754	90,369	140,165	(450)	(80)	–	**139,635**
Net assets, end of period	$ 185,997	$ 136,343	$ 668,475	$ 990,815	$ (1,870)	$ 1,289	$ –	**$ 990,234**

See accompanying notes.

New Jersey Housing and Mortgage Finance Agency

Statement of Cash Flows

Year Ended December 31, 2007
(In Thousands)

	Primary Government			
	Bonds and Obligation Funds			
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Total December 31, 2007
Cash flows from operating activities				
Receipts from interest on mortgages and loans	$ 49,272	$ 74,519	$ 7,106	**$ 130,897**
Receipts from fees, charges and other	7,348	8,074	41,500	**56,922**
Receipts from principal payments on mortgage receivables	154,759	103,239	79,463	**337,461**
Payments to vendors and employees	(15,126)	(7,006)	(60,995)	**(83,127)**
Payments for mortgage purchases and advances	(496,178)	(120,913)	(147,668)	**(764,759)**
Payments for other	(3,987)	(328)	–	**(4,315)**
Receipts for funds held in trust	–	1,391	119,002	**120,393**
Net cash provided by (used in) operating activities	(303,912)	58,976	38,408	**(206,528)**
Cash flows from non-capital financing activities				
Receipts from proceeds of sale of bonds and obligations	1,417,485	539,520	–	**1,957,005**
Payments for retirement of bonds	(1,166,510)	(548,530)	–	**(1,715,040)**
Payments for interest	(48,327)	(64,746)	–	**(113,073)**
Contribution	–	–	154,056	**154,056**
Transfers and other	1,663	114	(1,487)	**290**
Net cash provided by (used in) non-capital financing activities	204,311	(73,642)	152,569	**283,238**
Cash flows from capital financing activities				
Additions to capital assets	–	–	(539)	**(539)**
Net cash used in capital financing activities	–	–	(539)	**(539)**
Cash flows from investing activities				
Purchases of investments	(243,375)	(281,596)	(111,738)	**(636,709)**
Sales/maturities of investments	254,121	268,381	121,610	**644,112**
Earnings on investments	10,656	10,756	16,256	**37,668**
Net cash provided by (used in) investing activities	21,402	(2,459)	26,128	**45,071**
Net increase (decrease) in cash	(78,199)	(17,125)	216,566	**121,242**
Cash and cash equivalents, beginning of period	171,032	76,707	439,755	**687,494**
Cash and cash equivalents, end of period	$ 92,833	$ 59,582	$ 656,321	**$ 808,736**

See accompanying notes.

New Jersey Housing and Mortgage Finance Agency

Statement of Cash Flows (continued)

Year Ended December 31, 2007
(In Thousands)

	Primary Government			
	Bonds and Obligation Funds			
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Total December 31, 2007
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (4,640)	$ (1,604)	$ (48,485)	**$ (54,729)**
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	–	–	1,389	**1,389**
Gain on sale of real estate owned	373	–	24	**397**
Amortization of premium/discount, refunding costs, bond issue costs	22	897	–	**919**
Net cash provided by nonoperating activities	48,327	64,746	–	**113,073**
Changes in operating assets and liabilities:				
Loans- net	(347,160)	(35,185)	(5,822)	**(388,167)**
Fees and other charges receivable	–	–	(541)	**(541)**
Due from loan servicers and insurers	(222)	(20)	6	**(236)**
Deferred charges – bond issuance costs – net	(1,867)	(270)	–	**(2,137)**
Other assets	30	113	(933)	**(790)**
Due to/from other funds	29	1,009	(1,038)	**–**
Accrued interest payable on bonds	1,714	(709)	–	**1,005**
Advance from the State of New Jersey	–	–	(204)	**(204)**
Funds held in trust for mortgagor	–	29,604	48,950	**78,554**
Minimum escrow requirement	–	(74)	(28)	**(102)**
Mortgagor escrow deposits	–	163	11,960	**12,123**
Subsidy payments received in advance	–	–	1,452	**1,452**
Deferred revenue	–	–	742	**742**
OPEB liability	–	–	27,694	**27,694**
Other liabilities	(518)	306	3,242	**3,030**
Net cash provided by (used in) operating activities	$ (303,912)	$ 58,976	$ 38,408	**$ (206,528)**

See accompanying notes.

1. Description of the Agency

Authorizing Legislation and Organization – The New Jersey Housing and Mortgage Finance Agency (the “Agency”), which is established in, but not part of, the Department of Community Affairs, is a body, corporate and politic, created by the New Jersey Housing and Mortgage Finance Agency Law of 1983, constituting Chapter 530, Laws of New Jersey, 1983 (the “Act”), which combined the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency into a single agency.

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

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

Certain bonds and other obligations issued under the provisions of the Act are general obligations of the Agency to which its full faith and credit are pledged. Certain mortgages issued from the proceeds of Multi-Family Housing Revenue Bonds are insured by the Federal Housing Administration 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 10 to the financial statements for a more detailed discussion of the Agency’s bonds, notes and obligations.

Federal Subsidy Programs – Many of the Agency-financed Multi-Family Housing projects (the “projects”) have entered into subsidy contracts with the U.S. Department of Housing and Urban Development (“HUD”) under Section 236 of the National Housing Act, as amended, or under Section 8 of the United States Housing act of 1937, as amended (see Note 6). 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.

(In Thousands)

1. Description of the Agency (continued)

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 $352,297 for the year ended December 31, 2007.

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 $18,601 for the year ended December 31, 2007.

2. Reporting Entity

Component Unit – The Agency is a component unit of the State of New Jersey as described in Government Auditing Standards Board Statement ("GASB") No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These financial statements are discretely presented as part of the State's financial statements.

Discretely Presented Component Units – Discretely presented component units are entities which are legally separate from the Agency, but are financially accountable to the Agency, or whose relationship with the Agency is such that exclusion would cause the Agency's financial statements to be misleading or incomplete. GASB Statement No. 14, as amended by GASB Statement No. 39 also provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make

2. Reporting Entity (continued)

up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39. The component units' columns in the financial statements include the financial data of the component units of the Agency. They are reported in separate columns. Because of the nature of the services they provide and the Agency's ability to impose its will on them, the following component units are discretely presented in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39.

STAR

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

STAR was formed to act as a housing service corporation to purchase, finance, own, operate, maintain, develop, rehabilitate, construct, transfer, or resell properties under the Shore Easy Program, the AFL-CIO Demonstration Program and/or any other project or program as authorized by the Agency, particularly any project or program where the Agency administers Section 8 or other federal subsidies.

ABC

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the A Better Camden Corporation ("ABC"). The Board consists of four State Directors and three Camden Directors as follows: The Commissioner of the New Jersey Department of Community Affairs, ex officio, or his or her designee; the Executive Director of the Agency, ex officio, or his or her designee; two employees of the Agency appointed by, and serving at the pleasure of the Executive Director of the Agency; the Mayor of the City of Camden, ex officio, or his or her designee; the Executive Director of the Camden Redevelopment Agency, ex officio, or his or her designee; and one resident of Camden appointed by a majority of the other directors to serve for a term of two years. ABC was formed to stimulate and encourage the construction, rehabilitation and improvement of adequate and affordable housing in Camden, particularly for persons of low and moderate income.

2. Reporting Entity (continued)

Separate financial statements are issued for each of the component units and can be obtained by contacting the New Jersey Housing and Mortgage Finance Agency, 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085.

3. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Agency and its component units are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred, except those directly related to mortgage loan or program originations, which are deferred, netted against fee income for mortgage loans originated, and amortized over the contractual life of the related mortgage loan or program.

The Agency is required to follow all statements of the GASB. GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, was issued to give guidance in determining Generally Accepted Accounting Principles ("GAAP") for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board ("FASB") Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements after that date.

The Agency has elected not to follow any FASB pronouncements issued after November 30, 1989.

Recently Adopted Accounting Standards

In calendar year 2007, the Agency adopted two new statements issued by the Governmental Accounting Standards Board ("GASB").

(In Thousands)

3. Summary of Significant Accounting Policies (continued)

GASB Statement No. 45 ("GASB 45") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* was issued in 2004. As stated in GASB 45, this Statement establishes standards for the measurement, recognition, and display of OPEB costs and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan. The approach followed in the Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* with modifications to reflect differences between pension benefits and OPEB. GASB 45 improves the relevance and usefulness of financial reporting by: (i) recognizing the cost of benefits in periods when the related services are received by the employer; (ii) providing information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded; and (iii) providing information useful in assessing potential demands on the employer's future cash flows.

The financial reporting impact resulting from the implementation of GASB 45 in 2007 was the recognition of an additional expense and liability of $27.7 million in the Agency's financial statements for 2007 (see Note 18).

GASB Statement No. 48 ("GASB 48") *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* was issued in September 2006. GASB 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements.

GASB 48 also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.

(In Thousands)

3. Summary of Significant Accounting Policies (continued)

In addition to clarifying guidance on accounting for sales and pledges of receivables and future revenues, GASB 48:

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold;

- Provides guidance on sales of receivables and future revenues within the same financial reporting entity;

- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

The Agency implemented GASB 48 in 2007. There was no impact on the Agency's financial statements as a result of the implementation of GASB 48.

Descriptions of Funds

The accounts of the Agency are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, and revenues and expenses. 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.

General Fund – The General fund is utilized to record transactions which are not directly related to a specific bond resolution. All Agency expenses are recorded in this fund except provisions for potential loan losses, and specific program expenses which are charged to the loan-related funds.

Multi-Family Program – The Multi-Family Program transactions relate to the construction, rehabilitation and permanent financing of multi-family rental housing developments generally designed for persons and families of low and moderate income or the elderly. The Multi-Family Program also provides funds for the bridge loan program. This program provides funds to multi-family construction projects, to be used as owner's equity. These funds assist the construction project to finance pre-construction costs.

(In Thousands)

3. Summary of Significant Accounting Policies (continued)

Single Family Program – The Single Family Program transactions relate to the purchase of mortgage loans for owner-occupied single family residences for persons and families of low and moderate income.

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

Cash and Cash Equivalents

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 fair value.

Capital Assets and Related Depreciation

The Agency capitalizes all assets greater than $500 at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

Asset Class	Useful Lives
Buildings and building improvements	25
Automobiles	4
Machinery and equipment	4-10
Furniture and equipment	5

3. Summary of Significant Accounting Policies (continued)

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

Funds and Deposits Held for Projects

Certain funds and deposits are held by the Agency's General Fund for projects in interest-bearing accounts. Such interest accrues to the benefit of the projects and is not recorded as Agency revenue.

Debt Issuance Costs, Bond Discount and other Bond Related Costs

Debt issuance costs are deferred and amortized over the life of the related bonds using a method approximating the effective interest method. Discount and premium on bonds are deferred and amortized to interest expense using a method approximating the effective interest method. Deferred bond refunding costs are amortized over the shorter of the life of the refunding bonds or the refunded bonds.

Operations

Fees and charges income in the Multi-Family Housing Component includes an annual servicing fee on the mortgages, which generally range from zero to 0.65 of 1% of the original mortgage. These fees are amortized into income over the lives of the loans by the use of a method that approximates the level yield method and 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 Bond Resolutions. The fees and charges are due over the life of the bonds to fund the Housing Finance Fund requirements related to these bond resolutions. The housing finance fees past due have been recorded as receivables with revenues offset by reserves until they are collected.

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

3. Summary of Significant Accounting Policies (continued)

Mortgage Loans

Mortgage loans are stated at principal amounts outstanding, net of unearned discount. Interest income on first mortgage loans is accrued and credited to interest income as earned. Loan origination costs and commitment fees are deferred and recognized over the life of the mortgage loan as an adjustment to the loan's yield. The Agency is involved in foreclosure proceedings relating to both single and multi-family mortgages. For single-family mortgages, the Agency allows its outside servicers to represent them in Agency-approved foreclosure proceedings. The Agency enacts foreclosure proceedings against Multi-Family loans at the direction of its executive director with the approval of the Agency's Board. The Agency is the first lien holder for all supplemental mortgages. Interest income on supplemental mortgages is not accrued, but is credited to income as collected.

Allowance for Loan Losses

Certain projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's General Fund. The Agency has provided allowances for loan losses aggregating $273,683 and $233,900 as of December 31, 2007 and 2006, 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.

(In Thousands)

3. Summary of Significant Accounting Policies (continued)

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

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

Advances from the State of New Jersey for Affordable Housing

Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low income projects. The outstanding balance was $3,081 as of December 31, 2007 and 2006.

Compensated Absences

Agency employees are granted vacation, sick and personal leave in varying amounts under the Agency's personnel policies. Upon termination employees are reimbursed for unused vacation and personal time accrued at their current hourly rate of pay. Unused sick time is reimbursed to employees only upon retirement. It is based upon their current hourly rate of pay and limited to one-half of the total amount up to a maximum of $15. The liability for compensated absences has been recorded in the Other Non-Current Liabilities section in the Statement of Net Assets.

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.

3. Summary of Significant Accounting Policies (continued)

Net Assets

Net assets comprise the excess of revenues over expenses from operating income, non-operating revenues, expenses and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Net assets are reported as restricted when constraints placed on net asset use either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt. This component includes net assets that may be designated for specific purposes by the Board.

When both restricted and unrestricted resources are available for use, it’s the Agency’s policy to use restricted resources first and unrestricted resources as needed.

Operating and Non-Operating Revenues and Expenses

Operating revenues consist primarily of all revenues derived from interest income on mortgage loans, fees and charges on mortgages and loans issued and gains on the sale of real estate owned. Investment income, which consists of interest income earned on various interest-bearing accounts and on investments in debt securities is reported as non-operating revenues.

Operating expenses include general and administrative expenses of the Agency; salaries and benefits; costs and expenses incurred in connection with the amortization, issuance and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and other costs associated with the Agency’s various loan programs. Non-operating expenses principally include loss on early extinguishment of debt.

3. Summary of Significant Accounting Policies (continued)

Tax Status

The Agency is exempt from federal income taxes under the Internal Revenue Code Section 115 and from state income taxes under N.J.S.A. 27-25-16. Accordingly, no provision is recorded for federal and state income taxes.

Change in Fiscal Year Note

During 2006, the Agency elected to change its fiscal year-end from June 30 to December 31. The Agency changed its fiscal year-end in order to enhance its operational efficiency. The financial statements for the six month period ended December 31, 2006 should be read in order to enhance the readers understanding of the accompanying December 31, 2007 financial statements.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

4. Early Extinguishment of Debt

During the year ended December 31, 2007, as a result of the prepayment of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $163,825. Net losses of $760 for the period ended December 31, 2007 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 bond resolutions.

5. Investments and Deposits

Investment Policy – Agency General Fund

The Agency has established an investment policy, which pertains to assets of the Agency, such as the General Fund assets, which are held outside of the Agency’s Bond Resolutions. The primary investment objectives of the Agency’s investment activities are to preserve principal, meet liquidity needs, further purposes of the Agency and provide a suitable return in relationship

5. Investments and Deposits (continued)

to current market conditions and the established investment policy. The Agency's investment policy includes guidelines as to liquidity and duration, eligible investments, concentration limits, credit quality and currency. The Agency's General Fund cash and equivalents are managed by BlackRock pursuant to an agreement between the Agency and BlackRock. BlackRock has been instructed to the follow the Agency's aforementioned investment policy.

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

Investment Policy – Bond Resolutions

The Agency's Single Family and Multi Family Bond Resolutions govern the investment of assets and funds held under the Resolutions and, as such, establish permitted investments in which funds held under the Resolutions may be invested. The Agency currently has two Single Family Bond Resolutions and four Multi-Family Resolutions, all of which govern the types of investments in which moneys held under each resolution may be invested. Generally, the Agency's Bond Resolutions permit the deposit of funds with commercial banks and the investment of funds in, time deposits and certificates of deposits, U.S. government obligations, obligations of certain U.S Government Agencies or obligations that are guaranteed by the U.S. Government. Additionally, certain of the Agency's Resolutions also permit the investment in money market funds with stipulated rating and maturity levels, as well as repurchase agreements, certain federal funds, commercial paper, banker's acceptances and funds of which the N.J. treasurer is custodian.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency has no formal policy as to custodial credit risk as to cash and equivalents held outside of its Bond Resolutions. Certain of the Agency's Bond Resolutions have varying provisions which relate to custodial credit risk including requirements that certain moneys and certain deposits of funds held under Resolutions be insured by federal deposit

5. Investments and Deposits (continued)

insurance or collateralized or secured by the U.S. government, or U.S. government agency obligations. In some cases, the Trustee or paying agent is excluded from these requirements related to funds held by them in trust. In some cases certain of the Agency's Bond Resolutions require that the holders (banks and other entities) of certain deposits have certain minimum long term or short-term credit rating levels. All funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

As of December 31, 2007, the Agency's deposits amounted to $72,426, of which $71,485 was uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Agency, and are held by either the counterparty or the counterparty's trust department or agent but not in the Agency's name. At December 31, 2007, the Agency was not exposed to custodial credit risk.

New Jersey Cash Management Fund and Merrill Lynch Cash Management Fund

During the year, the Agency invested certain funds in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Investments with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. The Fund does not have a credit rating. The Agency also utilizes Merrill Lynch Cash Management Funds for certain project escrow accounts. These funds are invested in government securities and NJ municipal securities. At December 31, 2007 and 2006, the Agency's investment in Cash Management Funds amounted to $728,592 and $838,037, respectively.

Investment Type and Interest Rate Risk Disclosure

The Agency holds various investments, outside of the Bond Resolutions, within the Agency's General Fund. As discussed, these investments are currently managed by BlackRock. In addition to the eligible investments permitted by the Agency's Investment Policy discussed above, the aforementioned Investment Policy also permits corporate bonds, notes and medium term notes.

5. Investments and Deposits (continued)

Also permitted are asset backed securities, mortgage backed securities and collateralized mortgage obligations, however, these securities must be rated triple A by at least one of the national rating agencies. Equity investments in project-specific housing and housing-related developments which further the purposes of the Agency are also permitted with approval from the Agency Board. However, these investments may not exceed $10 million. Further, excluding the aforementioned equity investments, the Agency's Investment Policy indicates that the average effective duration of the portfolio is not to exceed 2.5 years and the maximum effective duration of any individual security is not to exceed 6 years.

In addition to those investments discussed above, certain of the Agency's Bond Resolutions also permit guaranteed investment contracts or investment agreements, obligations or notes of certain U.S. government agencies which are not backed by the U.S. government, certain short term and long term debt providing the issuers fall within permissible rating categories, direct and general obligations of the State of New Jersey guaranteed by the State, obligations of states and municipalities which are fully secured by contributions contracts with the U.S. government, certain stripped U.S. Treasury securities, shares of open-end, diversified investment companies having certain minimum credit ratings and Federal Housing Administration debentures.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's investment policy as to moneys held outside the bond resolutions does impose concentration limits on certain types of investments which may limit the Agency's exposure to market interest rate risk. Certain investment types may evidence varying sensitivity to changes in interest rates. Corporate Bonds and notes and Medium term Notes may not exceed 50% of the aggregate market value of the portfolio. Asset Backed Securities may not exceed 30% of the aggregate market value of the portfolio and mortgage backed securities and collateralized mortgage obligations may not exceed 30% of the aggregate market value of the portfolio.

The average effective duration of the General Fund investment portfolio is not to exceed 2.5 years.

(In Thousands)

5. Investments and Deposits (continued)

Within the Agency's Bond Resolutions, the Agency generally manages overall exposure to interest rate risk by the use of derivative instruments. In this regard, the Agency has utilized both interest rate swap agreements and interest rate cap agreements within the Multi-Family Revenue Bond Resolution, the Multi-Family Housing Revenue Bond Resolution and the Single Family Housing Revenue Bond Resolution. For a further discussion of the Agency's use of derivatives, please refer to Note 21 – Derivatives.

As of December 31, 2007 and 2006, the Agency had the following investments, maturities and credit quality.

	Fair Value		Weighted-Average Maturity (years)		Credit Ratings	
	December 31, 2007	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**	**S&P**	**Moody's**
Investment Type						
Guaranteed Investment Contracts	**$ 195,840**	$ 210,092	**18.69**	19.22	Unrated	Unrated
U.S. Treasury Securities	**79,030**	28,056	**2.59**	4.15	AAA	Aaa
Federal Agency Notes	**3,057**	2,953	**24.56**	25.56	AAA	Aaa
U.S. Government and Agency-Backed Securities	**60,937**	89,069	**1.92**	1.77	AAA	Aaa
Non-Agency Mortgage-Backed Securities	**14,181**	6,304	**2.17**	1.31	AAA	Aaa
Commercial Paper	**15,458**	7,329	**0.05**	0.04	A-1+ to A-1	P-1
Asset Backed Securities	**22,356**	24,460	**1.03**	1.45	AAA	Aaa
Corporate Notes	**73,946**	100,620	**2.37**	1.88	AAA to A-	Aaa to A3
New Jersey Cash Management Fund and Merrill Lynch CMA	**728,592**	838,037			Unrated	Unrated
Other Short-Term Instruments	**1,135**	164	**0.01**	0.01	Unrated	Unrated
Subtotal	**1,194,532**	1,307,085				
Less amount reported as cash equivalents	**(728,592)**	(838,037)				
Total investments	**$ 465,940**	$ 469,048				

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Agency's investment policy specifies minimum rating levels for certain types of eligible investments. Asset backed securities, mortgage backed securities and collateralized mortgage obligations must have a minimum rating of triple A. Further, the minimum short term debt rating of money market instruments or other instruments with maturities of less than one year is Tier Two while the minimum long-term debt rating for all other instruments, excluding the permitted equity investments, is single A.

(In Thousands)

5. Investments and Deposits (continued)

The Agency's Bond Resolutions establish varying minimum rating levels for different types of investments. Generally, commercial paper must be rated in the highest rating category or A-1 / P-1 and money market funds must be rated in the highest rating category or in some cases must be rated at least the unenhanced rating on the bonds. Also, certain resolutions require that certain deposits or various short term investments or cash equivalents may only be held by providers in either the highest or two highest rating categories. In some cases, certain debt obligations and state obligations must be rated in either the highest or the two highest rating categories. The Agency's guaranteed investment contracts which are permitted by certain of the Agency's Bond Resolutions are not rated, however, the Bond Resolutions which allow guaranteed investment contracts require either that the provider of such contracts have either a long term rating of double A or in some cases A-1 if the agreement term is less than one year or be rated within the two highest credit rating categories by two national credit rating agencies, must not affect the rating of the bonds or must be rated at least the unenhanced rating on the bonds.

Concentration of Credit Risk

The Agency's aforementioned investment policy does place limits on the amounts that may be invested in any one issuer relating to certain types of investments. There are no concentration limits on obligations of the U.S. government and U.S. federal agencies however, obligations of all other issuers are limited such that those with any one issuer may not exceed 5% of the aggregate market value of the portfolio.

The following table shows investments in issuers that represent 5 percent or more of total investments at December 31, 2007 and 2006:

	Percentage of Total Investments			
Issuer	**December 31, 2007**		**December 31, 2006**	
NATIXIS Funding Corporation	**$ 134,280**	**28.81%**	$ 109,605	23.36%
Federal Home Loan Mortgage Corporation	**25,178**	**5.40%**	24,921	5.31%
Federal National Mortgage Association	**22,632**	**4.86%**	36,804	7.84%
GE Capital Corporation	**11,622**	**2.49%**	28,045	5.98%

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the year ended December 31, 2007 and six month period ended 2006, the Agency did not invest in any repurchase agreements.

(In Thousands)

5. Investments and Deposits (continued)

Pursuant to most bond resolutions, the Agency is required to maintain certain invested debt service reserves with the Trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. These debt service reserve investments for the Multi-Family Component (funded by bond proceeds) are included in the investment balances above and aggregate a fair value of approximately $7,329 and $7,898 as of December 31, 2007 and 2006, respectively. The debt service reserve for several of the Multi-Family issues is called the Housing Finance Fund. The debt service reserve investments for the Single-Family Component (funded by bond proceeds or contributed cash) are included above and aggregate a fair value of approximately $21,495 and $14,991 as of December 31, 2007 and 2006, respectively. 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 $146,110 and $135,087 and the Single-Family component had $9,588 and $14,762 of Surety Bonds outstanding as of December 31, 2007 and 2006, respectively.

Investment Income

Investment income is comprised of the following elements described below:

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

Unrealized Gain (Loss) on Investments – takes into account all changes in fair value that occurred during the year.

The Agency's investment income for the year ended December 31, 2007 is:

Issuer	December 31, 2007
Interest income on investments	$ 36,690
Unrealized gain (loss) on investments	4,919
	$ 41,609

(In Thousands)

6. 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 December 31, 2007 and 2006 are as follows:

	December 31	
	2007	**2006**
Mortgage loans receivable	**$ 1,088,114**	$ 754,395
Unearned discounts – net	**(43)**	(61)
Loan origination costs – net	**17,620**	10,426
Commitment fees – net	**(2,832)**	(3,311)
Allowance for loan losses	**(5,771)**	(4,092)
Mortgage receivable – net	**1,097,088**	757,357
Less current portion	**(22,796)**	(17,910)
Long term portion	**$ 1,074,292**	$ 739,447

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31, 2007 and 2006 consisted of the following:

	December 31	
	2007	**2006**
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	**$ 249,043**	$ 266,080
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	**221,131**	216,354
Unsubsidized mortgage loans	**720,357**	695,768
Subtotal	**1,190,531**	1,178,202
Allowance for loan losses	**(72,999)**	(67,267)
Undisbursed mortgage loans	**(652)**	(1,530)
Mortgage receivable – net	**1,116,880**	1,109,405
Less current portion	**(63,961)**	(63,985)
Long term portion	**$ 1,052,919**	$ 1,045,420

(In Thousands)

6. Mortgage Loans Receivable (continued)

General Fund Component

The General Fund mortgage loans receivable as of December 31, 2007 and 2006 consisted of the following:

	December 31	
	2007	**2006**
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	**$ 21,883**	$ 27,982
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	**26,494**	19,673
Unsubsidized mortgage loans	**152,757**	134,560
Unearned discounts – net	**(71)**	(77)
Loan origination costs – net	**105**	132
Subtotal	**201,168**	182,270
Allowance for loan losses	**(53,946)**	(51,401)
Undistributed mortgage proceeds	**(5,084)**	(588)
Mortgage receivable – net	**142,138**	130,281
Less current portion	**(3,772)**	(3,845)
Long term portion	**$ 138,366**	$ 126,436

These Multi-Family Housing Component 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 will commence.

(In Thousands)

7. 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 $68,917 and $60,081 at December 31, 2007 and 2006. The debt service allowance for loan losses was $65,633 and $56,705 as of December 31, 2007 and 2006. A subsidy payment receivable of $1,376 and $1,323 was due at December 31, 2007 and 2006.

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 30 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 $36,228 and $32,442 against interest receivable was recorded at December 31 and June 30, 2006. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $320,233 and $273,971 as of December 31, 2007 and 2006.

8. 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.

(In Thousands)

8. Supplemental Mortgages and Other Loans (continued)

General Fund Component

The General Fund supplemental mortgages and other loans receivable as of December 31, 2007 and 2006, consisted of the following:

	December 31	
	2007	**2006**
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	**$ 1,491**	$ 2,261
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	**7,753**	8,115
Agency supplemental mortgages	**171,258**	226,262
Special Needs Housing Trust Fund mortgages	**33,993**	–
HUD supplemental mortgages	**881**	881
Loans to projects	**15,318**	15,274
State of New Jersey supplemental mortgages	**12,772**	12,947
Other	**4,502**	18,375
Subtotal	**247,968**	284,115
Allowance for loan losses	**(35,174)**	(54,435)
Allowance for Special Needs Housing Trust	**(27,267)**	
Undisbursed supplemental mortgage proceeds	**(13,429)**	(16,115)
Supplemental mortgages and other loans receivable – net	**172,098**	213,565
Less current portion	**(1,623)**	(1,775)
Long term portion	**$ 170,475**	$ 211,790

Multi Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable as of December 31, 2007 and 2006 consisted of the following:

	December 31	
	2007	**2006**
Supplemental mortgages	**$ 75,165**	$ –
Subtotal	**75,165**	–
Allowance for loan losses	**(12,915)**	–
Long term portion	**$ 62,250**	$ –

(In Thousands)

8. Supplemental Mortgages and Other Loans (continued)

Single-Family Housing Component

The Single-Family Housing Component of the Agency's supplemental mortgage receivable was $15,655 and $8,250 as of December 31, 2007 and 2006, respectively.

9. Capital Assets

Capital assets are summarized as follows:

	Balance Dec 31, 2006	Additions	Deletions	Balance Dec 31, 2007
Non-depreciable capital assets:				
Land	$ 1,345	$ –	$ –	**$ 1,345**
Depreciable capital assets:				
Building and building improvements	21,171	79	–	**21,250**
Motor vehicles	521	–	–	**521**
Machinery and equipment	5,041	620	(307)	**5,354**
Furniture and fixtures	289	58	–	**347**
Total	27,022	757	(307)	**27,472**
Less accumulated depreciation:				
Building and building improvements	(10,683)	(1,157)	–	**(11,840)**
Motor vehicles	(386)	(67)	–	**(453)**
Machinery and equipment	(3,616)	(686)	307	**(3,995)**
Furniture and fixtures	(213)	(31)	–	**(244)**
Total	(14,898)	(1,941)	307	**(16,532)**
Total capital assets – net	$ 13,469	$ (1,184)	$ –	**$ 12,285**

(In Thousands)

9. Capital Assets (continued)

	Balance July 1, 2006	Additions	Deletions	Balance Dec 31, 2006
Non-depreciable capital assets:				
Land	$ 1,345	$ –	$ –	$ 1,345
Depreciable capital assets:				
Building and building improvements	21,156	15	–	21,171
Motor vehicles	537	(16)	–	521
Machinery and equipment	4,899	236	(94)	5,041
Furniture and fixtures	233	56	–	289
Total	26,825	291	(94)	27,022
Less accumulated depreciation:				
Building and building improvements	(10,074)	(609)	–	(10,683)
Motor vehicles	(350)	(36)	–	(386)
Machinery and equipment	(3,339)	(371)	94	(3,616)
Furniture and fixtures	(204)	(9)	–	(213)
Total	(13,967)	(1,025)	94	(14,898)
Total capital assets – net	$ 14,203	$ (734)	$ –	$ 13,469

Depreciation expense was $1,941 and $1,025 for the year ended December 31, 2007 and the six months ended December 31, 2006, respectively.

New Jersey Housing and Mortgage Finance Agency

Notes to Financial Statements

(In Thousands)

10. Bonds and Obligations

The Agency obtains funds to finance its various mortgage programs through the sale of bonds and other obligations. Interest on Agency bonds and obligations is generally payable monthly, quarterly or semiannually. Generally, bond principal is due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of December 31, 2007 the following bonds and obligations:

Description of Bonds as Issued	Bonds Outstanding December 31, 2006	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2007	Amount Due Within One Year
Single Family					
Home Buyer Revenue Bonds:					
1995 Series N, 4.95% to 6.00%, due 2004 to 2016	$ 20,620	$ –	$ 20,620	**$ –**	$ –
1995 Series O, 6.125% to 6.35%, due 2021 to 2027	995	–	995	**–**	–
1996 Series P, 4.75% to 5.60%, due 2004 to 2013	8,240	–	8,240	**–**	–
1996 Series R, 5.00% to 5.60%, due 2006 to 2013	13,700	–	13,700	**–**	–
1996 Series S, 5.00% to 6.00%, 2004 to 2021	13,430	–	13,430	**–**	–
1997 Series T, 4.90% to 5.60%, 2007 to 2017	4,300	–	1,475	**2,825**	475
1997 Series U, 4.90% to 5.85%, 2004 to 2029	79,180	–	21,265	**57,915**	2,850
1998 Series V, 4.75% to 5.25%, 2009 to 2026	23,340	–	3,475	**19,865**	–
1998 Series W, 4.30% to 4.75%, 2004 to 2017	9,930	–	3,450	**6,480**	2,065
1998 Series X, 5.25% to 5.35%, 2012 to 2029	8,075	–	4,710	**3,365**	–
1999 Series Z, 5.25% to 5.70%, 2010 to 2017	15,365	–	235	**15,130**	–
1999 Series AA, 4.80% to 5.45%, 2004 to 2026	45,365	–	16,440	**28,925**	8,160
2000 Series BB, 4.35% to 5.30%, 2004 to 2017	25,740	–	5,825	**19,915**	2,445
2000 Series CC, 4.90% to 5.875%, 2017 to 2031	48,575	–	11,245	**37,330**	–
2003 Series FF, variable rate, 2009 to 2025	50,855	–	4,500	**46,355**	–
Total Home Buyer Revenue Bonds	367,710	–	129,605	**238,105**	15,995
Housing Revenue Bonds:					
2003 Series C, 1.65% to 5.00%, due 2005 to 2033	17,520	–	5,535	**11,985**	540
2003 Series D-1, variable rate, due 2014 to 2023	13,565	–	–	**13,565**	–
2003 Series D-2, variable rate, due 2024 to 2034	24,015	–	–	**24,015**	–
2004 Series G, 1,.60% to 4.25%, due 2005 to 2015	15,040	–	5,215	**9,825**	3,175
2004 Series H, 3,.95% to 5.25%, due 2011 to 2034	23,745	–	4,075	**19,670**	–
2004 Series I, variable rate, due 2025 to 2034	89,675	–	14,725	**74,950**	–
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	12,585	–	905	**11,680**	865
2005 Series M, 4.87% to 5.00%, due 2026 to 2036	17,770	–	3,640	**14,130**	–
2005 Series N, variable, due 2017	36,820	–	2,915	**33,905**	2,890
2005 Series O, variable, due 2026 to 2031	79,950	–	–	**79,950**	–
2005 Series P, variable, due 2008 to 2025	22,320	–	160	**22,160**	1,010
2005 Series Q, variable, due 2010 to 2032	64,070	–	470	**63,600**	–
2005 Series R, variable, due 2031 to 2038	33,610	–	255	**33,355**	–
2007 Series S, 3.60% to 4.05%, due 2008 to 2017	–	53,710	770	**52,940**	4,095
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	–	144,700	4,165	**140,535**	–
2007 Series U, 3.60% to 5%, due 2008 to 2037	–	78,625	–	**78,625**	430

(In Thousands)

10. Bonds and Obligations (continued)

Description of Bonds as Issued	Bonds Outstanding December 31, 2006	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2007	Amount Due Within One Year
Single Family (continued)					
Housing Revenue Bonds (continued):					
2007 Series V, variable, due 2037	$ –	$ 96,375	$ –	**$ 96,375**	$ –
2007 Series W, 5.27%, due 2032	–	50,000	–	**50,000**	1,355
Total Housing Revenue Bonds	450,685	423,410	42,830	**831,265**	14,360
Total Single Family	818,395	423,410	172,435	**1,069,370**	30,355
Net premium on bonds payable	2,027	–	–	**3,579**	–
Deferred bond refunding costs	(195)	–	–	**(302)**	–
Total Single Family Bonds Payable (net)	820,227	–	–	**1,072,647**	–
Multi Family					
General Housing Loan Bonds:					
1970 Series A, 4.50%, due 2004 to 2019	2,475	–	145	**2,330**	150
1971 Series A, 5.35% to 5.40%, due 2004 to 2019	16,950	–	1,435	**15,515**	1,155
1972 Series A, 5.70% to 5.80%, due 2004 to 2013	12,715	–	2,075	**10,640**	2,185
1972 Series B, 5.20% to 5.25%, due 2004 to 2021	24,870	–	1,390	**23,480**	1,455
Subtotal General Housing Loan Bonds	57,010	–	5,045	**51,965**	4,945
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	121,180	–	2,235	**118,945**	2,390
Multi-Family Housing Revenue Bonds 1995 Resolution:					
1997 Series A, 4.45% to 5.65%, due 2004 to 2040	64,250	–	18,235	**46,015**	605
1997 Series B, 4.30% to 5.40%, due 2004 to 2028	10,185	–	10,185	**–**	–
1997 Series C, 6.47% to 7.42%, due 2004 to 2040	16,870	–	11,250	**5,620**	105
1999 Series A, 3.95% to 5.15%, due 2004 to 2030	18,185	–	410	**17,775**	420
1999 Series B, 3.85% to 4.70%, due 2004 to 2013	1,050	–	160	**890**	165
1999 Series C, 5.97% to 7.12%, due 2004 to 2030	5,290	–	100	**5,190**	105
2000 Series A1, 5.10% to 6.35%, due 2004 to 2032	14,380	–	250	**14,130**	265
2000 Series A2, 5.10% to 6.35%, due 2004 to 2029	2,665	–	55	**2,610**	60
2000 Series B, 5.00% to 6.25%, due 2004 to 2026	47,370	–	17,990	**29,380**	1,740
2000 Series C,1 8.38%, due 2004 to 2032	40,545	–	510	**40,035**	535
2000 Series C2, variable rate, due 2004 to 2032	5,690	–	70	**5,620**	80

(In Thousands)

10. Bonds and Obligations (continued)

Description of Bonds as Issued	Bonds Outstanding December 31, 2006	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2007	Amount Due Within One Year
Multi Family (continued)					
Multi-Family Housing Revenue Bonds					
1995 Resolution (continued):					
2000 Series E1, 4.65% to 5.75%, due 2004 to 2025	$ 50,680	$ –	$ 7,910	**$ 42,770**	$ 3,190
2000 Series E2, 4.65% to 5.75%, due 2004 to 2025	2,885	–	115	**2,770**	120
2000 Series F, 7.93%, due 2004 to 2031	15,835	–	215	**15,620**	230
2000 Series G, 4.65% to 5.35%, due 2004 to 2013	1,965	–	240	**1,725**	250
2001 Series A, 3.10% to 5.05%, due 2004 to 2034	23,460	–	1,450	**22,010**	1,505
2001 Series B, 6.64%, due 2004 to 2032	12,945	–	215	**12,730**	225
2001 Series C, variable rate, due 2007 to 2033	48,425	–	150	**48,275**	–
2002 Series A, 2.40% to 4.25%, due 2004 to 2010	18,635	–	6,720	**11,915**	4,165
2002 Series B, variable rate, due 2004 to 2023	15,500	–	625	**14,875**	645
2002 Series C, 2.90% to 4.95%, due 2004 to 2015	37,810	–	4,630	**33,180**	4,815
2002 Series D, 5.50%, due 2004 to 2022	1,695	–	75	**1,620**	80
2002 Series E, 7.00%, due 2004 to 2022	3,830	–	140	**3,690**	150
2002 Series F, 3.75% to 5.40%, due 2004 to 2016	57,680	–	18,745	**38,935**	10,055
2002 Series G, variable rate, due 2004 to 2025	5,620	–	180	**5,440**	180
2003 Series A, 1.40% to 5.05%, due 2004 to 2044	29,855	–	705	**29,150**	670
2003 Series B, variable rate, due 2004 to 2033	33,150	–	1,000	**32,150**	1,100
2003 Series C, 1.20% to 4.70%, due 2004 to 2033	3,480	–	60	**3,420**	60
2003 Series D, variable rate, due 2004 to 2035	13,150	–	200	**12,950**	200
2004 Series A, 1.80% to 3.75%, due 2006 to 2014	15,770	–	1,820	**13,950**	1,850
2004 Series B, variable rate, due 2007 to 2046	95,510	–	4,920	**90,590**	–
2004 Series C, variable rate, due 2006 to 2037	10,415	–	145	**10,270**	155
2004 Series D, 1.70% to 5.20%, due 2006 to 2046	27,950	–	665	**27,285**	5,020
Total	752,725	–	110,140	**642,585**	38,745
Multi-Family Housing Revenue Bonds					
2005 Resolution:					
2005 Series A1, 2.20% to 4.95%, due 2005 to 2046	27,130	–	325	**26,805**	365
2005 Series A2, 4.95%, due 2040 to 2046	5,000	–	–	**5,000**	–
2005 Series B, variable, due 2005 to 2039	25,250	–	400	**24,850**	500
2005 Series C, variable, due 2005 to 2045	4,300	–	50	**4,250**	50
2005 Series D, 2.00% to 4.70%, due 2005 to 2030	34,080	–	2,890	**31,190**	1,330
2005 Series E, variable, due 2005 to 2029	55,700	–	12,650	**43,050**	2,150
2005 Series F, variable, due 2005 to 2040	19,040	–	325	**18,715**	345

(In Thousands)

10. Bonds and Obligations (continued)

Description of Bonds as Issued	Bonds Outstanding December 31, 2006	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2007	Amount Due Within One Year
Multi Family (continued)					
Multi-Family Housing Revenue Bonds					
2005 Resolution (continued):					
2005 Series G, variable, due 2007 to 2047	$ 4,830	$ –	$ 15	**$ 4,815**	$ 55
2006 Series A, variable, due 2006 to 2028	24,570	–	745	**23,825**	775
2006 Series B, variable, due 2006 to 2028	11,145	–	955	**10,190**	1,010
2006 Series C, 4.90% to 5.00% due 2007 to 2026	5,295	–	90	**5,205**	80
2006 Series D, variable, due 2007 to 2048	63,635	–	17,865	**45,770**	460
2006 Series E, 4.65% to 4.80%, due 2007 to 2036	5,320	–	100	**5,220**	75
2007 Series A, 3.75% to 4.95%, due 2008 to 2048	–	31,370	–	**31,370**	305
2007 Series B, 5.39% to 61.3%, due 2017 to 2037	–	4,765	–	**4,765**	65
2007 Series C, variable, due 2011 to 2037	–	13,380	–	**13,380**	–
2007 Series D, variable, due 2008 to 2038	–	3,540	–	**3,540**	–
2007 Series F, variable, due 2008 to 2042	–	46,620	–	**46,620**	330
2007 Series G, variable, due 2008 to 2034	–	26,095	–	**26,095**	540
2007 Series H, variable, due 2008 to 2028	–	1,165	–	**1,165**	30
2007 Series I, variable, due 2008 to 2029	–	10,275	–	**10,275**	950
2007 Series J, variable, due 2008 to 2039	–	7,610	–	**7,610**	70
Total 2005 Bond Resolution	285,295	144,820	36,410	**393,705**	9,485
Total Multi-Family Bonds Program	1,216,210	144,820	153,830	**1,207,200**	55,565
Net discount on bonds payable	(240)	–	–	**(229)**	–
Deferred bond refunding costs	(10,212)	–	–	**(9,477)**	–
Total Multi-Family Bonds Payable (net)	1,205,758	–	–	**1,197,494**	–
Total Bonds Payable	$ 2,025,985	$ –	$ –	**$ 2,270,141**	$ 85,920

Interest paid on variable-rate tax-exempt bonds is closely correlated with The Bond Market Association ("BMA") Municipal Swap Index rate and taxable bond rates are closely correlated with LIBOR on the FHLB Discount Note rate plus a fixed spread. Generally, note resets occur quarterly, monthly, every 35 days, every 28 days, weekly or daily.

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

As of December 31, 2007 and 2006, there was $47,286 and $53,188, 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.

(In Thousands)

10. Bonds and Obligations (continued)

Pledged Revenue on Revenue Bonds

The Agency has pledged, as security for all the bonds it issues, all revenue within each Bond and Obligation Fund. The bonds are payable with pledged revenue through 2047 for Single Family Bonds and 2048 for Multi Family Bonds. Total principal and interest remaining on the Single Family debt is $1,069,370 and $851,886 respectively and on Multi Family debt $1,207,200 and $995,058 respectively, with annual requirements ranging from $82,609 and $121,486 for Single Family and Multi Family in 2008 to $637 and $767 for Single Family and Multi Family in the final years. For the current year, principal and interest paid by the Agency was $211,275 and $215,405 for Single Family and Multi Family respectively.

Future Principal and Interest Requirements

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

	Fixed and Unhedged Variable Rate		Hedged Variable Rate			Total	
Agency Component	**Principal**	**Interest**	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Principal**	**Interest Rate Swaps, Net**
Single Family							
2008	$ 26,455	$ 30,099	$ 3,900	$ 17,052	$ 5,103	$ 30,355	$ 52,254
2009	30,545	29,502	5,000	17,052	6,018	35,545	52,572
2010	27,895	28,196	6,205	16,682	6,094	34,100	50,972
2011	28,300	26,805	6,895	17,056	5,759	35,195	49,620
2012	19,210	25,555	6,825	16,233	5,956	26,035	47,744
2013-2017	103,085	114,064	52,350	77,510	27,932	155,435	219,506
2018-2022	119,180	85,290	96,610	62,528	23,675	215,790	171,493
2023-2027	91,500	58,266	104,270	41,233	17,588	195,770	117,087
2028-2032	99,235	34,203	84,615	22,520	10,632	183,850	67,355
2033-2037	80,615	11,740	72,320	7,056	3,869	152,935	22,665
2038-2042	200	311	2,885	49	2	3,085	362
2043-2047	1,275	256	–	–	–	1,275	256
	$ 627,495	$ 444,287	$ 441,875	$ 294,971	$ 112,628	1,069,370	$ 851,886
Add Unamortized Premium						3,579	
Less Unamortized Deferral on Refunding						(302)	
						$ 1,072,647	

(In Thousands)

10. Bonds and Obligations (continued)

	Fixed and Unhedged Variable Rate		Hedged Variable Rate				Total Interest
Agency Component	**Principal**	**Interest**	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Principal**	**Rate Swaps, Net**
Multi-Family							
2008	$ 46,695	$ 40,194	$ 8,870	$ 20,083	$ 5,644	$ 55,565	$ 65,921
2009	44,495	38,142	9,960	19,906	5,357	54,455	63,405
2010	40,710	36,072	9,635	19,339	5,379	50,345	60,790
2011	37,750	34,132	9,935	18,956	5,331	47,685	58,419
2012	36,440	32,220	12,420	18,533	5,253	48,860	56,006
2013-2017	126,850	136,700	70,445	84,586	24,652	197,295	245,938
2018-2022	119,430	102,001	88,155	68,015	19,634	207,585	189,650
2023-2027	107,535	67,080	90,060	49,237	14,319	197,595	130,636
2028-2032	99,065	31,870	72,920	31,336	8,427	171,985	71,633
2033-2037	40,565	12,089	59,710	17,487	5,036	100,275	34,612
2038-2042	16,325	4,135	31,930	7,832	2,616	48,255	14,583
2043-2047	7,975	1,064	18,585	1,734	640	26,560	3,438
2048-2052	705	26	35	1	–	740	27
	$ 724,540	$ 535,725	$ 482,660	$ 357,045	$ 102,288	1,207,200	$ 995,058
Net discount on bonds payable						(229)	
Unamortized Deferral on Refunding						(9,477)	
						$ 1,197,494	

11. Bonds and Obligations Refunding

Single-Family Mortgage Component

On March 29, 2007, the Agency issued $198,410 in Single-Family Revenue Bonds, 2007 Series S and T, to advance refund $46,810 of outstanding Home Buyer Revenue Bond Resolution 1995 Series N, 1996 Series P and R and S bonds. The net proceeds of $46,810 were used to purchase repurchase agreements. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Series N and 1996 Series P, R and S bonds. As a result, the 1995 N and 1996 P, R and S bonds are considered to be defeased and the liability for those bonds has been removed from the Agency's Statement of Net Assets. The bonds were redeemed on May 1, 2007.

The Agency advance refunded the 1995 Series N and 1996 Series P, R and S bonds to reduce its total debt service payments and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of $2,404, or roughly 5.13% of the refunding bonds. At December 31, 2007, there were no defeased bonds outstanding.

11. Bonds and Obligations Refunding (continued)

Multi-Family Mortgage Component

On October 30, 2007, the Agency issued $37,535,000 in Multi-Family Revenue Bonds, 2007 Series G, H and I, to current refund $38,098,025 of outstanding 1997 Series A, B and C bonds. All outstanding 1997 Series B and partial A and C bonds were refunded on November 1, 2007. As of December 31, 2007, $46,015,000 of the 1997 Series A bonds remained outstanding, and $5,620,000 of the 1997 Series C bonds remained outstanding.

The Agency refunded the 1997 Series B bonds with unhedged variable rate debt and therefore cannot show net present value savings. The Agency partially refunded the 1997 Series A and C bonds to reduce its total debt service payments and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of $3,202,407, or roughly 8.81% of the refunding bonds.

12. Conduit Debt Obligations

On September 7, 2006, the Agency closed on $8,350 in Variable Rate Demand Multifamily Housing Revenue Bonds (“Meadow Brook Apartments Project”) consisting of 2006 Series A Bonds. The bond issue will finance 96 rental units. At December 31, 2007 and 2006 the bonds outstanding was $8,350.

During the fiscal year ended June 30, 2005, the Agency issued 2004 Series A Capital Fund Program Bonds and on August 15, 2007, the Agency issued 2007 Series A Capital Fund Program Revenue Bonds. These bonds were issued to provide funds to local Housing Authorities to finance on an accelerated basis certain capital renovations and improvements to each Authority’s public housing developments. The bonds are payable from and secured primarily by Capital Fund Program moneys, subject to the availability of appropriations to be paid by the United States Department of Housing and Urban Development (“HUD”) to each Authority. These bonds are special and limited obligations of the Agency. The bonds, which are considered conduit debt obligations by GASB, do not constitute a debt or pledge of the faith and credit of the Agency and, accordingly, have not been reported in the accompanying financial statements.

At December 31, 2007 and 2006, Capital Fund Program Bonds outstanding aggregated $92,640 and $76,865, respectively.

(In Thousands)

13. Funds Held in Trust for Mortgagors

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

Funds held in trust for mortgagors as of December 31, 2007 and 2006 include the following:

	December 31	
	2007	**2006**
Multi-Family Housing Component	**$ 42,083**	$ 12,479
General Fund:		
Community development escrows	**5,089**	4,899
Development cost escrows	**10,539**	10,706
Other funds held in trust	**294,512**	245,585
Total General Fund	**310,140**	261,190
Total	**$ 352,223**	$ 273,699

14. Mortgagor Escrow Deposits

The Agency holds, in escrow, monthly deposits from the projects for payments of property and liability insurance, hazard insurance, payments in lieu of taxes, and major repairs and replacements and undisbursed earnings. Mortgagor escrow deposits as of December 31, 2007 and 2006 include the following:

	December 31	
	2007	**2006**
Multi-Family Housing Component	**$ 7,109**	$ 6,946
General Fund:		
Reserve for repairs and replacements	**154,803**	149,115
Tax and insurance escrows	**42,143**	35,871
Total General Fund	**196,946**	184,986
Total	**$ 204,055**	$ 191,932

15. Real Estate Held for Redevelopment

The properties were acquired by A Better Camden Corporation ("ABC") as part of an overall redevelopment strategy undertaken in conjunction with municipal and/or nonprofit community development initiatives. ABC negotiated the prices to be paid for privately owned properties after ordering and analyzing detailed title work and appraisals. Since the owners were not necessarily prepared to sell their properties prior to ABC's contact with them, ABC often paid a premium for the property. In accordance with advice rendered by the Attorney General's office, no more than 20% over appraised value was paid by ABC for each of these properties. In two cases special permission was granted to exceed this percentage ceiling.

As to the disposition of ABC acquired properties, they are usually transferred to municipal redevelopment agencies, municipalities or nonprofit or for profit developers at a nominal cost in conjunction with community redevelopment plans. The expense is recognized in the year of transfer.

16. 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.

Restricted for Special Need Housing

During fiscal year ended June 30, 2006, the Agency received $50,000 of a $200,000 authorization from the sale of New Jersey Commission Development Authority Motor Vehicle Surcharge Revenue Bonds to establish as Special Needs Housing Trust and Fund for the sole purpose of providing housing and residential opportunities for individuals with special needs. The remaining authorization of $150,000 was received by the Agency during the current year ended December 31, 2007.

(In Thousands)

16. Net Assets (continued)

Appropriated General Fund Net Assets

Appropriated General Fund net assets are unrestricted net assets that have been designated by the Agency's members for the following purposes at December 31, 2007 and 2006.

	December 31, 2007	**December 31, 2006**
ABC Corporation	**$ 537**	$ 618
Affordable Rental Housing Subsidy Loan Program	**4,887**	7,481
Agency CIAP	**1,236**	1,119
Aging Out of Foster Care	**1,300**	1,300
Asbury Park Initiative PILOT	**500**	500
At Home Downtown	**3,980**	4,442
Bond Refunding Proceeds	**6,972**	6,771
Camden Initiative	**1,486**	1,486
Carteret Senior Living	**432**	452
CHOICE	**17,528**	10,000
CIAP Loan Program	**1,430**	2,967
City Living	**19,520**	19,520
Community Development Institute – Rutgers	**–**	62
Equity Gap Program	**135**	135
Ex-Offenders Re-Entry Housing Program	**45**	1,000
Foreclosure Prevention/Homeownership Refinance	**500**	–
Home Ownership for Permanency Program	**2,194**	404
Homeless Management Information System	**100**	100
HOPE	**500**	500
Information Technology	**875**	840
Kinship Care Home Loan Program	**3,000**	–
Lanning Square West UHORP #229	**68**	74
Life Safety Rehabilitation	**153**	506
MONI HIF	**25,444**	21,656
Multi-Family Rental Investment Program	**420**	420
NJHMFA portion of Undisbursed Mtg. Proceeds	**5,790**	1,384
Non-Bond Multi-Family Program	**10,098**	12,506
Paragon Village # 1316	**132**	132

(In Thousands)

16. Net Assets (continued)

	December 31, 2007	December 31, 2006
PLAN Fund	**$ 5,000**	$ 5,000
Policy and Community Initiatives	**115**	246
Portfolio Disposition	**37**	48
Portfolio Reserve Balance	**5,924**	4,223
Preservation Initiatives	**25**	25
Public Outreach Initiatives	**541**	191
Reserve for Loan Losses	**5,700**	5,700
Roebling School Renaissance Zone Fund	**100**	100
Royal Court	**497**	497
Shore Easy	**92**	94
Single Family Counseling	**127**	136
Small Rental Project Preservation Loan Program	**16,727**	17,124
Smart Living	**15,000**	15,000
Smart Start	**100**	100
Social Investment Policy	**1,500**	1,500
Strategic Zone Lending Pool	**5,682**	14,523
Transitional Housing Loans	**1,258**	1,197
UHORP HIF	**20,178**	13,439
UHORP Mortgage Commitment	**9,418**	6,055
Urban Statewide Acquisition-NJUSA	**5,740**	5,770
West End Housing Development UHORP #501	**75**	75
Work Force Initiative	**3,000**	3,000
	$ 206,098	$ 190,418

(In Thousands)

16. Net Assets (continued)

Changes in net assets are summarized as follows:

	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total
Net assets at June 30, 2006	$ 14,203	$ 307,972	$ 493,314	$ 815,489
Income	–	–	35,110	35,110
Acquisition of capital assets	291	–	(291)	–
Transfer	–	7,529	(7,529)	–
Depreciation on capital assets	(1,025)	–	1,025	–
Net assets at December 31, 2006	13,469	315,501	521,629	850,599
Income	**–**	**–**	**139,635**	**139,635**
Acquisition of capital assets	**757**	**–**	**(757)**	**–**
Transfer	**–**	**183,869**	**(183,869)**	**–**
Depreciation on capital assets	**(1,941)**	**–**	**1,941**	**–**
Net assets at December 31, 2007	**$ 12,285**	**$ 499,370**	**$ 478,579**	**$ 990,234**

17. Pension Plan

The Agency contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B. The plan has a Board of Trustees that is primarily responsible for its administration.

The contribution requirements of plan members are determined by State statute. Effective July 1, 2007, in accordance with Chapter 103, P.L. 2007, plan members enrolled in the Public Employees' Retirement System are required to contribute 5.5% of their annual covered salary. Prior to that the contribution rate was 5% as stated in Chapter 62, P.L. 1994. From January 1, N.J.S.A. 43:15A-24 authorized the reduction in member rates based on the existence of surplus pension assets in the retirement system. The contribution rate for PERS members was 3% for calendar year 2004, returning to the 5% rate on January 1, 2005. The Agency is billed annually for its normal contribution plus any accrued liability.

(In Thousands)

17. Pension Plan (continued)

The Agency's contributions to the plan, equal to the required contributions, were as follows:

Public Employees Retirement System

Period	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by Agency
Fiscal year ended December 31, 2007	$ 505	$ 262	$ 767	$ 307	$ 460[(1)]
Six months ended December 31, 2006	253	131	384	154	230
Fiscal year ended June 30, 2006	459	126	585	351	234

(1) Under the provisions of Chapter 108, P.L. 2003, which calls for a return of pension contributions on a phase in basis, the Agency's share of the total normal contribution and accrued liability increased 40% in 2006, and 60% in 2007. The phase-in will continue through 2008 and 2009 with 80% and 100% of the actuarially calculated amounts due for those years respectively. There is a significant increase in the amount due each year until the phase-in is completed in 2009 when the Agency returns to making the full annual contribution.

Early Retirement Incentive Program

The Agency has approved Early Retirement Incentive Programs known as ERI 1 and ERI 3, as, permitted by State legislation for certain members of the Public Employees' Retirement System. These members had to meet certain age and service requirements and had to apply for retirement between certain dates. Three (3) employees participated in ERI 1 and fifteen (15) employees participated in ERI 3. The Agency is assessed annually for the actuarially determined contribution to fund this program. The Agency is obligated to make annual installments with each subsequent year payment increasing by 4% (ERI 1) and 5.95% (ERI 3) every year. Payments for the year ended December 31, 2007, six-months ended December 31, 2006 and year ended June 30, 2006 were $101, $51, and $97, respectively.

(In Thousands)

17. Pension Plan (continued)

Installments due by the Agency at December 31, 2007 are as follows:

2008	$ 103
2009	107
2010	112
2011	116
2012	121
2013-2017	680
2018-2022	791
2023-2027	802
2028-2032	976
2033-2034	447
	$4,255

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

18. Post Employment Benefits

Effective for the year ended December 31, 2007, the Agency adopted the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with “other post-employment benefits” (“OPEB”). OPEB costs are actuarially calculated based on plan benefits (other than pensions) that current and retired employees have accrued as a result of their respective years of employment service and to what extent progress is being made in funding the plan.

The Agency has elected to recognize the entire liability of $28,146 this fiscal year ended December 31, 2007.

(In Thousands)

18. Post Employment Benefits (continued)

The Plan

The Agency is responsible for the cost of health benefits provided to members of PERS who retired from the Agency with 25 years of service along with their spouses, and some dependent children. The plan offers comprehensive benefits through various plan providers consisting of hospital, medical, health, substance abuse and prescription drug programs. The State administers the plan and has the authority to establish and amend certain benefit provisions offered. The State's plan is considered a single employer defined benefit plan, is not a separate entity or trust and does not issue stand-alone financial statements. The Agency, as a participant in the plan, recognizes OPEB expenses on an accrual basis.

Funding Policy

There are no employee contributions required for the Agency's Employee Medical Health Plan. Retired employees who are eligible for Medicare are also reimbursed for their portion of Medicare insurance premiums on a pay-as-you-go basis. During 2007, the Agency paid $2,298 in health insurance premiums for current employees. The Agency also paid $452 for the year ended December 31, 2007 towards benefits for 49 eligible retired members.

The Agency's annual OPEB cost is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. The Agency has elected to amortize the UAAL over one year. The Agency's annual OPEB cost for the current year and the related information for the plan are as follows (dollar amounts in thousands):

Annual required contribution	$28,146
Contributions made	(452)
Increase in net OPEB obligation	27,694
Net OPEB obligation – beginning of year	–
Net OPEB obligation – end of year	$27,694

(In Thousands)

18. Post Employment Benefits (continued)

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2007 were as follows (dollar amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2007	$ 28,146	1.6%	$ 27,694

As of December 31, 2007, the actuarial accrued liability for benefits was $27,694, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $14,163 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 195.5%.

The actuarial valuation date is January 1, 2007. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the December 31, 2007 actuarial valuation, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9% medical and grading down to an ultimate rate of 5% effective 2011 and thereafter.

(In Thousands)

18. Post Employment Benefits (continued)

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information as of December 31, 2007 and whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

19. Deferred Compensation Account

The Agency offers its employees a choice of two Deferred Compensation Plans in accordance with Internal Revenue Code Section 457. The Plans, available to all full time employees at their option, permit employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Agency or its creditors.

20. Reserve for Interest Rebate

The Tax Reform Act of 1986 placed restrictions on the investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of the bond settlement.

The Agency has various issues of bonds outstanding (see Note 10), which also had various settlement dates. Rebate calculations on these bonds are required to be made at least once every five years. However, the Agency prepares annual rebate calculations for purposes of determining any contingent liability for rebate.

The Agency has elected to establish a reserve account in the amount of $559 and $214 for the years December 31, 2007 and 2006, respectively for the Multi-Family Bond Resolution Fund and $371 and $930 at December 31, 2007 and 2006, respectively for the Single-Family Bond Resolution Fund in case a rebate may be required as the result of the occurrence of future events.

(In Thousands)

21. Derivative Instruments

The agency has several variable rate bond series currently outstanding, in order to protect against the potential of rising interest rates, the Agency entered into various pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what the Agency would have paid to issue fixed-rate debt. The notional principal of the swaps in some cases initially increase as the borrowed funds are anticipated to be loaned out. The Agency also entered into various interest rate cap agreements that were anticipated to effectively limit the Agency's interest rate exposure during the period before the swaps fully hedge the exposure. All derivatives are valued at their fair value.

Terms, Fair Values, and Credit Risk

The terms, fair values, and credit ratings of the outstanding swaps and caps as of June 30, 2006, are summarized in the table below. The caps and the swaps are utilized together to hedge the risk from the associated variable rate debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category. The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. The Agency receives either 1-Month LIBOR times the notional amount for the taxable borrowings, or a percentage of 1-Month LIBOR plus a fixed spread or The Securities Industry And Financial Markets Association Municipal Swap ("SIFMA") Index times the notional amount for the tax-exempt borrowings from the counterparty, as listed below. Where possible, only the net difference will be exchanged with the counterparty and the Agency continues to pay interest to the certificate-holders at the variable rate provided on the bonds. The purpose of the swap is to mitigate interest rate risk. The Agency will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated.

New Jersey Housing and Mortgage Finance Agency

Notes to Financial Statements

(In Thousands)

21. Derivative Instruments (continued)

Single Family Bond Component Swaps

Associated Bond Issue	Bond Original Par Amounts	Maximum Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
SHRB* 2003 D-1	$ 13,565	$ 13,565	10/30/2003	10/1/2023	3.919%	67% of 1-Mo LIBOR + 16bp	$ (463)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa / AAA / -
SHRB* 2003 D-2	24,015	24,015	10/30/2003	10/1/2034	4.379%	67% of 1-Mo LIBOR + 18bp	(186)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa / AAA / -
SHRB* 2004 I-1	21,125	21,125	8/5/2004	4/1/2025	4.165%	68.2% of 1-Mo LIBOR + 27bp	(656)	Bear Stearns Financial Products, Inc.*******	Aaa / AAA / -
SHRB* 2004 I-3 ******	32,225	19,775	8/5/2004	10/1/2034	4.655%	68.2% of 1-Mo LIBOR + 27bp	9	Bear Stearns Financial Products, Inc.*******	Aaa / AAA / -
SHRB* 2005 N	38,050	18,785	10/1/2006	10/1/2017	4.055%	68% of 1-Mo LIBOR or BMA + 1bp**	(1,050)	Bear Stearns Financial Products, Inc.*******	Aaa / AAA / -
SHRB* 2005 O-1 ****	47,025	47,025	4/1/2006	10/1/2026	4.396%	68% of 1-Mo LIBOR or BMA + 8bp***	(680)	Bear Stearns Financial Products, Inc.*******	Aaa / AAA / -
SHRB* 2005 O-2 *****	32,925	32,925	4/1/2006	4/1/2031	4.332%	68% of 1-Mo LIBOR or SIFMA + 8bp***	(777)	Bear Stearns Financial Products, Inc.*******	Aaa / AAA / -
SHRB* 2005 P/Q/R	120,000	90,000	11/1/2006	4/1/2038	4.797%	USD-SIFMA Muni Swap Index	(4,697)	UBS AG	Aa1/ AA- / AA-
SHRB* 2005 P/Q/R	120,000	30,000	4/1/2007	4/1/2038	3.927%	68% of 1-Mo LIBOR + 18bp	(595)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa / AAA / -
SHRB* 2007 V	96,375	96,375	11/18/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	(3,243)	Royal Bank of Canada, New York	Aaa/AA-/AA

* Single-Family Housing Revenue Bonds

** If the weighted average of weekly one-month LIBOR rates are equal to or greater than 3.50%, then the variable rate received will be 68% of USD-LIBOR-BBA; otherwise the variable rate received will be SIFMA + 1bp.

*** If the weighted average of weekly one-month LIBOR rates are equal to or greater than 3.50%, then the variable rate received will be 68% of USD-LIBOR-BBA; otherwise the variable rate received will be SIFMA + 8bp.

**** This trade combines 3 prior trades which total $47,025,000 and had swap effective dates of 10/1/05, 1/1/06, and 4/1/06

***** This trade combines 3 prior trades which total $32,925,000 and had swap effective dates of 10/1/05, 1/1/06, and 4/1/06

****** A partial termination at market of $12,450 swap notional amount occurred on 3/27/07 related to mortgage prepayments and subsequent bond redemptions on 4/1/07.

*******Effective May 30, 2008, Bear Sterns Financial Products, Inc. is a wholly owned subsidiary of JP Morgan Chase & Co.

(In Thousands)

21. Derivative Instruments (continued)

Multi-Family Bond Component Swaps

Associated Bond Issue		Bond Original Par Amounts	Maximum Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
MHRB*	2001-C	$ 68,550	$ 47,970	11/1/2002	5/1/2029	5.0388%	USD-SIFMA Municipal Swap Index	$ (7,056)	Merrill Lynch Capital Services, Inc. (MLCS)	A1 / A+ / A+
MHRB	2002-G	6,240	6,240	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	(748)	Merrill Lynch Capital Services, Inc. (MLCS)	A1 / A+ / A+
MHRB	2003-B	51,500	34,850	11/1/2003	5/1/2033	4.3160%	USD-SIFMA Municipal Swap Index	(2,170)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa / AAA / -
MHRB	2003-D ***	23,900	13,450	5/8/2003	5/1/2035	5.2180%	1-Mo LIBOR	(342)	Bank of America, N.A.	Aaa / AA+ / AA
MHRB	2004-B	110,240	90,590	5/1/2005	11/1/2046	3.9900%	67% of 1-Mo LIBOR + 18bp	(3,085)	Bank of America, N.A.	Aaa / AA+ / AA
MHRB	2004-C	31,045	10,220	5/1/2004	11/1/2037	5.2700%	1-Mo LIBOR	(231)	Bear Stearns Financial Products, Inc.****	Aaa / AAA / -
MRB**	2005-B	28,000	13,700	5/1/2006	11/1/2039	4.3700%	USD-SIFMA Municipal Swap Index	(708)	Bear Stearns Financial Products, Inc.****	Aaa / AAA / -
MRB	2005-C	19,800	4,300	11/1/2005	5/1/2036	5.3300%	1-Mo LIBOR	(109)	Bear Stearns Financial Products, Inc.****	Aaa / AAA / -
MRB	2005-E	63,950	47,700	2/10/2005	11/1/2029	3.3980%	67% of 1-Mo LIBOR + 18bp	(87)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
MRB	2005-F	25,840	13,460	8/10/2005	5/1/2040	4.2190%	USD-SIFMA Municipal Swap Index + 5bp	(358)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
MRB	2005-G	13,620	5,020	11/1/2006	11/1/2047	5.4830%	1-Mo LIBOR	(91)	Bank of America, N.A.	Aaa / AA+ / AA
MRB	2006-A	24,790	24,790	3/15/2006	5/1/2028	3.7150%	63% of 1-Mo LIBOR + 20.5 bp	(756)	Royal Bank of Canada, New York	Aaa / AA- / AA
MRB	2006-B	11,475	11,475	3/15/2006	5/1/2028	5.4220%	1-Mo LIBOR	(459)	Bank of America, N.A.	Aaa / AA+ / AA
MRB	2006-D	63,635	33,590	11/1/2006	5/1/2046	4.0168%	60.8% of 1-Mo LIBOR 34bp	(2,082)	Bank of America, N.A.	Aaa / AA+ / AA
MRB	2007-D	3,540	3,535	11/1/2008	11/1/2038	5.5700%	1-Mo LIBOR	(191)	Bank of America, N.A	Aaa / AA+ / AA
MRB	2007-F	46,620	14,200	10/30/2007	5/1/2042	4.5720%	USD-SIFMA Municipal Swap Index +5bp	(435)	Merrill Lynch Capital Services, Inc. (MLCS)	A1 / A+ / A+
MRB	2007-G	26,095	26,095	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(1,481)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
MRB	2007-I	10,275	10,275	11/1/2007	5/1/2029	5.9100%	1-Mo LIBOR	(745)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
MRB	2007-J	7,610	7,615	10/30/2007	11/1/2039	5.8390%	1-Mo LIBOR	(291)	Bank of America, N.A.	Aaa / AA+ / AA

* Multi-Family Housing Revenue Bonds

** Multi-Family Revenue Bonds

*** $10,300 swap notional terminated at market on 5/10/05

****Effective May 30, 2008, Bear Stearns Financial Products, Inc. is a wholly owned subsidiary of JP Morgan Chase & Co.

(In Thousands)

21. Derivative Instruments (continued)

Multi-Family Rate Lock Swaps/Swaptions

Associated Bond Issue	Maximum Swap Notional Amount	Swap/ Swaption Trade Date	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
HMFA# 1437 – Trenton Prospect House	1,550	2/1/2006	8/1/2008	11/1/2038	5.566%	1-Mo LIBOR + 25bp	(65)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
HMFA #1352 King Plaza Apartments	8,575	12/14/2006	11/1/2008	11/1/2038	5.516%	1-Mo LIBOR + 25bp	(287)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
HMFA #1426 Heritage Village at Manalapan	3,115	12/15/2006	1/1/2009	11/1/2038	4.450%	USD-SIFMA Muni Swap Index + 33bp	(86)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
HMFA #2190 Royal Crescent	3,700	1/12/2007	10/1/2008	11/1/2038	4.495%	USD-SIFMA Muni Swap Index + 33bp	(132)	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA

(In Thousands)

21. Derivative Instruments (continued)

The Agency has also entered into interest rate cap agreements to protect against rising interest rates in the initial years of the bonds listed on the chart below. The swaps and the caps work together to hedge the interest rate risk associated with the variable rate bonds. The caps' notional amounts decrease in size as the swaps' notional amounts increase, and finally the caps mature, as the size of the swaps is sufficient to hedge the bonds. Under the cap agreement, the counterparty will make payments to the Agency if interest rates based on the LIBOR Index or SIFMA Index exceed the strike rate, as listed below. In exchange, the Agency paid an upfront premium to the counterparty upon entering the agreement. The terms of the caps are as follows:

Multi-Family Bond Component Caps

Associated Bond Issue		Bond Original Par Amounts	Maximum Cap Notional Amount	Cap Effective Date	Cap Maturity Date	Strike Rate	Variable Rate Index	Fair Values	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
MRB	2005-B	$ 28,000	$ 27,714	2/10/2005	5/1/2008	4.5000%	USD-SIFMA Municipal Swap Index	–	Bear Stearns Financial Products, Inc.*	Aaa / AAA / -
MRB	2005-F	25,840	13,700	8/10/2005	5/1/2009	4.5000%	USD-SIFMA Municipal Swap Index	–	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
MRB	2006-D	63,635	63,635	8/3/2006	5/1/2009	5.5000%	USD-SIFMA Municipal Swap Index	–	Lehman Brothers Derivative Products Inc.	Aaa / – / AAA
MRB	2007-C	13,380	13,380	4/18/2007	5/1/2011	4.6420%	USD-SIFMA Municipal Swap Index	7	Bear Stearns Financial Products, Inc.*	Aaa / AAA / -
MRB	2007-D	3,540	3,540	4/18/2007	11/1/2008	6.3760%	1-Mo LIBOR	–	Bank of America, N.A.	Aaa/AA+/AA
MRB	2007-F	46,620	37,614	10/30/2007	5/1/2011	4.5000%	USD-SIFMA Municipal Swap Index	4	The Bank of New York	Aa2/A+/AA

* Effective May 30, 2008, Bear Stearns Financial Products, Inc. is a wholly owned subsidiary of JP Morgan Chase & Co.

(In Thousands)

21. Derivative Instruments (continued)

Credit Risk

As of December 31, 2007, the Agency was exposed to credit risk on the outstanding swaps and caps, which had positive fair values.

The swap agreements contain varying collateral agreements with the counterparties. Each swap counterparty is required to post collateral to a third party when their credit rating, as determined by the specified nationally recognized credit rating agencies, falls below a trigger level as defined in the swap agreements. This protects the agency by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

Although the Agency executes swap transactions with various counterparties, approximately 20 percent of the notional amount of swaps outstanding is held with a single counterparty. That counterparty is rated Aaa/AAA/-. All other swaps are held with separate counterparties. Those counterparties are rated A1/A+/A+ or better.

Basis Risk

Basis risk exists to the extent the Agency's variable-rate bond coupon payments do not exactly equal the index on the swap. The Agency's tax-exempt bonds are hedged with tax-exempt SIFMA based swaps and percentage of LIBOR swaps. The Agency's taxable bonds are hedged with taxable, LIBOR-based swaps. In this way, basis risk should be minimized.

Interest Rate Risk

The Agency's interest rate swaps serve to guard against a rise in variable interest rates associated with its outstanding variable rate bonds. The Agency's interest rate caps serve to eliminate interest rate risk above the strike rate on each contract. In addition, certain bond proceeds are invested in variable rate Guaranteed Investment Contracts ("GICs") in order to further mitigate interest rate risk on the variable rate bonds.

(In Thousands)

21. Derivative Instruments (continued)

Termination Risk

The Agency retains the right to terminate any swap agreement at the market value prior to maturity, and the Agency was granted the right to cancel certain agreements, in whole or in part, at Par. The Agency has termination risk under the contract particularly if an Additional Termination Event ("ATE") as defined in the swap documents were to occur. An ATE occurs if either the credit rating of the bonds associated with a specific swap, or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. The Agency has purchased termination payment insurance on certain swap contracts, which acts as a buffer against a portion of potential termination payments if an ATE was to occur. As long as the swap insurer maintains at least a minimal rating as defined in the swap documents, the insurance policy will allow the agency to avoid termination due to a decline in the credit rating of the agency bonds. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

22. Interfund Receivables, Payables and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Payable fund	
Single-Family Home Buyer Revenue Bond Resolution	$ 2,997
Single-Family Housing Revenue Bond Resolution	1,787
Multi-Family Housing Revenue Bond Resolution	3,039
Multi-Family Revenue Bond Resolution	1,614
Other Multi-Family Bond Resolutions	155
	$ 9,592

(In Thousands)

22. Interfund Receivables, Payables and Transfers (continued)

Receivable fund	
General fund	$ 9,592

Interfund transfers:

Transfers in:	
Single-Family Housing Revenue Bond Resolution	$ 18,821
Multi-Family Housing Revenue Bond Resolution	20,296
Multi-Family Revenue Bond Resolution	15,207
	$ 54,324
Transfers out:	
General fund	$ 36,027
Single-Family Home Buyer Revenue Bond Resolution	18,297
	$ 54,324

Transfers are used to move revenues that the Agency must account for in other funds in accordance with various bond and obligation resolutions.

23. Commitments and Contingencies

On March 15, 1994, the Agency entered into an Advances, Collateral Pledge and Security Agreement (the “Agreement”) with the Federal Home Loan Bank of New York. As of December 31, 2007, the available line of credit was $10,144 of which $2,553 was outstanding as a fixed rate amortizing advance. Repayments on the advance are amortized over a 10-year period, payable monthly at a rate of 4.88% with a final maturity of January 2016.

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

(In Thousands)

24. Subsequent Events

On May 1, 2008 the Agency closed on $190,935 in Single Family Housing Revenue Bonds consisting of Series X, Fixed (AMT), Series Y, Variable (AMT) and Series Z, Variable (AMT). These bonds economically refunded Single Family Housing Revenue Bond Resolution 2003 Series D and created $150,000 in new money for single-family loans.

Auction Rate Debt / Variable Rate Demand Notes ("VRDNs")

Single Family Bonds

At December 31, 2007, the Agency has $488,230 of short-term single-family floating rate debt outstanding. Of this amount, $112,530 (Series 2003 D-1, 2003 D-2, and 2004-I) is in Auction Rate Securities (ARS). In addition $329,345 (Series 2005 N&O, Series 2005 P/Q/R and Series 2007 V) is in Variable Rate Demand Notes (VRDNs), and $46,355 (Series 2003 FF) is in FHLB-Indexed Bonds. As an outgrowth of the sub-prime mortgage collapse in the fall of 2007, bond insurer downgrades, and credit and liquidity concerns among market participants, the ARS market began to seize up late 2007 and early 2008. This, combined with other capital adequacy pressures weighing on broker/dealers, forced the broker/dealers to stop bidding on Auction Rate Securities, including the Agency's $112,530 portfolio causing auction rate resets at historically high levels. The Agency's single-family VRDNs and FHLB-Indexed Bonds do not carry bond insurance, and thus have seen only minor changes in pricing.

Agency staff has prepared a Series Resolution authorizing a subsequent Plan of Finance to mitigate these ARS problems, which was approved by the Agency's Board on March 20, 2008. On March 26, 2008 the Agency effectuated a $4,150 Mandatory Redemption of Series 2004-I ARS from prepayments. On April 30, 2008 the Agency converted its remaining $70,800 Series 2004 I ARS from an ARS Interest Rate mode to a Weekly Interest Rate mode as VRDNs. Lastly, on May 1, 2008 the Agency closed on $190,935 in Single Family Housing Revenue Bonds, which included a $37,580 refunding of the Series 2003 D-1 & D-2 ARS. These refunded bonds were reissued as VRDNs (Series 2008 Z).

(In Thousands)

24. Subsequent Events (continued)

Multi-Family Bonds

At December 31, 2007, the Agency has $504,320 of bond insured short-term multi-family floating rate debt outstanding. Of this amount, $266,385 (Series 2001 C, 2003 B&D, 2004 B&C, and 2005 B/C/E) is in Auction Rate Securities (ARS). In addition $226,875 (Series 2005 F&G, Series 2006 A&B, Series 2006 D, Series 2007 C&D, and Series 2007 F/G/H/I/J) is in VRDNs, and $11,060 (Series 2000 C2 and 2002-G) is in FHLB-Indexed Bonds. The $266,385 M/F ARS portfolio has experienced similar problems to that of the Agency's S/F ARS portfolio, and therefore it is the intention of the Agency to refund or convert out of all outstanding ARS.

As a result of the volatile market conditions as described above and the sub-prime mortgage-related exposure on their balance sheets, virtually all of the major bond insurers were determined to be undercapitalized by the bond rating agencies, threatening their AAA ratings. In the spring of 2008, the bond insurer – FGIC was downgraded to (Baa3/BB/BBB – Moody's/S&P/Fitch) with a negative outlook, which resulted in a change in the insured bond rating on the related variable rate debt (Series 2006 D – $45,770). Subsequently, the Series 2006 D Bonds were "put" / tendered by investors to the Liquidity Provider – Lloyds TSB Bank plc and are now being held by Lloyds in the form of Bank Bonds pursuant to a Standby Bond Purchase Agreement dated August 3, 2006 between the Agency and Lloyds. In addition, a negative outlook was placed on bond insurer MBIA by the rating agencies, which subsequently has caused the Agency's MBIA-insured (Series 2007 C&D and 2007 F&J – $71,150) portfolio to trade/reset at historically wider levels as compared to their respective benchmarks (SIFMA or LIBOR).

Agency staff has prepared a Series Resolution authorizing a subsequent Plan of Finance to mitigate these problems, which was approved by the Agency's Board on March 20, 2008. Staff is in the process of restructuring some or all of these bond issues with its Underwriter – Merrill Lynch. These restructuring alternatives include, without limitation, refunding or converting out of existing problematic debt, reinsurance of existing insurance; substitution of new insurance; conversion from auction rate mode to variable rate demand mode with a liquidity facility with insurance or a direct pay letter of credit with or without insurance; replacement of debt service reserve fund surety bonds with cash funding of debt service reserve funds; and termination, amendment or continuation of any or all related swap and cap agreements which have been serving as hedges to the auction rate bonds and the variable rate FGIC-insured and MBIA-insured bonds, or entry into additional swaps and caps.

Required Supplementary Information

New Jersey Housing and Mortgage Finance Agency

Schedule of Funding Progress

As of December 31, 2007 and 2006
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2007	$ –	$ 25,597	$ 25,597	0%	14,163	180.7%

Supplemental Financial Information

New Jersey Housing and Mortgage Finance Agency

Schedule of Net Assets – Single Family Housing Program

As of December 31, 2007 and 2006
(In Thousands)

	2007			
	Home Buyer Revenue Bond Resolution	**Housing Revenue Bond Resolution**	**Total**	**2006 Total**
Assets				
Current assets:				
Cash and cash equivalents	**$ 60,252**	**$ 32,581**	**$ 92,833**	$ 171,032
Accrued interest receivable on investments	**316**	**306**	**622**	1,313
Mortgage loans receivable – net	**9,186**	**13,610**	**22,796**	17,910
Due from loan servicers and insurers	**706**	**1,917**	**2,623**	2,401
Other assets	**47**	**–**	**47**	77
Total current assets	**70,507**	**48,414**	**118,921**	192,733
Noncurrent assets:				
Investments	**23,401**	**33,287**	**56,688**	67,330
Mortgage loans receivable – net	**263,447**	**810,845**	**1,074,292**	739,447
Debt service arrears receivable – net	**1,171**	**2,015**	**3,186**	3,288
Supplemental mortgages and other loans – net	**6**	**15,649**	**15,655**	8,250
Deferred charges – bond issuance costs – net	**898**	**5,082**	**5,980**	4,113
Real estate owned	**36**	**589**	**625**	499
Total noncurrent assets	**288,959**	**867,467**	**1,156,426**	822,927
Total assets	**359,466**	**915,881**	**1,275,347**	1,015,660
Liabilities				
Current liabilities:				
Bonds and obligations – net	**15,995**	**14,360**	**30,355**	31,610
Accrued interest payable on bonds and obligations	**3,191**	**8,001**	**11,192**	9,478
Interfund allocation	**238**	**1,787**	**2,025**	1,337
Total current liabilities	**19,424**	**24,148**	**43,572**	42,425
Noncurrent liabilities:				
Bonds and obligations – net	**222,110**	**820,182**	**1,042,292**	788,617
Other noncurrent liabilities	**95**	**632**	**727**	1,245
Due to other funds	**2,759**	**–**	**2,759**	3,418
Total noncurrent liabilities	**224,964**	**820,814**	**1,045,778**	793,280
Total liabilities	**244,388**	**844,962**	**1,089,350**	835,705
Net assets:				
Restricted under bond and obligation resolutions	**115,078**	**70,919**	**185,997**	179,955
Total net assets	**$ 115,078**	**$ 70,919**	**$ 185,997**	$ 179,955

New Jersey Housing and Mortgage Finance Agency

Schedule of Revenues, Expenses and Changes in Fund Net Assets – Single Family Housing Program

Year Ended December 31, 2007 and Six Month Period Ended December 31, 2006
(In Thousands)

	2007			
	Home Buyer Revenue Bond Resolution	**Housing Revenue Bond Resolution**	**Total**	**2006 Total**
Operating revenues				
Interest income on mortgage loans	**$ 16,500**	**$ 32,755**	**$ 49,255**	$ 20,638
Other income	**–**	**169**	**169**	–
Total operating revenues	**16,500**	**32,924**	**49,424**	20,638
Operating expenses				
Interest and amortization of bond premiums and discounts	**16,003**	**27,989**	**43,992**	20,035
Insurance costs	**250**	**218**	**468**	234
Servicing fees and other	**1,097**	**2,268**	**3,365**	1,376
Salaries and related benefits	**384**	**2,442**	**2,826**	953
Professional services and financing costs	**31**	**91**	**122**	85
General and administrative expenses	**96**	**621**	**717**	309
Loss on sale of real estate owned	**361**	**12**	**373**	(85)
Provision for loan losses	**(206)**	**2,407**	**2,201**	72
Total operating expenses	**18,016**	**36,048**	**54,064**	22,979
Operating loss	**(1,516)**	**(3,124)**	**(4,640)**	(2,341)
Nonoperating revenues/(expenses)				
Investment income	**6,414**	**4,214**	**10,628**	8,390
Loss on early extinguishment of old debt	**(274)**	**(196)**	**(470)**	(15)
Total nonoperating revenues, net	**6,140**	**4,018**	**10,158**	8,375
Income (loss) before transfers	**4,624**	**894**	**5,518**	6,034
Transfers	**(18,297)**	**18,821**	**524**	(1)
Increase in net assets	**(13,673)**	**19,715**	**6,042**	6,033
Net assets, beginning of year	**128,751**	**51,204**	**179,955**	173,922
Increase in net assets, during year	**(13,673)**	**19,715**	**6,042**	6,033
Net assets, end of year	**$ 115,078**	**$ 70,919**	**$185,997**	$ 179,955

New Jersey Housing and Mortgage Finance Agency

Schedule of Net Assets – Multi-Family Housing Program

As of December 31, 2007 and 2006
(In Thousands)

	2007					
	General Housing Loan Bond Funds	**1991-I**	**1995**	**2005**	**Total**	**2006 Total**
Assets						
Current assets:						
Cash and cash equivalents	**$ 7,440**	**$ 15**	**$ 37,580**	**$ 14,547**	**$ 59,582**	$ 76,707
Investments	**16,443**	**–**	**1,534**	**12,044**	**30,021**	38,941
Accrued interest receivable on investments	**1**	**77**	**518**	**618**	**1,214**	1,384
Mortgage loans receivable – net	**3,873**	**2,397**	**25,046**	**32,645**	**63,961**	63,985
Due from loan servicers and insurers	**–**	**–**	**20**	**–**	**20**	96
Other assets	**–**	**–**	**198**	**100**	**298**	315
Total current assets	**27,757**	**2,489**	**64,896**	**59,954**	**155,096**	181,428
Non-current assets						
Investments	**815**	**7,679**	**61,008**	**60,056**	**129,558**	107,509
Mortgage loans receivable – net	**40,014**	**110,376**	**603,386**	**299,143**	**1,052,919**	1,045,420
Debt service arrears receivable – net	**9**	**–**	**1,223**	**144**	**1,376**	1,323
Supplemental mtg and other – net	**–**	**–**	**18,309**	**43,941**	**62,250**	–
Deferred charges- bond issuance costs – net	**–**	**–**	**4,091**	**3,196**	**7,287**	7,017
Total non-current assets	**40,838**	**118,055**	**688,017**	**406,480**	**1,253,390**	1,161,269
Total assets	**$ 68,595**	**$ 120,544**	**$ 752,913**	**$ 466,434**	**$ 1,408,486**	$ 1,342,697

New Jersey Housing and Mortgage Finance Agency

Schedule of Net Assets – Multi-Family Housing Program (continued)

As of December 31, 2007 and 2006
(In Thousands)

	2007					
	General Housing Loan Bond Funds	**1991-I**	**1995**	**2005**	**Total**	**2006 Total**
Liabilities						
Current liabilities:						
Bonds and obligations – net	**$ 4,945**	**$ 2,390**	**$ 38,745**	**$ 9,485**	**$ 55,565**	$ 57,240
Accrued interest payable on bonds and obligations	**465**	**1,386**	**5,624**	**2,818**	**10,293**	11,002
Mortgagor escrow deposits	**7,109**	**–**	**–**	**–**	**7,109**	6,946
Interfund allocation	**151**	**–**	**2,165**	**1,614**	**3,930**	2,907
Total current liabilities	**12,670**	**3,776**	**46,534**	**13,917**	**76,897**	78,095
Non-current liabilities:						
Bonds and obligations – net	**$ 47,020**	**$ 116,555**	**$ 601,197**	**$ 377,157**	**$ 1,141,929**	$1,148,518
Minimum escrow requirement	**572**	**–**	**6,048**	**2,215**	**8,835**	8,909
Funds held in trust for mortgagor	**8,101**	**–**	**5,688**	**28,294**	**42,083**	12,479
Other non-current liabilities	**–**	**–**	**1,066**	**455**	**1,521**	1,215
Due to other funds	**–**	**4**	**874**	**–**	**878**	892
Total non-current liabilities	**55,693**	**116,559**	**614,873**	**408,121**	**1,195,246**	1,172,013
Total liabilities	**68,363**	**120,335**	**661,407**	**422,038**	**1,272,143**	1,250,108
Net assets:						
Restricted under bond and obligation resolutions	**232**	**209**	**91,506**	**44,396**	**136,343**	92,589
Total net assets	**$ 232**	**$ 209**	**$ 91,506**	**$ 44,396**	**$ 136,343**	$ 92,589

New Jersey Housing and Mortgage Finance Agency

Schedule of Revenues, Expenses and Changes in Fund Net Assets – Multi-Family Housing Program

Year Ended December 31, 2007 and Six Month Period Ended December 31, 2006
(In Thousands)

	2007					
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	2006 Total
Operating revenues						
Interest income on mortgage loans	$ 2,986	$ 7,968	$ 49,031	$ 18,373	$ 78,358	$ 39,410
Fees and charges	695	135	4,628	2,276	7,734	4,072
Other income-net	9	–	399	34	442	46
Total operating revenues	3,690	8,103	54,058	20,683	86,534	43,528
Operating expenses						
Interest and amortization of bond premiums and discounts	3,021	8,410	38,827	14,963	65,221	32,733
Insurance costs	–	–	632	178	810	463
Servicing fees and other	107	274	43	31	455	149
Salaries and related benefits	–	–	3,536	1,812	5,348	2,011
Professional services and financing costs	–	–	108	58	166	166
General and administrative expenses	–	3	830	425	1,258	586
Provision for loan losses	2,811	–	10,324	1,745	14,880	6,335
Total operating expenses	5,939	8,687	54,300	19,212	88,138	42,443
Operating income	(2,249)	(584)	(242)	1,471	(1,604)	1,085
Nonoperating revenues/(expenses)						
Investment income	481	587	5,378	3,699	10,145	5,715
Loss on early extinguishment of old debt	–	–	(150)	(140)	(290)	(264)
Total nonoperating revenues, net	481	587	5,228	3,559	9,855	5,451
Income (loss) before transfers	(1,768)	3	4,986	5,030	8,251	6,536
Transfers	–	–	20,296	15,207	35,503	(3)
Increase (decrease) in net assets	(1,768)	3	25,282	20,237	43,754	6,533
Net assets, beginning of year	2,000	206	66,224	24,159	92,589	86,056
Increase (decrease) in net assets, during year	(1,768)	3	25,282	20,237	43,754	6,533
Net assets, end of year	$ 232	$ 209	$ 91,506	$ 44,396	$ 136,343	$ 92,589