NEW JERSEY HOUSING AND
MORTGAGE FINANCE AGENCY
Trenton, New Jersey

FINANCIAL STATEMENTS
December 31, 2014
(With Comparative Information
for December 31, 2013)

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Jersey Housing and Mortgage Finance Agency
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the New Jersey Housing and Mortgage Finance Agency (the Agency), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 14 and the Schedule of Funding Progress on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The Schedules of Net Position and Revenues, Expenses, and Changes in Fund Net Position for the Single Family and Multi-Family Housing Programs (the Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Agency's 2013 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 30, 2015

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 the Management's Discussion and Analysis, is for financial reporting purposes, the primary government.

The Financial Statements include

The Statement of Net Position which provides information about the nature and amounts of investments in resources (assets), deferred outflows of resources, obligations to Agency creditors (liabilities) and deferred inflows of resources.

The Statement of Revenues, Expenses and Changes in Net Position which accounts for all of the current year's revenue and expenses, measures the success of the Agency's operations over the past year and can be used to determine how the Agency has funded its costs.

The Statement of Cash Flows which provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Financial Statements provide

Information that is essential to understanding the basic financial statements, such as the Agency's accounting methods and policies.

Details of contractual obligations, future commitments and contingencies of the Agency.

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

Required Supplementary Information

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

Supplementary Information

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

Management's Discussion and Analysis

This section of the Agency's financial statements, the Management's Discussion and Analysis (MD&A), presents an overview of the Agency's financial performance for the years ended December 31, 2014 and 2013. 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.

Overall Financial Highlights – Year Ended December 31, 2014

The Agency's overall net position remained relatively flat with a modest 1.6% increase from 2013 to 2014. The multifamily portfolio continued to perform well with continued recoveries on bad debt and the single family portfolio benefited from an influx of cash from the general fund and lower reserves as foreclosures are steadily flowing through the court system. These factors offset the transfer out of the general fund and increased servicing costs on delinquent single family loans paid by the general fund.

Single Family loan production declined as 166 loans were funded in 2014 compared to 685 in 2013. In order to offer competitive rates and increase SF loan production, the Agency is implementing an MBS platform. In March 2014, the Agency was approved by the Government National Mortgage Association (Ginnie Mae) to be an issuer of Ginnie Mae I and II single family mortgage backed securities (MBS). This MBS platform will afford the Agency with additional SF loan funding sources to complement its traditional Mortgage Revenue Bond (MRB) financing program.

The Agency's Single Family Housing Revenue Bonds ("HRB") resolution has been negatively impacted by factors that include the prolonged economic downturn as well as the lengthy timeline associated with New Jersey mortgage foreclosure actions. In July 2014, Moody's Investors Service (Moody's) downgraded its rating on the HRB resolution from Aa2 (negative outlook) to Aa3 (negative outlook). After reviewing the recent financial performance of loans allocated to the HRB and in an attempt to mitigate future negative rating actions, the Agency Board members approved a transfer of $25 million of unrestricted General Fund cash to the HRB Resolution at its August 14, 2014 meeting. The funds were transferred to the HRB in September, 2014, and will be used to make new single family loans which will raise the asset parity level within the Resolution.

In September of 2013, the bulk of Single Family mortgage servicing was consolidated to one servicer. The consolidation caused an initial up-tick in delinquencies for the Agency, as well as a slow-down in the foreclosure process. This coupled with the several foreclosure moratoriums enacted by the State of New Jersey created a back-log of foreclosure properties. In 2013, the Agency had 232 properties go to sheriff sale. As loans progressed through the foreclosure process in 2014, 347 properties went to sheriff sale causing the Agency to realize an increase of foreclosure receivables. The claim's process will proceed and is expected to offset part of the loss.

REO properties have seen activity in both the acquisition as well as the disposal of the properties. As previously stated, the foreclosure activity has increased due to the servicing consolidation, and as sheriff sales have increased property acquisition has increased. The Agency has taken steps to dispose of acquired properties to reduce carrying costs and, ultimately, losses.

In June 2014 the Agency issued $27.8 million of Multi-Family Revenue Bonds, and $51.2 million of direct purchase draw down bonds to finance 18 new money rental housing developments containing a total of 1,076 multifamily units.

The Agency closed eight Conduit bond issues totaling $140 million in 2014, with "carryover" transactions of more than $35 million scheduled to close in the first quarter of 2015 and a pipeline in excess of $500 million.

On December 31, 2012, the Agency acquired title to Paragon Village via a deed in lieu of foreclosure, and simultaneously appointed a reputable management company to assume control of Paragon's day to day operations. Management, under the direction of the Agency, restored Paragon to profitability in the 2nd quarter of 2013, reversing a trend of operating losses and delinquencies dating back to the project's inception. The Agency solicited offers to purchase Paragon from qualified owner-operators in the 4th quarter of 2013 pursuant to a Request for Offer to Purchase (RFOTP). As of December 31, 2014, the Agency had identified a buyer, negotiated the terms and conditions of sale, and received all internal approvals necessary to complete the transfer. On February 27, 2015, the Agency completed the sale of Paragon Village and received $11.5 million at closing.

On December 23, 2014 the Agency entered into a Memorandum of Understanding (MOU) with the New Jersey Department of Human Services (DHS) to administer the Supportive Housing Connection. Through this initiative, the Agency will administer DHS rental subsidies. The first 16 subsidies were paid on March 1, 2015 and will proceed monthly thereafter, increasing in volume as DHS transfers subsidies to the Agency.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, the Agency received an initial allocation of $229.0 million in CDBG-DR funds as sub recipient to implement three state affordable housing programs designed to support the needs of renters and prospective homeowners in nine counties throughout the State which were hardest hit by Superstorm Sandy. The Fund for Restoration of Multifamily Housing (FRM) was allocated $179.0 million, the Sandy Special Needs Housing Fund (SSNHF) $25.0 million, and the Sandy Homebuyer Assistance Program (SHAP) was allocated $25.0 million.

FRM

As of December 31, 2014 FRM funds have been committed across thirty-six projects, of which twenty-four are under construction. The Agency anticipates that these projects will increase the supply of affordable housing in the nine most impacted counties, creating nearly 3000 housing units for low-to-moderate income working families and households on fixed incomes.

HUD approved the second tranche of CDBG-DR funds in May 2014 and the Agency was allocated an additional $200.0 million for the Fund for Restoration of Multifamily Housing (FRM). The program guidelines were developed and adopted by the Agency Board in June 2014. It is anticipated that the second tranche commitments will be awarded in the second quarter of 2015.

SSNHF

SSNHF funds have been committed across 23 projects that are expected to create approximately 250 affordable housing opportunities for individuals with special needs. The Sandy Special Needs Housing Fund (SSNHF) was awarded an additional $25 million in the second tranche of CDBG-DR funding.

SHAP

Nearly 259 low and moderate income homebuyers have received SHAP assistance to purchase homes in Sandy affected communities. As of December 31, 2014 approximately $15.0 million has been expended / committed.

In 2014, the Agency received $55 million in U.S. Department of Treasury Hardest Hit Funds and closed 741 loans under this program. These are recorded as program income and program expense in the Agency's General Fund.

The Agency has liquidity facilities in place with multiple providers in order to provide liquidity support for the payment of its variable rate bonds in the event that they cannot be remarketed. As of January 1, 2014, the Agency had total variable rate bonds outstanding in the amount of $549.4 million (excluding bond maturities scheduled to occur in 2014) whose related liquidity facilities were scheduled to expire in 2014. The Agency successfully resolved its entire 2014 liquidity expiration exposure of $549.4 million by taking the following actions:

- January 2014 - Extended two SF liquidity facilities totaling $77.4 million with current provider (Barclays Bank PLC).
- July 2014 - Extended $175.2 million MF liquidity facility with current provider (Bank of America, N.A.).
- October 2014 - Extended three SF liquidity facilities totaling $127.6 million with current provider (Royal Bank of Canada).
- October 2014 - Extended $79.1 million SF liquidity facility with current provider (TD Bank, N.A.).
- October 2014 – Replaced $90.1 million SF liquidity facility with new provider (Bank of America, N.A.).

The following credit rating actions occurred in 2014:

- January 2014 - Moody's Investors Service (Moody's) maintained its Aa2 (negative outlook) rating on the Agency's Single Family Housing Revenue Bonds (HRB) resolution.
- May 2014 - Standard & Poor's Rating Services (S&P) affirmed its AA- (stable outlook) rating on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) resolution.
- May 2014 - Standard & Poor's Rating Services (S&P) affirmed its A+ rating on the Agency's Multi-Family 1991 Series 1 (Presidential Plaza at Newport) bond resolution.

- May 2014 - Standard & Poor's Rating Services (S&P) affirmed its A+ (stable outlook) rating on the Agency's Multi-Family Revenue Bonds (MF 2004) resolution.

- July 2014 - Moody's Investors Service (Moody's) downgraded its rating on the Agency's Single Family Housing Revenue Bonds (HRB) resolution from Aa2 (negative outlook) to Aa3 (negative outlook).

- July 2014 - Moody's Investors Service (Moody's) downgraded its issuer credit rating (ICR) on the Agency from Aa1 (stable outlook) to Aa2 (stable outlook). At the same time, Moody's downgraded its rating on the Agency's Single Family Home Mortgage Bonds (HMB) resolution from Aa1 (stable outlook) to Aa2 (stable outlook), and downgraded its rating on the Agency's Multi-Family General Housing Loan Bonds (GHLB) resolution from Aa1 (stable outlook) to Aa2 (stable outlook).

- September 2014 - Standard & Poor's Rating Services (S&P) upgraded its rating on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) resolution from AA- (stable outlook) to AA (stable outlook).

- December 2014 - Standard & Poor's Rating Services (S&P) affirmed its A+ (stable outlook) rating on the Agency's Multi-Family Revenue Bonds (MF 2004) resolution.

- December 2014 - Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the issuer credit rating (ICR) on the Agency. At the same time, S&P affirmed its AA (stable outlook) rating on the Agency's Multi-Family General Housing Loan Bonds (GHLB) resolution.

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 results for 2014 compared to 2013. 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 dollar amounts are in thousands.

NJHMFA's Condensed Statement of Net Position

The Statement of Net Position in the financial statements presents the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of December 31, 2014. The following table represents the comparison of net position as of December 31, 2014 and 2013. The change between December 31, 2014 and December 31, 2013 should be read in conjunction with the financial statements.

Condensed Statement of Net Position
(In Thousands)

	2014	2013	% Change 2014/2013
Current and other assets	$ 932,995	$ 933,175	0.0%
Other noncurrent assets	2,816,470	3,018,113	-6.7%
Capital assets	9,028	9,650	-6.4%
Total assets	3,758,493	3,960,938	-5.1%
Deferred outflows	90,623	90,462	0.2%
Current liabilities	353,440	376,889	-6.2%
Long-term liabilities	2,622,855	2,806,999	-6.6%
Total liabilities	2,976,295	3,183,888	-6.5%
Deferred Inflows	932	9,006	-89.7%
Net position:			
Net investment in capital assets	9,028	9,650	-6.4%
Restricted	380,883	356,199	6.9%
Unrestricted	481,978	492,657	-2.2%
Total net position	$ 871,889	$ 858,506	1.6%

The Agency's overall 5.1% decrease in total assets resulted from the following factors:

- Cash and cash equivalents increased by $28.4 million due to the $25 million of General Fund investments being transferred to the Single Family Housing Revenue Bond Resolution and being invested in cash equivalents. This was offset by a decrease in investments of $67.0 million primarily due to the sale of $50 million in General Fund investments to transfer to the SF HRB Resolution and an addition $25 million to temporarily fund multifamily loans until multifamily bonds are sold in 2015. In addition, an investment agreement in the Multifamily Revenue Bond resolution Series 2005 D & E matured in the amount of $34 million.

- Other assets increased by $22.9 million due to the increase of foreclosure receivable on government insured (FHA) single family loans, which proceeded to sheriff sale but had not yet received insurance proceeds.

- Mortgage loans receivable decreased by $185.0 million, primarily due to an approximately $100 million decrease in single family loans. Single family loans receivable dropped as the low interest rate environment prompted more borrowers to refinance or trade up, increasing loan prepayments. Foreclosures and regular loan amortization also contributed to the decline in single family loans receivable. Multifamily prepayments and regular loan amortization also added to the decrease in mortgage loans receivable.

- Real estate owned increased by $6.0 million mainly due to an increase of $3.8 million in single family properties held, as the delinquent loans worked their way through the court system. The agency's acquisition of a deed in lieu of foreclosure for the Kuzuri Kijiji multifamily project (valued at $2.2 million) also contributed to the increase in real estate owned.

The Agency's overall 6.5% decrease in total liabilities resulted from the following factors:

- Bonds and accrued interest payable decreased by $190.9 million due to regularly scheduled payments of $ 93.0 million and early redemptions of $150.4 million coupled with low interest rates on unhedged variable rate bonds. This was offset by the issuance of $54.6 million bonds payable.

- Funds held in trust for mortgagors increased by $9.0 million due to the receipt of $13 million of FHA Risk Share insurance proceeds for the Assisted Living at Wall multifamily project.

- Unearned revenue decreased by $23.2 million due to the decrease in U.S. Treasury Hardest Hit Funds held at December 31, 2014.

NJHMFA's Condensed Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reports revenues recognized and expenses incurred for the years ended December 31, 2014 and 2013. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2014 and 2013. It should be read in conjunction with the financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2014 and 2013
(In Thousands)

	2014	2013	% Change 2014/2013
Operating revenues:			
Interest income on mortgage loans	$ 127,728	$ 122,742	4.1%
Fees and charges	36,208	34,674	4.4%
Program income	79,904	111,183	-28.1%
Grant income	90,375	8,815	925.2%
Recovery of bad debt	30,358	72,138	-57.9%
Gain on derivative	553	118	368.6%
Other	5,304	10,776	-50.8%
	370,430	360,446	2.8%
Operating expenses	364,468	372,346	-2.1%
Operating income (loss)	5,962	(11,900)	150.1%
Non-operating revenues, net	7,421	7,723	-3.9%
Transfers	-	387	100.0%
(Decrease) increase in net position	13,383	(3,790)	453.1%
Total net position- beginning of year	858,506	862,296	-0.4%
Total net position - end of year	$ 871,889	$ 858,506	1.6%

The 150.1% increase in operating income is due to the following factors:

- Interest income on mortgages receivable increased by $5.0 million due a decrease in mortgage interest arrears as the Agency collected on more outstanding balances.
- Program income decreased by $31.3 million due to lower loan production in the U.S. Treasury Hardest Hit Fund program.
- Grant income increased by $81.6 million due to the receipt of Federal CDBG-DR funds for funding of loans for Superstorm Sandy housing recovery.
- Recovery of bad debt decreased by $41.8 million due to the $63 million recovery of one of the Agency's largest loans, Waterford Towers, in 2013.

Summary of Operating Expenses for the Years Ended December 31, 2014 and 2013
(In Thousands)

	2014	2013	% Change 2014/2013
Operating expenses:			
Interest	$ 99,769	$ 115,634	-13.7%
Insurance costs	787	807	-2.5%
Servicing fees and other	17,809	9,360	90.3%
Salaries and related benefits	30,517	33,446	-8.8%
Professional services and financing costs	3,114	9,082	-65.7%
General and administrative expenses	7,407	11,581	-36.0%
Grant expense	96,869	16,323	493.5%
Program expense	76,841	101,012	-23.9%
Provision for loan losses	31,355	75,101	-58.2%
Total operating expenses	$ 364,468	$ 372,346	-2.1%

Although total operating expenses remained relatively flat, the following significant fluctuations occurred:

- Interest expense decreased by $15.9 million due to the early redemption of bonds and low interest rates on variable rate debt.

- Servicing fees increased by $8.4 million due to the continued escrow shortages on delinquent single family loans.

- Professional services and financing costs decreased by $6.0 million primarily due to the decrease of approximately $5 million in bond costs of issuance as $384.7 in bonds were issued in 2013, compared to $54.6 million in 2014.

- Grant expense increased by $80.5 million due the disbursement of the Superstorm Sandy CDBG funds.

- Program expense decreased by $24.2 million as the loan production for U.S. Department of Treasury Hardest Hit Funds decreased from 3,167 new loans in 2013 to 741 loans in 2014.

- Provision for loan losses decreased by $43.7 million due the advancement of single family foreclosures through the court system, a decrease in the reserves on single family loans, and more aggressive recovery efforts on delinquent multi-family loans.

Debt Administration

At December 31, 2014, the Agency had $2.1 billion of bond principal outstanding, net of deferral on refunding, discount and premium, a decrease of 8.1% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2014 and 2013, and the changes in bonds payable. Dollars are in thousands.

	2014	2013	% Change 2014/2013
Bonds payable, net	$ 2,149,050	$ 2,338,536	-8.1%

Additional information about the Agency's debt is presented in Note 8 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. Traditionally, the programs are funded with Mortgage Revenue Bond proceeds. No Single Family bonds were issued in 2014.

Multi-Family Programs

In June 2014 the Agency issued $27.8 million of Multi-family revenue bonds 2014 Series A & B and $51.2 million of 2014 Series C & D which are purchase draw down bonds. These bonds will finance 18 new money rental housing developments providing 1,076 housing units.

Economic Factors

The Agency is a self-supporting entity and is not funded by the general taxing authority of the State of New Jersey. As the State's leader in affordable housing certain market/economic factors can have an impact on the Agency's operations.

- **Trends in single family mortgage rates**- Although the Federal Reserve continued to apply downward pressure on interest rates, the Agency's traditional cost of funds in the mortgage revenue bond (MRB) market remained relatively high, limiting the Agency's ability to lend profitably at competitive interest rates. This market anomaly caused a significant decline in single family loan production. As an alternative way to remain relevant and profitable in the single family mortgage market, the Agency is in the process of implementing a mortgage backed security (MBS) funding program, which will allow the Agency to sell whole loans for securitization into Ginnie Mae mortgage backed securities.

- **Trends in foreclosure processing**- New Jersey is a judicial state and as such all foreclosures must be processed through the court system. In 2010, the state, by way of an Administrative Order, imposed a moratorium on residential foreclosures, which expired in 2012. The expiration of the moratorium caused a backlog in the court proceedings which caused our delinquencies to remain high, pending judicial foreclosure. This backlog continues to slow the foreclosure process.

- **Trends in home prices**- The Agency experienced an increase in REO losses in 2014. This was a result of increases in the number of properties to be sold in the portfolio coupled with the sale of homes at reduced prices. New Jersey has one of the highest foreclosure rates in the country, which has resulted in a growing inventory of for sale homes, contributing further to the overall decline in sale prices.

- **Continued Effect of Superstorm Sandy**- The recovery from Superstorm Sandy continues to influence our multifamily production. Community Development Block Grant Funds (CDBG) provided much needed subsidy for the development of multifamily housing in the hardest hit counties served by the Agency.

- **Trends in the Agency's credit ratings**- The cost of capital available to the Agency increases as credit ratings trend downward. In 2014 Moody's Investor Services downgraded both of the Agency's single family bond resolutions. Standard and Poor's Rating Services upgraded the Multifamily Housing Revenue Bonds resolution ratings during the same period.

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.

BASIC FINANCIAL STATEMENTS

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION
December 31, 2014
(With Comparative Summarized Financial Information as of December 31, 2013)
(In Thousands)

	Primary Government						
	Bonds and Obligation Funds					Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2014	2013
CURRENT ASSETS							
Cash and cash equivalents	$ -	$ -	$ 55,755	$ 55,755	$ -	$ 55,755	$ 52,428
Restricted cash and cash equivalents	89,354	205,886	416,467	711,707	-	711,707	686,681
Investments	-	-	9,919	9,919	-	9,919	15,089
Restricted investments	-	12,699	-	12,699	-	12,699	54,037
Accrued interest receivable on investments	414	770	1,234	2,418	-	2,418	2,906
Mortgage loans receivable, net	29,283	37,848	20,428	87,559	-	87,559	92,984
Supplemental mortgages and other loans, net	-	-	1,008	1,008	-	1,008	958
Fees and other charges receivable	-	-	1,797	1,797	-	1,797	1,201
Due from loan services and insurers	3,092	-	83	3,175	-	3,175	2,807
Interfund allocation	-	-	2,924	2,924	(2,924)	-	-
Other current assets	44,824	60	2,074	46,958	-	46,958	24,084
Total current assets	166,967	257,263	511,689	935,919	(2,924)	932,995	933,175
NONCURRENT ASSETS							
Investments	-	-	147,388	147,388	-	147,388	262,800
Restricted investments	46,567	95,612	92,595	234,774	-	234,774	139,825
Mortgage loans receivable, net	1,067,397	856,876	158,829	2,083,102	-	2,083,102	2,252,944
Debt service arrears receivable, net	11,438	127	4,397	15,962	-	15,962	18,419
Interest receivable on construction advances and mortgages	-	-	1,675	1,675	-	1,675	1,675
Supplemental mortgages and other loans, net	345	48,288	214,421	263,054	-	263,054	270,428
Real estate owned	6,748	49,635	13,976	70,359	-	70,359	64,317
Real estate held for redevelopment	-	-	-	-	-	-	-
Capital assets, net	-	-	9,028	9,028	-	9,028	9,650
Derivative instrument	-	-	-	-	-	-	7,553
Other noncurrent assets	-	90	66	156	-	156	152
Total non-current assets	1,132,495	1,050,628	642,375	2,825,498	-	2,825,498	3,027,763
TOTAL ASSETS	1,299,462	1,307,891	1,154,064	3,761,417	(2,924)	3,758,493	3,960,938
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated decrease in fair value of hedging derivatives	$ 22,757	$ 67,866	$ -	$ 90,623	$ -	$ 90,623	$ 90,462

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
December 31, 2014
(With Comparative Summarized Financial Information as of December 31, 2013)
(In Thousands)

	Primary Government						
	Bonds and Obligation Funds					Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2014	2013
CURRENT LIABILITIES							
Bonds and obligations, net	$ 34,050	$ 44,570	$ -	$ 78,620	$ -	$ 78,620	$ 94,535
Accrued interest payable on bonds and obligations	10,552	7,399	-	17,951	-	17,951	19,411
Subsidy payments received in advance	-	-	4,575	4,575	-	4,575	4,590
Advances from State of NJ for bond and housing assistance	-	-	16,836	16,836	-	16,836	19,777
Other current liabilities	1,411	74	5,181	6,666	-	6,666	9,735
Interfund allocation	-	2,924	-	2,924	(2,924)	-	-
Mortgagor escrow deposits	-	1,124	227,668	228,792	-	228,792	228,841
Total current liabilities	46,013	56,091	254,260	356,364	(2,924)	353,440	376,889
NONCURRENT LIABILITIES							
Bonds and obligations, net	1,123,503	946,927	-	2,070,430	-	2,070,430	2,244,001
Minimum escrow requirement	-	7,245	906	8,151	-	8,151	8,776
Funds held in trust for mortgagors	-	53,839	280,488	334,327	-	334,327	325,315
Other non-current liabilities	-	2,148	5,745	7,893	-	7,893	7,512
OPEB liability	-	-	63,107	63,107	-	63,107	59,215
Derivative instrument	22,757	68,583	-	91,340	-	91,340	91,406
Unearned revenue	-	-	47,607	47,607	-	47,607	70,774
Total noncurrent liabilities	1,146,260	1,078,742	397,853	2,622,855	-	2,622,855	2,806,999
Total liabilities	1,192,273	1,134,833	652,113	2,979,219	(2,924)	2,976,295	3,183,888
DEFERRED INFLOWS OF RESOURCES							
Commitment fees	932		-	932	-	932	1,127
Accrued increase in fair value of hedging derivatives	-	-	-	-	-	-	7,879
Total deferred inflows	932	-	-	932	-	932	9,006
NET POSITION (DEFICIT)							
Net investment in capital assets	-	-	9,028	9,028	-	9,028	9,650
Restricted under bond and obligation resolutions	129,014	240,924	-	369,938	-	369,938	320,423
Restricted for Special Needs Housing	-	-	10,945	10,945	-	10,945	35,776
Unrestricted	-	-	481,978	481,978	-	481,978	492,657
TOTAL NET POSITION (DEFICIT)	$ 129,014	$ 240,924	$ 501,951	$ 871,889	$ -	$ 871,889	$ 858,506

The accompanying notes are an integral part of these financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2014
(With Comparative Summarized Financial Information for the Year Ended December 31, 2013)
(In Thousands)

	Primary Government				
	Bonds and Obligation Funds				
	Single-Family	Multi-Family		Business-Type Activities	
	Mortgage Component	Housing Component	General Fund	2014	2013
OPERATING REVENUES					
Interest income on mortgage loans	$ 62,413	$ 58,759	$ 6,556	$ 127,728	$ 122,742
Fees and charges	-	6,547	29,661	36,208	34,674
Program income	-	-	79,904	79,904	111,183
Grant income	-	-	90,375	90,375	8,815
Recovery of bad debt	6,704	23,654	-	30,358	72,138
Gain on derivative	-	553	-	553	118
Other income - net	115	1,026	4,163	5,304	10,776
Total operating revenues	69,232	90,539	210,659	370,430	360,446
OPERATING EXPENSES					
Interest and amortization of bond premium and discounts	48,573	50,822	374	99,769	115,634
Insurance costs	-	184	603	787	807
Servicing fees and other	3,568	270	13,971	17,809	9,360
Salaries and related benefits	-	3,450	27,067	30,517	33,446
Professional services and financing costs	446	942	1,726	3,114	9,082
General and administrative expenses	32	1,482	5,893	7,407	11,581
Grant expense	-	-	96,869	96,869	16,323
Program expense	-	-	76,841	76,841	101,012
Provision for loan losses	11,929	16,690	2,736	31,355	75,101
Total operating expenses	64,548	73,840	226,080	364,468	372,346
Operating income (loss)	4,684	16,699	(15,421)	5,962	(11,900)
NONOPERATING REVENUES (EXPENSES)					
Investment income	2,184	4,949	4,199	11,332	9,220
Loss on sale of real estate owned	(3,685)	-	(226)	(3,911)	(1,497)
Total nonoperating revenues, net	(1,501)	4,949	3,973	7,421	7,723
Income (loss) before transfers	3,183	21,648	(11,448)	13,383	(4,177)
TRANSFERS	25,000	(316)	(24,684)	-	387
INCREASE (DECREASE) IN NET POSITION	28,183	21,332	(36,132)	13,383	(3,790)
NET POSITION, BEGINNING OF YEAR	100,831	219,592	538,083	858,506	862,296
NET POSITION, END OF YEAR	$ 129,014	$ 240,924	$ 501,951	$ 871,889	$ 858,506

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014
(With Comparative Summarized Financial Information for the Year Ended December 31, 2013)
(In Thousands)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interest on mortgages and loans	$ 62,413	$ 58,759	$ 6,556	$ 127,728	$ 122,742
Receipts from fees, charges and other	115	7,573	177,384	185,072	172,813
Receipts from principal payments on mortgage receivables	164,429	89,327	59,949	313,705	395,156
Payments to vendors and employees	(30,942)	(7,884)	(218,878)	(257,704)	(25,961)
Payments to mortgage purchases and advances	(20,616)	(36,009)	(75,656)	(132,281)	(235,893)
Payments for interest and amortization of bond premium/discounts	(51,591)	(50,162)	(374)	(102,127)	(120,455)
(Payments) receipts for other	-	-	-	-	(167,690)
Receipts (payments) for funds held in trust	-	11,225	(2,887)	8,338	(29,996)
Net cash provided by (used in) operating activities	123,808	72,829	(53,906)	142,731	110,716
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from proceeds of sale of bonds and obligations	-	54,633	-	54,633	-
Receipts from proceeds from refunding of bonds	-	-	-	-	384,700
Payments for retirement of bonds	(123,400)	(120,015)	-	(243,415)	(606,970)
Transfers and others	25,000	(316)	(24,684)	-	387
Net cash used in noncapital financing activities	(98,400)	(65,698)	(24,684)	(188,782)	(221,883)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Additions to capital assets	-	-	(476)	(476)	(609)
Net cash used in capital financing activities	-	-	(476)	(476)	(609)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(79,883)	(81,670)	(5,803)	(167,356)	(203,507)
Sales/maturities of investments	71,389	110,754	52,184	234,327	236,122
Gain/Loss on real estate owned	(3,685)	-	(226)	(3,911)	(1,497)
Earnings on investments	2,137	5,087	4,596	11,820	9,668
Net cash provided by investing activities	(10,042)	34,171	50,751	74,880	40,786
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,366	41,302	(28,315)	28,353	(70,990)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	73,988	164,584	500,537	739,109	810,099
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 89,354	$ 205,886	$ 472,222	$ 767,462	$ 739,109

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2014
(With Comparative Summarized Financial Information for the Year Ended December 31, 2013)
(In Thousands)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 4,684	$ 16,699	$ (15,421)	$ 5,962	$ (11,900)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	-	-	1,098	1,098	1,000
Provision for loan losses	11,929	16,690	2,736	31,355	75,101
Amortization of premium and discounts	(774)	70	-	(704)	(244)
Effects of changes in operating assets and liabilities:					
Mortgage loans receivable, net	140,508	29,663	(15,708)	154,463	83,466
Fees and other charges receivable	-	-	(596)	(596)	(229)
Due from loan servicers and insurers	(369)	-	1	(368)	631
Deferred charges - bond issuance costs, net	-	-		-	-
Deferred outflow of resources	-	-		-	-
Other assets and real estate owned	(25,192)	(2,253)	(2,241)	(29,686)	(7,407)
Due to/from other funds	(1,734)	(151)	1,884	(1)	24
Accrued interest payable on bonds	(2,049)	589		(1,460)	(4,577)
Advance from the State of New Jersey	-	-	(2,941)	(2,941)	(736)
Funds held in trust for mortgagor	-	13,489	(4,477)	9,012	(39,895)
Minimum escrow requirement	-	(613)	(12)	(625)	(1,025)
Mortgagor escrow deposits	-	(1,651)	1,602	(49)	10,924
Subsidy payments received in advance	-	-	(15)	(15)	1,432
Unearned revenue	-	-	(23,167)	(23,167)	6,962
OPEB liability	-	-	3,892	3,892	7,485
Interest rate swap	(195)	(553)	-	(748)	2,397
Other liabilites	(3,000)	850	(541)	(2,691)	(12,693)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 123,808	$ 72,829	$ (53,906)	$ 142,731	$ 110,716

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Agency

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

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

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

Certain bonds and other obligations issued under the provisions of the Act are general obligations of the Agency to which its full faith and credit are pledged. Certain mortgages issued from the proceeds of Multi-Family Housing Revenue Bonds are insured by the Federal Housing Administration. The Agency has no taxing power; however, certain bonds issued are separately secured, special and limited obligations of the Agency. See Note 9 to the financial statements for a more detailed discussion of the Agency's bonds, notes and obligations.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of the Agency (Continued)

The Section 8 Housing Assistance Payments (HAP) received by the Projects amounted to approximately $449,247 for the year ended December 31, 2014.

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 $16,622 for the year ended December 31, 2014.

Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* These criteria include manifestation of oversight responsibility including financial accountability, imposition of will, financial benefit to or burden on a primary organization, and financial accountability as a result of fiscal dependency.

The Agency is a component unit of the State of New Jersey. The Agency's financial statements are discretely presented as part of the State's financial statements.

The Agency determined based on the criteria above that the component unit described below should be identified as a blended component unit of the Agency.

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.

The activity and balances of ABC are immaterial to the Agency as a whole and therefore, the Agency has chosen not to include ABC in their financial statement. Separate financial statements are issued for ABC and can be obtained by contacting the New Jersey Housing and Mortgage Finance Agency, 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Agency 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.

The Agency is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

Prior Year Comparative Financial Information

The basic financial statements include certain prior year summarized comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Descriptions of Funds

The accounts of the Agency are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, and revenues and expenses. Within each fund there are accounts required by the respective bond resolutions.

The Agency reports all funds as major funds. The following is a description of each fund:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with a maturity of three months or less when purchased, short-term highly liquid money market funds, overnight repurchase agreements and amounts held in a tax-free cash management fund, all of which are readily convertible to known amounts of cash.

Investments

Investments in United States Government and Agency securities, asset-backed securities, corporate notes and commercial paper are reported at fair value. The Agency's investment agreements are reported at an amount equal to principal and accrued interest.

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
Motor vehicles	4
Machinery and equipment	4-10
Furniture and equipment	5

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

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value.

Funds and Deposits Held for Projects

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

Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs except prepaid insurance costs are expensed in the period incurred. Discount and premium on bonds are unearned and amortized to interest expense using a method approximating the effective interest method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Loans

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

Allowance for Loan Losses

Certain projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's General Fund. In addition, the Single Family home owners may face similar cash flow issues causing loans to become uncollectible. The Agency has provided allowances for loan losses aggregating $361,367 as of December 31, 2014 against mortgage loans receivable, debt service arrears receivable, supplemental mortgages, other loans, and fees and charges including provision for negative cash flows and cost overruns for these projects. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of the loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Economic conditions may result in the necessity to change the allowance quickly in order to react to deteriorating financial conditions of the Agency's borrowers. As a result, additional provisions on existing loans may be required in the future if borrowers' financial conditions deteriorate or if real estate values decline.

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

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

Advances from the State of New Jersey for Affordable Housing

Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low income projects. The amount available for the program is $3,081 as of December 31, 2014 which is included in restricted cash and cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Escrow Requirement

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

Unearned Revenue

Unearned revenue represents the cumulative amount by which pass-through revenues exceed expenses.

Deferred Outflows and Deferred Inflows

State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* identifies those consumptions or acquisitions as *deferred outflows of resources* and *deferred inflows of resources*, respectively, and distinguishes them from assets and liabilities. As such, these transactions are reported on the Statement of Net Position.

Net Position

Net position comprises the excess of revenues over expenses from operating income, non-operating revenues, expenses and capital contributions. Net position is classified in the following three components:

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Interest Rate Swaps

The Agency enters into various interest rate swaps in order to manage risks associated with interest on its bond portfolio.

Tax Status

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

Reclassifications

Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation. The reclassifications did not affect net position or changes therein.

New Accounting Pronouncements

In fiscal year 2014, the Agency implemented GASB Statement No. 70*, Accounting and Financial Reporting for Nonexchange Finance Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The implementation of this Standard did not impact the Agency's financial statement.

NOTE 2 – EARLY EXTINGUISHMENT OF DEBT

During the year ended December 31, 2014, as a result of the prepayment and refinancing of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $150,420.

NOTE 3 – 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 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 follow the Agency's aforementioned investment policy.

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

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 monies 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, bankers 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 related 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 monies and certain deposits of funds held under Resolutions be insured by federal deposit insurance or collateralized or secured by the U.S. government, or U.S. government agency obligations. In some cases, the Trustee or paying agent is excluded from these requirements related to funds held by them in trust. In some cases certain 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).

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Custodial Credit Risk (Continued)

As of December 31, 2014, the Agency's bank balance amounted to $292,776, of which $263,189 was uninsured and uncollateralized.

New Jersey Cash Management Fund and Bank of America 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 Fund's 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 Bank of America Cash Management Funds for certain project escrow accounts. These funds are invested in government securities and NJ municipal securities. At December 31, 2014, the Agency's investment in Cash Management Funds amounted to $208,855. These amounts are included in cash and cash equivalents (unrestricted and restricted) on the Statement of Net Position.

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.

Also permitted are asset backed securities, mortgage backed securities and collateralized mortgage obligations, however, these securities must be rated AAA 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.

(In Thousands)

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's investment policy as to monies held outside the bond resolutions 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.

As of December 31, 2014, the Agency had the following investments, maturities and credit quality related to the General Fund.

	Fair Value 2014	Weighted Average Maturity (years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:				
U.S. Treasury Securities	$ 59,870	3.56	AA+	Aaa
U.S. Government and Agency-Backed Securities	17,466	1.70	AA+	Aaa
Non-Agency Mortgage-Backed Securities	19,730	2.11	AAA to A-	Aaa to Baa3
Asset Backed Securities	53,814	1.93	AAA to AA+	Aaa
Corporate Notes	80,483	2.15	AAA to A-	Aaa to Baa1
Municipal Bonds	17,770	15.43	A+	Unrated
Other Short-Term Instruments	769	-	AAA	Aaa
Total investments	$ 249,902			

As of December 31, 2014, the Agency had the following investments, maturities and credit quality related to the Bond Resolutions.

	Fair Value 2014	Weighted Average Maturity (years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:				
Guaranteed Investment Contracts	$ 138,429	21.13	Unrated	Unrated
U.S. Treasury Securities	12,701	0.31	AA+	Aaa
U.S. Government and Agency-Backed Securities	3,748	17.55	AA+	Aaa
Total investments	$ 154,878			

(In Thousands)

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Agency's investment policy specifies minimum rating levels for certain types of eligible investments. Asset backed securities, mortgage backed securities and collateralized mortgage obligations must have a minimum rating of AAA. 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.

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 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. As of December 31, 2014, the General Fund did not have any investments that represented 5% or more of total investments that were subject to concentration of credit risk.

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the years ended December 31, 2014, the Agency did not invest in any repurchase agreements.

Although the bond resolutions do not impose such limits, the following table shows investments of the Bond Resolutions in issuers that represent 5% or more of total investments at December 31, 2014:

Issuer	December 31, 2014		
Natixis Funding Corp	$	125,513	61.40%
Monumental Life		27,127	13.30%
US Treasury		12,701	8.20%
GE Capital		11,770	5.80%
AEGON		10,717	5.00%

(In Thousands)

NOTE 3 – INVESTMENTS AND DEPOSITS (CONTINUED)

Concentration of Credit Risk (Continued)

Pursuant to most bond resolutions, the Agency is required to maintain certain invested debt service reserves with the Trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. These debt service reserve investments for the Multi-Family Program (funded by bond proceeds) are included in the restricted balances of $108,311 and aggregate a fair value of approximately $51,344 as of December 31, 2014. 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 Program (funded by bond proceeds or contributed cash) are included in the restricted investment balances of $46,567 and had an aggregate fair value of approximately $16,104 as of December 31, 2014. 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 $25,558 and the Single-Family component had $0 of Surety Bonds outstanding as of December 31, 2014.

Investment Income

Investment income is comprised of the following elements:

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

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

The Agency's investment income for the year ended December 31, 2014 is:

	2014
Interest income on investments	$ 9,957
Unrealized gain (loss) on investments	1,375
Total	$ 11,332

Single-Family Mortgage Component

Mortgage loans held by the Single-Family Mortgage Program 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 are as follows:

	2014
Mortgage loans receivable	$ 1,107,075
Allowance for loan losses	(10,395)
Mortgage receivable - net	1,096,680
Less current portion	(29,283)
Long term portion	$ 1,067,397

(In Thousands)

NOTE 4 – MORTGAGE LOANS RECEIVABLE

Multi-Family Housing Component

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

		2014
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$	112,241
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act		143,648
Unsubsidized mortgage loans		701,103
Subtotal		956,992
Allowance for loan losses		(22,067)
Undisbursed mortgage loans		(40,201)
Mortgage receivable - net		894,724
Less current portion		(37,848)
Long term portion	$	856,876

The Multi-Family Housing Component mortgage loans are repayable over terms originally up to 48 years and bear interest at rates from 0% to 13% per annum. Substantially all mortgage loans receivable are collateralized by first mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors.

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

General Fund Component

The General Fund mortgage loans receivable as of December 31 consisted of the following:

		2014
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	$	12,455
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act		21,928
Unsubsidized mortgage loans		258,100
Subtotal		292,483
Allowance for loan losses		(78,621)
Advanced (undisbursed) mortgage proceeds		(34,605)
Mortgage receivable - net		179,257
Less current portion		(20,428)
Long term portion	$	158,829

NOTE 5 – 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 4. The debt service arrears receivable was $78,605 at December 31, 2014. The debt service allowance for loan losses was $62,770 as of December 31, 2014. A subsidy payment receivable of $127 was due at December 31, 2014.

The Agency requires FHA guarantees, VA insurance, private mortgage insurance, pool insurance and other features to increase the security of Single-Family mortgage loans depending on the individual bond resolution and individual mortgages. For the Single-Family component, the Agency's allowance is based on historical loss percentages applied to all mortgage loan principal balances. Accrued interest in excess of 180 days is fully reserved.

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 due to the nature of those specific loans. An allowance of approximately $17,346 against interest receivable was recorded at December 31, 2014. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $155,246 as of December 31, 2014.

NOTE 6 – 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)

NOTE 6 – SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

General Fund Component

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

	2014
Mortgage loans subject to subsidy contracts under Section 8 of the National Housing Act	$ 844
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	3,915
Agency supplemental mortgages	208,290
Special Needs Housing Trust Fund mortgages	149,599
HUD supplemental mortgages	881
Loans to projects	9,143
State of New Jersey supplemental mortgages	10,993
Other	3,946
Subtotal	387,611
Allowance for loan losses	(165,773)
Undisbursed supplemental mortgage proceeds	(6,409)
Supplemental mortgages and other loans receivable, net	215,429
Less current portion	(1,008)
Long term portion	$ 214,421

Based on the program type, certain supplemental loans under the General Fund Component have significant allowances in place.

Multi-Family Housing Component

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

Supplemental mortgages	$ 61,747
Allowance for loan losses	(13,459)
Long term portion	$ 48,288

(In Thousands)

NOTE 6 – SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

Single-Family Housing Component

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

Supplemental mortgages	$ 8,627
Allowance for loan losses	(8,282)
Long term portion	$ 345

NOTE 7 – CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
Non-depreciable capital assets:				
Land	$ 1,225	$ -	$ -	$ 1,225
Depreciable capital assets:				
Building and building improvements	17,019	43	-	17,062
Motor vehicles	541	57	(61)	537
Machinery and equipment	6,577	330	(24)	6,883
Furniture and fixtures	537	46	-	583
Total	24,674	476	(85)	25,065
Less accumulated depreciation:				
Building and building improvements	(9,772)	(682)	-	(10,454)
Motor vehicles	(421)	(67)	61	(427)
Machinery and equipment	(5,636)	(309)	24	(5,921)
Furniture and fixtures	(420)	(40)	-	(460)
Total	(16,249)	(1,098)	85	(17,262)
Total capital assets, net	$ 9,650	$ (622)	$ -	$ 9,028

Depreciation expense was $1,098 for the year ended December 31, 2014.

(In Thousands)

NOTE 8 – BONDS AND OBLIGATIONS

The Agency obtains funds to finance its various mortgage programs through the sale of bonds and other obligations. Interest on Agency bonds and obligations is generally payable monthly, quarterly or semiannually. Generally, bond principal is due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of December 31, 2014 the following bonds and obligations:

Description of Bonds as Issued	Bonds Outstanding December 31, 2013	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2014	Amount Due Within One Year
Single Family Housing Revenue Bonds:					
2004 Series I, variable rate, due 2025 to 2034	$ 18,925	$ -	$ 2,750	$ 16,175	1,200
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	5,505	-	1,315	4,190	1,355
2005 Series M, 4.87% to 5.00%, due 2026 to 2036	2,645	-	2,465	180	-
2005 Series N., variable rate, due 2017	15,615	-	3,300	12,315	3,440
2005 Series O, variable rate, due 2026 to 2031	39,025	-	-	39,025	-
2005 Series P, variable rate, due 2008 to 2025	12,050	-	1,970	10,080	2,045
2005 Series Q, variable rate, due 2010 to 2032	10,750	-	5,990	4,760	135
2005 Series R, variable rate, due 2031 to 2038	24,565	-	-	24,565	-
2007 Series S, 3.60% to 4.05%, due 2008 to 2017	23,160	-	5,335	17,825	5,540
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	98,075	-	8,945	89,130	-
2007 Series U, 3.60% to 5%, due 2008 to 2037	46,765	-	6,165	40,600	660
2007 Series V, variable rate, due 2037	96,375	-	6,300	90,075	-
2008 Series X, 3.25% to 5.375%, due 2030	15,460	-	9,775	5,685	275
2008 Series Y, variable rate, due 2039	78,130	-	3,205	74,925	-
2008 Series Z, variable rate, due 2034	37,580	-	1,105	36,475	1,160
2008 Series AA, 3.00% to 6.50%, due 2038	75,540	-	22,575	52,965	1,700
2008 Series BB, variable rate, due 2039	79,085	-	-	79,085	-
2009 Series CC, .88% to 5.25%, due 2038	50,585	-	4,575	46,010	530
2009 Series DD, .75% to 3.50%, due 2017	14,910	-	4,685	10,225	3,510
2009 Series EE, 2.00% to 5.20%, due 2025	29,765	-	2,750	27,015	-
2009 Series FF, 4.00% to 5.05%, due 2039	11,025	-	1,845	9,180	-
2009 Series GG, 1.00% to 5.00%, due 2039	20,620	-	1,470	19,150	440
Total housing revenue bonds	806,155	-	96,520	709,635	21,990
Single Family Home Mortgage Bonds:					
2009 Series A1, 3.63%, due 10/01/2041	101,780	-	1,030	100,750	-
2009 Series A2, 3.63%, due 10/01/2029	43,530	-	330	43,200	-
2011 Series A, .50% to 4.65%, due 10/01/2029	85,105	-	7,320	77,785	6,670
2009 Series B1, 2.64%, due 10/01/2041	92,640	-	5,020	87,620	-
2009 Series B2, 2.64%, due 10/01/2025	56,680	-	2,970	53,710	-
2011 Series B, 4.00% to 4.50%, due 10/01/2032	68,645	-	4,055	64,590	-
2011 Series C, .3% to 2.25%, due 04/01/2017	4,645	-	1,580	3,065	1,670
2011 Series D, 1.2% to 3.25%, due 04/01/2018	18,905	-	4,575	14,330	3,720
Total single family home mortgage bonds	471,930	-	26,880	445,050	12,060
Total single family bonds program	1,278,085	-	123,400	1,154,685	34,050
Net premium on bonds payable	3,642	-	774	2,868	-
Total single family bonds payable (net)	$ 1,281,727	$ -	$ 124,174	$ 1,157,553	$ 34,050
Multi Family General housing loan bonds:					
1970 Series A, 4.50%, due 2004 to 2019	$ 1,320	$ -	$ 195	$ 1,125	$ 205
1971 Series A, 5.35% to 5.40%, due 2004 to 2019	7,710	-	2,730	4,980	1,660
1972 Series B, 5.20% to 5.25%, due 2004 to 2021	8,580	-	4,055	4,525	2,090
Total general housing loan bonds	17,610	-	6,980	10,630	3,955
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	101,800	-	3,605	98,195	3,865

(In Thousands)

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2013	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2014	Amount Due Within One Year
Multi-Family Housing Revenue Bonds 1995 Resolution:					
2000 Series C2, variable rate, due 2004 to 2032	$ 5,045	$ -	$ 125	$ 4,920	$ 135
2000 Series F, 7.93%, due 2004 to 2031	100	-	-	100	-
2002 Series B, variable rate, due 2004 to 2023	5,690	-	4,420	1,270	115
2002 Series G, variable rate, due 2004 to 2025	4,140	-	260	3,880	275
2004 Series A, 1.80% to 3.75%, due 2006 to 2014	1,170	-	1,170	-	-
2004 Series D, 1.70% to 5.20%, due 2006 to 2046	18,365	-	890	17,475	920
2008 Series 1, 5.75%, due 2038	3,260	-	-	3,260	-
2008 Series 2, 4.375%, due 2046	6,370	-	-	6,370	-
2013 Series 1, 0.20% to 4.25%, due 2013 to 2039	47,475	-	6,110	41,365	2,150
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	87,575	-	2,220	85,355	2,585
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	43,725	-	1,245	42,480	1,330
2013 Series 4, 0.90%, due 2015	51,645	-	42,210	9,435	9,435
2013 Series 5, variable rate, due 2046	126,605	-	3,160	123,445	4,180
2013 Series 6, variable rate, due 2037	17,055	-	435	16,620	450
2013 Series 7, 1.25%, due 2015	4,990	-	4,990	-	-
Total 1995 Resolution	423,210	-	67,235	355,975	21,575
Multi-Family Revenue Bonds 2005 Resolution:					
2005 Series A1, 2.20% to4.95%, due 2005 to 2046	21,220	-	445	20,775	470
2005 Series A2, 4.95%, due 2040 to 2046	4,365	-	-	4,365	-
2005 Series D, 2.00% to 4.70%, due 2005 to 2030	18,475	-	1,155	17,320	1,055
2005 Series F, variable rate, due 2005 to 2040	10,985	-	470	10,515	495
2005 Series G, variable rate, due 2007 to 2047	4,465	-	75	4,390	75
2006 Series A, variable rate, due 2006 to 2028	18,660	-	990	17,670	1,030
2006 Series B, variable rate, due 2006 to 2028	5,675	-	500	5,175	525
2006 Series C, 4.90% to 5.00%, due 2007 to 2026	2,680	-	60	2,620	65
2006 Series E, 4.65% to 4.80%, due 2007 to 2036	4,705	-	100	4,605	115
2007 Series A, 3.75% to 4.95%, due 2008 to 2048	23,780	-	-	23,780	-
2007 Series B, 5.39% to 6.13%, due 2017 to 2037	4,355	-	80	4,275	90
2007 Series G, variable rate, due 2008 to 2034	12,895	-	520	12,375	540
2007 Series I, variable rate, due 2008 to 2029	6,725	-	295	6,430	315
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,575	-	120	9,455	150
2008 Series B, variable rate, due 2008 to 2048	55,200	-	575	54,625	610
2008 Series C, variable rate, due 2009 to 2039	10,030	-	180	9,850	180
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	3,515	-	570	2,945	595
2008 Series E, 2.00% to 5.63%, due 2008 to 2029	13,225	-	1,135	12,090	1,060
2008 Series F, variable rate, due 2019 to 2048	96,025	-	-	96,025	-
2008 Series G, variable rate, due 2008 to 2039	14,395	-	210	14,185	215
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	30,010	-	725	29,285	970
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,900	-	60	3,840	60
2009 Series D, variable rate, due 2010 to 2048	18,095	-	325	17,770	340
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	6,475	-	335	6,140	335
2010 Series B, 1.10% to 1.70%, due 2012 to 2014	6,390	-	6,390	-	-
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	42,625	-	805	41,820	830
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	21,915	-	305	21,610	330
2012 Series B, .9% to 1.75%, due 2013 to 2016	16,095	-	9,875	6,220	4,265
2012 Series C, 4.38%, due 2013 to 2025	3,150	-	35	3,115	40
2012 Series D, 1.13%, due 2014	15,275	395	15,670	-	-
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	9,180	-	125	9,055	135
2012 Series F, 4.83%, due 2014 to 2025	355	-	5	350	5
2014 Series A, 0.5% to 4.55%, due 2016 to 2045	-	2,430	-	2,430	-
2014 Series B, 0.45% to 5.25%, due 2014 to 2046	-	25,340	60	25,280	280
2014 Series C, variable rate, due 2016	-	12,298	-	12,298	-
2014 Series D, variable rate, due 2016	-	14,170	-	14,170	-
Total 2005 bond resolution	514,415	54,633	42,195	526,853	15,175
Total multi-family bonds program	1,057,035	54,633	120,015	991,653	44,570
Net discount on bonds payable	(226)	-	(70)	(156)	-
Total multi-family bonds payable (net)	1,056,809	$ 54,633	$ 119,945	991,497	44,570
Total bonds payable	$ 2,338,536			$ 2,149,050	$ 78,620

(In Thousands)

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

On June 17, 2014, the Agency issued $27,770 of Multi-Family Revenue Bonds 2014 Series A & B bonds and authorized $51,266 of MF 2014 Series C & D direct purchase draw down bonds (MF 2005) to finance 18 new money rental housing developments containing a total of 1,076 multifamily units. Of the MF 2014 Series C & D bonds $26,468 were drawn down as of December 31, 2014.

Simultaneously with the issuance of the Multi-Family Revenue Bonds, 2009 Series A, B, C and D, the agency issued and delivered to the trustee, for the benefit of the holders of all bonds outstanding under the Multi-family 2005 Resolution a surety bond up to an amount not to exceed $25,000 which is included as pledged funds under the resolution. The Agency Surety is a limited, general obligation of the Agency, and has a term expiring no later than November 1, 2016.

Interest paid on variable-rate tax-exempt bonds is closely correlated with The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Rate and taxable bond rates are closely correlated with LIBOR or the FHLB Discount Note rate plus a fixed spread. Generally, note resets occur quarterly, monthly or weekly.

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

As of December 31, 2014, there was $40,201 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.

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				Related Interest and Interest
Agency Component	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Total Principal	Rate Swaps, Net
Single Family							
2015	$ 28,430	$ 31,216	$ 5,620	$ 95	$ 10,607	$ 34,050	41,918
2016	29,125	30,371	6,120	86	10,408	35,245	40,865
2017	29,640	29,430	7,695	85	10,191	37,335	39,706
2018	27,455	28,422	4,020	83	9,894	31,475	38,399
2019	30,070	27,395	3,960	82	9,711	34,030	37,188
2020-2024	167,685	119,329	22,160	388	45,584	189,845	165,301
2025-2029	221,485	83,587	24,515	345	39,941	246,000	123,873
2030-2034	155,970	46,705	105,410	259	30,096	261,380	77,060
2035-2039	131,630	18,160	116,305	80	9,918	247,935	28,158
2040-2041	37,390	1,335	-	-	-	37,390	1,335
Total	$ 858,880	$ 415,950	$ 295,805	$ 1,503	$ 176,350	$ 1,154,685	

(In Thousands)

NOTE 8 – BONDS AND OBLIGATIONS (CONTINUED)

Future Principal and Interest Requirements (Continued)

	Fixed and Unhedged Variable Rate		Hedged Variable Rate				Related Interest and Interest
Agency Component	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Total Principal	Rate Swaps, Net
Multi-Family							
2015	$ 35,340	$ 26,967	$ 9,230	$ 436	$ 16,907	$ 44,570	44,310
2016	51,858	26,055	9,680	418	16,542	61,538	43,015
2017	23,410	24,893	10,105	403	16,119	33,515	41,415
2018	22,730	23,966	10,495	387	15,664	33,225	40,017
2019	24,065	23,040	12,140	371	15,207	36,205	38,618
2020-2024	126,470	98,796	75,055	1,580	66,019	201,525	166,395
2025-2029	126,000	67,275	78,040	1,083	41,883	204,040	110,241
2030-2034	84,950	37,879	66,595	684	27,352	151,545	65,915
2035-2039	55,680	20,353	58,385	340	15,344	114,065	36,037
2040-2044	35,625	7,771	39,700	136	7,583	75,325	15,490
2045-2049	12,420	1,650	23,530	25	1,907	35,950	3,582
2050	150	5	-	-	-	150	5
Total	$ 598,698	$ 358,650	$ 392,955	$ 5,863	$ 240,527	$ 991,653	

NOTE 9 – CONDUIT DEBT OBLIGATIONS

The Agency may issue bonds to provide funds to local Housing Authorities to finance on an accelerated basis certain capital renovations and an improvement to each of the Authority's public housing developments. The bonds are payable from and secured primarily by Capital Fund Program monies, subject to the availability of appropriations to be paid by the United States Department of HUD to each Authority. The Agency may also issue other bonds for housing development purposes. These bonds are special and limited obligations of the Agency. The bonds, which are considered conduit debt obligations by GASB, do not constitute a debt or pledge of the faith and credit of the Agency and, accordingly, have not been reported in the accompanying financial statements.

At December 31, 2014, conduit debt outstanding aggregated $432,159.

(In Thousands)

NOTE 9 – CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Agency's MF Conduit Bonds Outstanding as of December 31, 2014 are as follows:

New Jersey Housing and Mortgage Finance Agency MF Conduit Bonds Outstanding as of December 31, 2014

	Conduit Project	Series	Closing Date	Balance At Closing	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
^	Capital Funds Program Revenue Bonds	2004-A	12/23/2004	$ 79,860	$ 53,540	$ -	$ (3,435)	$ 50,105
^	Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	14,570	-	(750)	13,820
*	2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,830	-	(15)	6,815
*	Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,550	-	(20)	4,530
*	Asbury Park Gardens	2012-A	7/1/2012	14,310	14,145	-	(180)	13,965
*	Washington Dodd	2012-F	12/12/2012	19,755	19,645	-	(1,440)	18,205
*	Carl Miller Homes	2012-C	12/28/2012	31,656	31,656	-	-	31,656
*	Hampshire House	2012-D	1/11/2013	6,400	6,400	-	-	6,400
*	Alexander Hamilton III	2013-B	2/20/2013	11,762	11,507	-	-	11,507
*	McIver Homes	2013-C	5/23/2013	5,200	5,185	-	(135)	5,050
*	Somerset Mews [1]	2013-A	8/23/2013	2,984	7,167	41,386	-	48,553
*	Penny Point Apartments	2013-L	10/10/2013	9,200	9,200	-	-	9,200
*	Chestnut Homes Apartments	2013-K	11/19/2013	6,900	6,900	-	-	6,900
*	Salem Lafayette Apartments	2013-J	12/16/2013	61,680	61,680	-	-	61,680
*	Brigantine Apts.	2014-G	1/30/2014	11,510	-	11,510	(95)	11,415
*	Great Falls	2013-M	1/9/2014	15,400	-	15,400	-	15,400
*	Sycamore Ridge	2014-A	3/3/2014	26,000	-	26,000	-	26,000
*	Broadway Townhouses	2014-E	6/4/2014	27,500	-	27,500	-	27,500
*	South Village I and II	2014-B	11/10/2014	30,000	-	30,000	-	30,000
*	Catherine Todd	2014-N	10/24/2014	9,415	-	9,415	-	9,415
*	Glennview Townhouses II	2014-R	12/30/2014	6,243	-	6,243	-	6,243
*	Atlantic City Townhouses	2014-P	12/23/2014	17,800	-	17,800	-	17,800
			Total conduit debt	$ 425,060	$ 252,975	$ 185,254	$ (6,070)	$ 432,159

^ Capital Fund bonds to finance certain capital renovations
* Fixed rate bonds to finance a single Multifamily project
[1] The 2013-A (Somerset Mews) bonds in the amount of $60, 035 were issued as direct purchase, drawdown bonds. Bond proceeds are drawn down periodically as needed by the borrower. Bonds are not considered outstanding until drawn by the borrower.

NOTE 10 – FUNDS HELD IN TRUST FOR MORTGAGORS

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

(In Thousands)

NOTE 10 – FUNDS HELD IN TRUST FOR MORTGAGORS (CONTINUED)

Funds held in trust for mortgagors as of December 31 include the following:

	2014
Multi-family housing component	$ 53,839
General fund:	
Community development escrows	1,647
Development cost escrows	4,974
Other funds held in trust	273,867
Total general fund	280,488
Total	$ 334,327

NOTE 11 – MORTGAGOR ESCROW DEPOSITS

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

	2014
Multi-family housing component	$ 1,124
General fund:	
Reserve for repairs and replacements	180,074
Tax and insurance escrows	47,594
Total general fund	227,668
Total	$ 228,792

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
Bonds and obligations, net	$ 2,338,536	$ 54,633	$ 244,119	$ 2,149,050	$ 78,620
Minimum escrow requirement	8,776	148	773	8,151	-
Funds held in trust for mortgagor	325,315	509,043	500,031	334,327	-
Unearned revenues	-	-	-	-	-
Derivative instrument	94,106	-	2,766	91,340	-
OPEB liability	59,215	3,892	-	63,107	-
Other non-current liabilities	7,512	2,050	1,669	7,893	-
Total	$ 2,833,460	$ 569,766	$ 749,358	$ 2,653,868	$ 78,620

NOTE 13 – NET POSITION

Restricted Under Bond and Obligation Resolutions

As described in Note 3, monies within each Bond and Obligation Fund are pledged as security for the respective bondholders, and thus are restricted as to their application.

Restricted

Restricted net position represents the portion of total net position restricted by the various programs established for the sole purpose of providing housing and residential opportunities for individuals with special needs. All restricted amounts are net of related liabilities.

Appropriated General Fund Net Position

Appropriated General Fund net position is unrestricted net position that has been designated by the Agency's members for the following purposes at December 31, 2014.

(In Thousands)

NOTE 13 – NET POSITION (CONTINUED)

Appropriated General Fund Net Position (Continued)

	2014
ABC Corporation	$ 95
Affordable Rental Housing Subsidy Loan Program	2
Agency CIAP	697
Aging Out of Foster Care	1,135
At Home Downtown	154
Bond Refunding Proceeds	1,687
Cash Flow Swap Advisory	604
CHOICE	34,766
CIAP Loan Program	4,971
Developmental Disabilities Partnership	5,883
Energy Benchmarking	50
Ex-Offenders Re-Entry Housing Program	68
Homeless Management Information System	100
HOPE	500
Information Technology	1,384
Life Safety Rehabilitation	153
Live Where You Work	682
MBS Guarantee Program	3,324
MBS Mortgage Backed Security Start Up	1,058
MONI HIF	90
Mortgage Assistance PILOT	750
NJHMFA Portion of Undisbursed Mtg. Proceeds	531
Non-Bond Multi-Family Program	29,692
Paragon Village #1316	445
Policy and Community Initiatives	59
Portfolio Reserve Balance	1,706
Preservation Initiatives	10
Project Remediation	698
Public Outreach Initiatives	207
Sandy Home Buyer Assistance Advance Fund	4,679
Shore Easy	80
Single Family Counseling	94
Small Rental Project Preservation Loan Program	3,315
Strategic Zone Lending Pool	11,714
Transitional Housing Loans	189
UHORP HIF	151
UHORP Mortgage Commitment	17,093
Welcome Home Program	1,779
Whitlock Mills	184
Total	$ 130,779

(In Thousands)

NOTE 13 – NET POSITION (CONTINUED)

Appropriated General Fund Net Position (Continued)

Changes in net position are summarized as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
Net position at December 31, 2013	$ 9,650	$ 356,199	$ 492,657	$ 858,506
Income	-	-	13,383	13,383
Acquisition of capital assets	476	-	(476)	-
Transfer	-	24,684	(24,684)	-
Depreciation on capital assets	(1,098)	-	1,098	-
Net position at December 31, 2014	$ 9,028	$ 380,883	$ 481,978	$ 871,889

NOTE 14 – PENSION PLAN

Public Employees Retirement System

The Agency contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability, and medical benefits to qualified members. 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, 2011, in accordance with Chapter 78, P.L. 2011, the contribution rate increased to 6.5% of annual covered salary for plan members enrolled in the Public Employees' Retirement System with an additional 1% increase to be phased in over the next 7 years bringing the total pension contribution rate to 7.5% of salary by July 1, 2018. At December 31, 2014 the contribution rate is 6.92% of annual salary. The Agency is billed annually for its normal contribution plus any accrued liability.

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

Period	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by Agency
Fiscal year ended December 31, 2014	$ 368	$ 1,489	$ 1,857	$ -	$ 1,857
Fiscal year ended December 31, 2013	556	1,329	1,885	-	1,885
Fiscal year ended December 31, 2012	629	1,257	1,886	-	1,886

(In Thousands)

NOTE 14 – PENSION PLAN (CONTINUED)

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 every year by 4% (ERI 1) and 5.95% for 2006 and 4% beginning in 2007 (ERI 3). Payments for the years ended December 31, 2014, 2013, and 2012, were $139, $132, and $123, respectively.

Installments due by the Agency at December 31, 2014 are as follows:

2015	$	138
2016		144
2017		150
2018		156
2019		162
2020-2024		797
2025-2029		885
2030-2034		845
Total	$	3,277

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

NOTE 15 – POST EMPLOYMENT BENEFITS

The Agency follows 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.

NOTE 15 – 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

On June 28, 2011 the State of New Jersey Legislature passed Pension and Health Benefits Reform. This legislation requires all employees to contribute a certain percentage of their health benefit premiums towards the cost of their coverage. The percentage is tiered based on coverage type and salary. The percentages will be phased in over 4 years with the full amount becoming effective July 1, 2014. The percentages for 2011 range from 1% - 8.75% of the insurance premium based on salary, with a minimum of 1.5% of salary to be contributed. The Agency implemented this plan in October 2011, and prior to that as of July 1, 2008 current employees contributed 1.5% of their salary toward medical benefits. During the year ended December 31, 2014, the Agency paid $4,222 in health insurance premiums for current employees. The Agency also paid $1,154 for the year ended December 31, 2014 towards benefits for 76 and 66 eligible retired members. Retired employees who are eligible for Medicare are also reimbursed for their portion of Medicare insurance premiums on a pay-as-you-go basis.

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 year ended December 31, 2014 and the related information for the plan are as follows (dollar amounts in thousands):

	2014
Annual required contribution	$ 64,224
Interest on net OPEB obligation	2,073
Adjustment to ARC	(61,288)
Annual OPEB cost	5,009
Contributions made	(1,117)
Increase in net OPEB obligation	3,892
Net OPEB obligation, beginning of year	59,215
Net OPEB obligation, end of year	$ 63,107

NOTE 15 – POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 were as follows:

(dollar amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	$ 5,009	22.3%	$ 63,107
December 31, 2013	8,464	11.5%	59,215
December 31, 2012	4,507	17.8%	51,730

The actuarial accrued liability for benefits was $56,411 at January 1, 2013, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $16,625 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 339.3%.

The actuarial valuation date is January 1, 2013. 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 January 1, 2013 actuarial valuation, the projected unit credit cost method was used with the unfunded liability immediately recognized. The actuarial assumptions included a 3.50% discount rate and an annual healthcare cost trend rate based on the Society of Actuaries – Getzen Model version 12.2 with some adjustments to the baseline assumptions and for administrative costs and reflective of the Excise Tax (Cadillac Tax) beginning in 2018 due to healthcare reform. The trend rates for pre and post age 65 participants are 7.4% for both 2014 and 2013 grading to 4.9% and 5.4% by 2052, respectively.

NOTE 16 – 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.

NOTE 17 – 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 8), 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 $668 for the year ended December 31, 2014 for the Multi-Family Bond Resolution Fund and $0 at December 31, 2014 for the Single-Family Bond Resolution Fund in case a rebate may be required as the result of the occurrence of future events.

NOTE 18 – 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. For footnote purposes, the fair values of the Agency's derivatives have been presented.

For each of the interest rate swaps, the Agency used one of the following methods to evaluate the hedge effectiveness of the potential hedging derivative instrument: consistent critical terms method, synthetic instrument method or regression analysis method. The consistent critical terms method evaluates effectiveness by qualitative consideration of the uniformity of the significant terms of the hedgeable item with the terms of the potential hedging derivative instrument. If the relevant terms match, or in certain instances are similar, the potential hedging derivative instrument is determined to be effective. The synthetic instrument method evaluates effectiveness by combining the cash flows on the derivative with the cash flows on the hedged item to create a new instrument. The synthetic rate on the cash flows is calculated

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

based on the combination of all the cash flows and is compared against the fixed rate on the derivative. A potential hedging derivative instrument is effective if the actual synthetic rate is within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed. The regression analysis method examines the statistical relationship between changes in the fair values or cash flows of a hedged item and its associated potential hedging derivative. For a potential hedging derivative instrument evaluated using regression analysis to be considered effective for financial reporting purposes, the analysis should produce an R-squared of at least 0.80, an F-statistic that indicates statistical significance at the 95 percent confidence level, and a regression coefficient for the slope between -1.25 and -0.80.

Terms, Fair Values and Credit Risk

As of December 31, 2014, the Agency determined that a portion of the MRB 2007-G Multi-Family Bond Component Swap listed as an investment derivative instrument in the chart below no longer met the criteria for effectiveness. Accordingly, the fair value of the swap of $(717) is reported within the investment revenue classification for the year ended December 31, 2014.

At December 31, 2014, all single family derivatives and all multi-family derivatives, except MRB 2007-G, met the criteria for effectiveness.

The terms and fair values of the outstanding swaps as of December 31, 2014, are summarized in the table below. The swaps are utilized to hedge the risk from the associated variable rate debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category. The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. The Agency receives either 1-month LIBOR times the notional amount for the taxable borrowings, or a percentage of 1-month LIBOR plus a fixed spread or The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Index times the notional amount for the tax-exempt borrowings from the counterparty, plus a fixed spread as applicable, as listed below. Where possible, only the net difference will be exchanged with the counterparty and the Agency continues to pay interest to the certificate-holders at the variable rate provided on the bonds. The purpose of the swap is to mitigate interest rate risk. The Agency will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated.

The following tables present both the hedging derivative value and the off market loan balances for Single Family and Multi-Family Bond Component Swaps at December 31, 2014. This presentation has no effect on the net position of the Agency.

(In Thousands)

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Single Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
SHRB* 2005 N	$ 12,315	$ 12,315	10/1/2006	10/1/2017	4.055%	68% of 1-Mo LIBOR or SIFMA + 1bp**	$ (867)	$ (10)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
SHRB* 2005 P/Q/R	39,405	21,960	11/1/2006	4/1/2038	4.797%	USD-SIFMA Municipal Swap Index	(1,569)	(68)	The Bank of New York Mellon	Aa2 / AA- / AA-
SHRB* 2005 P/Q/R	-	15,970	4/1/2007	4/1/2038	3.927%	68% of 1-Mo LIBOR + 18bp	(1,084)	(47)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2 / AAA / NR
SHRB* 2007 V	90,075	83,485	11/8/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	(6,251)	(324)	Royal Bank of Canada, New York	Aa3/AA-/AA
SHRB* 2008 BB	79,085	79,085	3/1/2009	10/1/2039	3.504%	68% of 1-Mo LIBOR	(6,916)	(307)	The Bank of New York Mellon	Aa2 / AA- / AA-
SHRB* 2008 Y	74,925	69,125	5/1/2008	10/1/2039	3.757%	69% of 1-Mo LIBOR	(4,953)	(361)	The Bank of New York Mellon	Aa2 / AA- / AA-
	$ 295,805	$ 281,940					$ (21,640) 1	$ (1,117) 1		

* 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 the USD-LIBOR-BBA; otherwise the variable rate received will be SIFMA + 1bp

Derivative instrument ∑ 1 = (22,757)

(In Thousands)

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Multi-Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
Cash Flow Hedges:										
MHRB* 2002-G	$ 3,880	$ 3,880	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	$ (964)	$ (3)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa2 / A- / A
MHRB 2013-5	123,445	42,010	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	(107)	(9,887)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa2 / A- / A
MHRB 2013-5	-	24,350	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	(221)	(5,048)	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2 / AAA / NR
MHRB 2013-5	-	59,665	5/1/2005	11/1/2046	4.0010%	67% of 1-Mo LIBOR + 18bp	(24)	(10,093)	Bank of America, N.A.	A2 / A / A
MHRB 2013-6	16,620	7,735	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(161)	(1,617)	Bank of America, N.A.	A2 / A / A
MHRB 2013-6	-	8,715	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	(34)	(2,262)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
MRB** 2005-F	10,515	10,100	8/10/2005	5/1/2040	4.2190%	USD-SIFMA Municipal Swap Index + 5bp	(376)	(31)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2005-G	4,390	4,580	11/1/2006	11/1/2047	5.4830%	1-Mo LIBOR	(364)	(18)	Bank of America, N.A.	A2 / A / A
MRB 2006-A	17,670	17,670	3/15/2006	5/1/2028	3.7150%	63% of 1-Mo LIBOR + 20.5 bp	(837)	(40)	Royal Bank of Canada, New York	Aa3 / AA- / AA
MRB 2006 B	5,175	5,175	3/15/2006	5/1/2028	5.4220%	1-Mo LIBOR	(366)	(10)	Bank of America, N.A.	A2 / A / A
MRB 2007-G	12,375	12,375	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(1,768)	(51)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2007-I	6,430	6,430	11/1/2007	5/1/2029	5.9100%	1-Mo LIBOR	(851)	(14)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-B	54,625	64,005	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(14,209)	(393)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-B-HMFA #2190 - Royal Crescent	-	3,350	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(694)	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-B-HMFA #1426 - Heritage Village at Manalapan	-	2,780	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(559)	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-C	9,850	7,310	11/1/2008	5/1/2040	5.7120%	1-Mo LIBOR	(959)	(29)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-C- HMFA #2265 - Sharp Road	-	2,520	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(793)	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-F	96,025	5,800	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(1,151)	(345)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
MRB 2008-F	-	25,100	2/10/2005	11/1/2029	3.4080%	67% of 1-Mo LIBOR + 18bp	(335)	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2008-F	-	30,270	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(3,639)	(2,051)	Bank of America, N.A.	A2 / A / A
MRB 2008-F	-	13,540	10/30/2007	5/1/2042	4.6120%	USD-SIFMA Municipal Swap Index + 5bp	(278)	(216)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa2 / A- / A
MRB 2008-G	14,185	1,950	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(706)	-	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
MRB 2008-G	-	3,240	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(768)	(228)	Bank of America, N.A.	A2 / A / A
MRB 2008-G	-	7,050	10/30/2007	11/1/2039	5.8715%	1-Mo LIBOR	(194)	(327)	Bank of America, N.A.	A2 / A / A
MRB 2009D HMFA 1437	17,770	1,390	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(178)	(251)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2009D HMFA 1352	-	7,700	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(1,005)	(1,367)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2009D HMFA 2101	-	1,470	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	(198)	(284)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2009D HMFA 2171	-	1,415	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(212)	(282)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
MRB 2009D HMFA 2272	-	3,755	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(520)	(548)	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
	$ 392,955	$ 385,330					$ (32,471) [1,2]	$ (35,395) [1,2]		
Investment Derivatives:										
MRB 2007-G	-	8,450	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(717) [1]		Wells Fargo Bank, N.A.	Aa3 / AA- / AA-
		$ 8,450					$ (717)			

* Multi-Family Housing Revenue Bonds
** Multi-Family Revenue Bonds

∑ 1 =	Derivative instrument	(68,583)
∑ 2 =	Accumulated decrease in fair value of hedging derivative	(67,866)

NOTE 18 – DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2014 was $675,720. This portfolio of derivative instruments is used to hedge $688,760 of variable rate debt as of December 31, 2014.

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

Basis Risk

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

Interest Rate Risk

The Agency's interest rate swaps serve to guard against a rise in variable interest rates associated with its outstanding variable rate bonds. In addition, certain bond proceeds are invested in variable rate Guaranteed Investment Contracts (GICs) or other variable rate investment obligations in order to further mitigate interest rate risk on the variable rate bonds.

The Agency is invested in a pay-fixed, receive-variable interest rate swap with a notional amount of $8,450 at December 31, 2014. The Agency makes semiannual fixed payments to the counterparty of 4.01 percent and receives variable payments based on 63 percent of LIBOR, plus 20.5 basis points. This interest rate swap was executed in November 2007 and matures in May 2034. At December 31, 2014, this interest rate swap had a fair value of $(717).

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.

(In Thousands)

NOTE 19 – INTERFUND RECEIVABLES AND PAYABLES

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

Interfund receivable		
General Fund	$	2,924
Total interfund receivable	$	2,924
Interfund payable		
Multi-Family Housing Component		2,924
Total interfund payable	$	2,924

NOTE 20 – 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, 2014, the available line of credit was $2,097 and had $6,222 aggregate amount outstanding which was comprised of four (4) separate fixed rate amortizing advances. Repayments on the advances vary with remaining periods amortizing over 1 year to 25 years, payable monthly at rates ranging from 4.88% to 6.57%. The Agency has pledged mortgages receivable totaling $8,319 as collateral for this line of credit.

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

NOTE 21 – SUBSEQUENT EVENTS

On February 27, 2015 the Agency completed the sale of Paragon Village. The Agency received a cash payment of $11.5 million at closing, and provided additional acquisition financing in the amount of $2.5 million pursuant to a promissory note maturing in March of 2020, and bearing interest at an annual rate of 3.5%. A portion of the proceeds will be used by the Agency to redeem, in full, outstanding bonds in the 1995 Housing Revenue Bond Resolution.

On March 1, 2015 the first 16 subsidies for the Supportive Housing Connection were paid and will proceed monthly thereafter, increasing in volume as DHS transfers subsidies to the Agency.

NOTE 21 – SUBSEQUENT EVENTS (CONTINUED)

In advance of and in conjunction with the implementation of a Mortgage-Backed Securities ("MBS") program, the Agency entered into a $50 million Revolving Line of Credit and Security Agreement ("Facility") with Wells Fargo Bank, National Association on January 5, 2015. This Facility will provide a continual source of advance funding for the origination of up to $50 million in single family mortgage loans prior to the issuance of single family mortgage revenue bonds, the sale of whole loans and/or MBS to approved purchasers, or any other permanent take-out funding source(s) subsequently approved by the Board. Utilization of this Facility will further enhance the Agency's mission by offering more competitive mortgage rates without being limited by the availability of Agency funds.

On March 26, 2015, the Agency issued $69.6 million of publically-offered taxable and tax-exempt Multi-Family Revenue Bonds ("MFRB"), and $31.8 million of tax-exempt direct purchase MFRB draw down bonds to finance 26 new money rental housing developments containing a total of 1,637 multifamily units. In addition, this financing included a $109.8 million taxable fixed rate refunding component which refunded $57.6 million of fixed rate bonds, and $52.1 million of hedged variable rate bonds ("VRDN's"). The VRDN-related Interest Rate Swaps are fully cancelable at Par, and will be terminated at no cost to the Agency on 5/1/15. The refunding is expected to generate approximately $8.1 million in net present value (PV) savings (7.38% of the bonds) to the Agency.

In conjunction with the MF 2015 Series A-F financing discussed above, on February 23, 2015, Standard & Poors Ratings Services, Inc. ("S&P") raised its rating for the Agency's outstanding Multifamily Revenue Bonds Resolution one notch to "AA-" from "A+". The AA- rating reflects S&Ps view of NJHMFA's very strong strategy and management of the Resolution, very high loss coverage based on the Resolution's strong overcollateralization, the Resolution's strong financial performance and loss coverage indicated by 1.45x weighted average debt service coverage and increasing parity within the Resolution, and extremely strong ongoing governmental support in the form of low-income housing tax credits, Federal Housing Administration mortgage insurance, Section 8 rental subsidies, property tax exemptions, and tax-exempt bond financing. Partially offsetting the above-mentioned strengths is S&P's assessment of the Resolution's average operating performance, based on loan delinquencies of 60 days or more of about 3% (by loan balance). At the same time, S&P provided a rating of "AA-" to the NJHMFA's Series 2015 A, B, C, D, E, F Bonds. Finally, Standard & Poor's affirmed its 'AAA/A-1' rating on NJHMFA's Series 2008 B, C, F, and G variable-rate Multifamily Revenue Bonds. The outlook on all issues is stable.

NOTE 22 – PENDING GASB PRONOUNCEMENTS

The Agency will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the period ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The Agency is currently evaluating the effect of the implementation of this Statement.

NOTE 22 – PENDING GASB PRONOUNCEMENTS (CONTINUED)

The Agency will be required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the period ending December 31, 2015. The objective of this Statement is to address an issue regarding the provisions of Statement No. 68 relating to contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the beginning net pension liability. The Agency is currently evaluating the effect of the implementation of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF FUNDING PROGRESS - OPEB
As of December 31, 2014
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Ratio (b-a)	Funded Payroll (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2009	$ -	$ 29,199	$ 29,199	0.00%	$ 18,466	158.10%
January 1, 2011	-	45,393	45,393	0.00%	18,209	249.30%
January 1, 2013	-	56,411	56,411	0.00%	16,625	339.30%

SUPPLEMENTARY INFORMATION

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
December 31, 2014
(In Thousands)

	FY 2014			
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2013 Total
	ASSETS			
CURRENT ASSETS				
Restricted cash and cash equivalents	$ 64,923	$ 24,431	$ 89,354	$ 73,988
Accrued interest receivable on investments	414	-	414	367
Mortgage loans receivable, net	19,432	9,851	29,283	31,513
Due from loan servicers and insurers	2,311	781	3,092	2,723
Other current assets	37,070	7,754	44,824	22,334
Total current assets	124,150	42,817	166,967	130,925
NONCURRENT ASSETS				
Restricted investments	46,567	-	46,567	38,073
Mortgage loans receivable, net	661,294	406,103	1,067,397	1,199,555
Debt service arrears receivable, net	7,477	3,961	11,438	16,453
Supplemental mortgages and other loans, net	184	161	345	12,765
Real estate owned	5,230	1,518	6,748	4,660
Total noncurrent assets	720,752	411,743	1,132,495	1,271,506
TOTAL ASSETS	844,902	454,560	1,299,462	1,402,431
DEFERRED OUTFLOW OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	22,757	-	22,757	28,606
	LIABILITIES AND NET POSITION			
CURRENT LIABILITIES				
Bonds and obligations, net	$ 21,990	$ 12,060	$ 34,050	$ 34,165
Accrued interest payable on bonds and obligations	6,731	3,821	10,552	12,601
Interfund allocation	-	-	-	1,734
Other current liabilities	991	420	1,411	4,411
Total current liabilities	29,712	16,301	46,013	52,911
NONCURRENT LIABILITIES				
Bonds and obligations, net	689,016	434,487	1,123,503	1,247,562
Derivative instrument	22,757	-	22,757	28,606
Total non-current liabilities	711,773	434,487	1,146,260	1,276,168
Total liabilities	741,485	450,788	1,192,273	1,329,079
DEFERRED INFLOWS OF RESOURCES				
Commitment fees	821	111	932	1,127
NET POSITION				
Restricted under bond and obligation resolutions	125,353	3,661	129,014	100,831
TOTAL NET POSITION	$ 125,353	$ 3,661	$ 129,014	$ 100,831

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
Year Ended December 31, 2014
(In Thousands)

	FY 2014			
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2013 Total
OPERATING REVENUES				
Interest income on mortgages loans	$ 42,366	$ 20,047	$ 62,413	$ 65,674
Recovery of bad debt	3,311	3,393	6,704	-
Other income, net	114	1	115	118
Total operating revenues	45,791	23,441	69,232	65,792
OPERATING EXPENSES				
Interest and amortization of bond prem/disc	33,105	15,468	48,573	58,407
Servicing fees and other	2,076	1,492	3,568	4,190
Salaries and related benefits	-	-	-	2,164
Professional services and financing costs	410	36	446	2,848
General and administrative expenses	-	32	32	1,055
Provision for loan losses	7,583	4,346	11,929	34,513
Total operating expenses	43,174	21,374	64,548	103,177
Operating income (loss)	2,617	2,067	4,684	(37,385)
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,164	20	2,184	1,902
Gain (loss) on sale of real estate owned	(3,210)	(475)	(3,685)	(1,275)
Total nonoperating revenues (expenses), net	(1,046)	(455)	(1,501)	627
Income (loss) before transfers	1,571	1,612	3,183	(36,758)
Transfers	22,723	2,277	25,000	(2,670)
INCREASE (DECREASE) IN NET POSITION	24,294	3,889	28,183	(39,428)
NET POSITION, BEGINNING OF YEAR	101,059	(228)	100,831	140,259
NET POSITION, END OF YEAR	$ 125,353	$ 3,661	$ 129,014	$ 100,831

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM
December 31, 2014
(In Thousands)

	FY 2014					
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	2013 Total
		ASSETS				
CURRENT ASSETS						
Restricted cash and cash equivalents	$ 8,711	$ 4	$ 78,541	$ 118,630	$ 205,886	$ 164,584
Restricted investments	12,699	-	-	-	12,699	54,037
Accrued interest receivable on investments	-	62	525	183	770	908
Mortgage loans receivable, net	1,050	3,904	17,314	15,580	37,848	58,122
Supplemental mortgages and other loans, net	-	-	-	-	-	-
Other current assets	-	-	10	50	60	57
Total current assets	22,460	3,970	96,390	134,443	257,263	277,708
NONCURRENT ASSETS						
Restricted investments	-	6,954	63,466	25,192	95,612	83,358
Mortgage loans receivable, net	5,386	87,988	321,879	441,623	856,876	882,872
Debt service arrears receivable, net	2	-	-	125	127	1,808
Supplemental mortgages and other loans, net	-	-	11,547	36,741	48,288	46,690
Real estate owned	2,250	-	47,385	-	49,635	47,385
Derivative instrument	-	-	-	-	-	7,553
Other noncurrent assets	-	-	-	90	90	123
Total noncurrent assets	7,638	94,942	444,277	503,771	1,050,628	1,069,789
TOTAL ASSETS	30,098	98,912	540,667	638,214	1,307,891	1,347,497
DEFERRED OUTFLOW OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	-	-	30,421	37,445	67,866	61,856
		LIABILITIES AND NET POSITION				
CURRENT LIABILITIES						
Bonds and obligations, net	$ 3,955	$ 3,865	$ 21,575	$ 15,175	$ 44,570	$ 60,370
Accrued interest payable on bonds and obligations	93	1,146	2,271	3,889	7,399	6,810
Mortgagor escrow deposits	1,124	-	-	-	1,124	2,775
Interfund allocation	150	-	1,393	1,381	2,924	3,111
Other current liabilities	-	-	36	38	74	79
Total current liabilities	5,322	5,011	25,275	20,483	56,091	73,145
NONCURRENT LIABILITIES						
Bonds and obligations, net	6,675	94,330	334,370	511,552	946,927	996,439
Minimum escrow requirement	219	-	3,607	3,419	7,245	7,858
Funds held in trust for mortgagor	7,951	-	17,551	28,337	53,839	40,350
Other noncurrent liabilities	-	3	666	1,479	2,148	1,290
Derivative instrument	-	-	30,421	38,162	68,583	62,800
Total noncurrent liabilities	14,845	94,333	386,615	582,949	1,078,742	1,108,737
Total liabilities	20,167	99,344	411,890	603,432	1,134,833	1,181,882
DEFERRED INFLOW OF RESOURCES						
Accumulated increase in fair value of hedging derivatives	-	-	-	-	-	7,879
NET POSITION (DEFICIT)						
Restricted under bond and obligation resolutions	9,931	(432)	159,198	72,227	240,924	219,592
TOTAL NET POSITION	$ 9,931	$ (432)	$ 159,198	$ 72,227	$ 240,924	$ 219,592

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
MULTI-FAMILY HOUSING PROGRAM
Year Ended June 30, 2014
(In Thousands)

	FY 2014					
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	2013 Total
OPERATING REVENUES						
Interest income on mortgages loans	$ 400	$ 6,563	$ 22,472	$ 29,324	$ 58,759	$ 50,024
Fees and charges	338	135	2,910	3,164	6,547	8,202
Recovery of bad debt	4,928	-	8,024	10,702	23,654	72,138
Gain on derivative	-	-	326	227	553	118
Other income - net	70	-	183	773	1,026	1,710
Total operating revenues	5,736	6,698	33,915	44,190	90,539	132,192
OPERATING EXPENSES						
Interest and amortization of bond premium/discounts	776	7,022	17,294	25,730	50,822	56,831
Insurance costs	-	-	38	146	184	303
Servicing fees and other	-	270	-	-	270	270
Salaries and related benefits	-	-	1,778	1,672	3,450	3,596
Professional services and financing costs	53	11	320	558	942	3,004
General and administrative expenses	-	-	762	720	1,482	1,681
Provision for loan losses	121	-	6,440	10,129	16,690	17,081
Total operating expenses	950	7,303	26,632	38,955	73,840	82,766
Operating income (loss)	4,786	(605)	7,283	5,235	16,699	49,426
NONOPERATING REVENUES (EXPENSES)						
Investment income	3	266	3,056	1,624	4,949	6,447
Loss on early extinguishment of old debt	-	-	-	-	-	-
Total nonoperating revenues (expenses), net	3	266	3,056	1,624	4,949	6,447
Income (loss) before transfers	4,789	(339)	10,339	6,859	21,648	55,873
TRANSFERS	-	-	(62)	(254)	(316)	(97)
INCREASE IN NET POSITION	4,789	(339)	10,277	6,605	21,332	55,776
NET POSITION, BEGINNING OF YEAR	5,142	(93)	148,921	65,622	219,592	163,816
NET POSITION, END OF YEAR	$ 9,931	$ (432)	$ 159,198	$ 72,227	$ 240,924	$ 219,592