NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2016)

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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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, 2017, 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, 2017, 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 4-12, the Schedule of Funding Progress, Schedule of Agency's Proportionate Share of Net Pension Liability and Schedule of Agency's Contributions on pages 58-60 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) on pages 61-64 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 2016 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
New Jersey Housing and Mortgage Finance Agency

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018 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 solely 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 the effectiveness of the Agency's 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
May 14, 2018

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, 2017 and 2016. 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, 2017

The Agency's overall net position increased by 5.1% from 2016 to 2017. The multifamily portfolio continued to perform well and the single family portfolio had lower reserves and a slight decrease in the loss on Real Estate Owned (REO) as foreclosures steadily flowed through the court system and a modest recovery of housing values began in certain areas of the State. The General Fund also performed well with recoveries of bad debt, conduit fee income, the increase in single family loan production through the mortgage backed securities Ginnie Mae platform, and the decrease in Other Post-Employment Benefits (OPEB) liability and the Pension liability. This helped to offset the $18.5 million contribution to the State for housing related initiatives.

In January, 2017 the Agency renewed the Revolving Line of Credit with Wells Fargo, NA. The credit limit was amended to $10 million.

In 2012, the Agency acquired title to Whitlock Mills via a deed in lieu of foreclosure. The Agency solicited offers to purchase Whitlock from qualified owner-operators in the 4th quarter of 2015 pursuant to a Request for Offer to Purchase (RFOTP). On March 21, 2017 the Agency entered into a contract with RPM Development, LLC to purchase and is negotiating the terms and conditions and securing the necessary financing to complete the sale in 2018. At December 31, 2017, the property is recorded as real estate owned with a net value of $30.4 million in the Multi-Family Housing Revenue Bond Resolution and $12.8 million in the General Fund.

In May 2017, the Agency issued $90.4 million of publicly-offered tax-exempt and taxable Multi-Family Revenue Bonds ("MFRB") to finance 8 new money rental housing developments containing a total of 1,006 multifamily units. In addition, this financing included a $59.8 million tax-exempt and taxable refunding component which refunded $27.6 million of fixed rate bonds and $32.2 million of variable rate bonds ("VRDN's"). The VRDN-related interest rate swaps were fully callable at Par and were terminated at no cost to the Agency on November 1, 2016 or May 1, 2017. The refunding is expected to generate approximately $4.1 million in net present value (NPV) savings (12.7% of the bonds) to the Resolution.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) received a total allocation of $739 million in CDBG-DR funds as a sub-recipient to implement three (3) affordable housing programs designed to support the needs of renters and prospective homeowners in the nine counties hardest hit by the storm. The Fund for Restoration of Multifamily Housing (FRM) was allocated $654 million. The Sandy Special Needs Housing Fund (SSNHF) was allocated $60 million, and the Sandy Homebuyer Assistance Program (SHAP) was allocated $25 million. All programs are closed to new applicants. In 2017, the NJHMFA committed $71 million in FRM funds to create 424 rental apartments, and fund six pre-development loans. Additionally, $9 million was committed to create 66 beds for special needs consumers.

Single Family bond fund loan production declined as 16 loans were funded from the Single Family Housing Revenue Bond Resolution in 2017 compared to 36 loans in 2016. In order to offer competitive rates and increase single family loan production, the Agency implemented a mortgage backed securities (MBS) platform as an approved Government National Mortgage Association (Ginnie Mae) issuer of Ginnie Mae I and II single family MBS. In 2017, the Agency securitized 592 loans for $100 million with Ginnie Mae II MBS.

In 2017, the Agency funded 1,432 HomeKeeper and HomeSaver homeowner assistance loans under the U.S. Department of Treasury Hardest Hit Funds program. Additionally, the Agency closed 614 HomeSeeker Down Payment Assistance loans, each as a second loan behind an Agency first mortgage loan. These are recorded as program income and program expense in the Agency's General Fund.

The Agency's Other Post-Employment Benefits (OPEB) net OPEB obligation decreased by approximately $3.1 million. The Annual Required Contribution (ARC) was $77.5 million in 2017 compared to $80.5 million in 2016.The primary reasons for the decrease are a reflection of the most recent mortality table developed by the Society of Actuaries and a change in the spousal coverage election assumption to reflect recent experience. In addition, this valuation reflects a change in actuarial standards to vary health costs by age rather than use the premium rates paid by the Agency and an update to the most recent assumptions adopted by the New Jersey Public Employees' Retirement System, adjusted to reflect the benefits provided by the Agency.

In order to further reduce the net unfunded OPEB liability, in December 2017 the Agency entered into an Other Post-Employment Benefits (OPEB) 155 Trust Agreement. This irrevocable trust was established for the Agency to make contributions to fund the OPEB obligation. No contributions were made in 2017.

The Agency's Net Pension Liability decreased by approximately $21 million for 2017. This is primarily due to the changes in actuarial assumptions and economic assumptions.

The Agency closed 22 conduit bond issues totaling $314.8 million in 2017. In addition, the program has a pipeline in excess of $365 million.

The Agency has liquidity facilities in place with multiple providers in order to provide liquidity support for payment of its variable rate bonds in the event they cannot be remarketed. As of January 1, 2017, the Agency had total variable rate bonds outstanding in the amount of $282.2 million (excluding bond maturities scheduled to occur in 2017) whose related liquidity facilities were scheduled to expire in 2017. The Agency successfully resolved its entire 2017 liquidity expiration exposure of $282.2 million by taking the following actions:

- August 2017 - Extended a MF liquidity facility totaling $116 million with current provider (Bank of America, N.A.).
- August 2017 - Extended three SF liquidity facilities totaling $96.9 million with current provider (RBC).
- September 2017 - Extended a SF liquidity facility totaling $69.2 million with current provider (Bank of America, N.A.).

The following ratings actions occurred in 2017:

- January 2017 – Standard & Poor's Rating Services (S&P) affirmed its AA- rating (stable outlook) on the Agency's Multi-Family Revenue Bonds (MF 2005) Resolution.
- September 2017 - Standard & Poor's Rating Services (S&P) affirmed its AA rating (stable outlook) on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) Resolution.
- October 2017 – Moody's Investors Service (Moody's) affirmed its Aa3 rating (outlook revised from negative to stable) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- In 2017 there were no ratings actions on the Agency's issuer credit rating (ICR) or Single Family Home Mortgage Bonds (HMB) Resolution. Moody's Investor Services rating on the Agency's Single Family Home Mortgage Bonds (HMB) Resolution remains at Aa2 (stable outlook).

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 2017 compared to 2016. 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 presents the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of December 31, 2017. The following table represents the comparison of net position as of December 31, 2017 and 2016. The change between December 31, 2017 and December 31, 2016 should be read in conjunction with the financial statements.

Condensed Statement of Net Position
(In Thousands)

	2017	2016	% Change 2017/2016
Current and Other Assets	$ 1,223,771	$ 1,118,454	9.4%
Other Noncurrent Assets	2,355,064	2,499,874	-5.8%
Capital Assets	6,998	7,471	-6.3%
Total Assets	3,585,833	3,625,799	-1.1%
Deferred Outflows	69,287	90,308	-23.3%
Current Liabilities	372,384	386,065	-3.5%
Long-term Liabilities	2,323,495	2,428,324	-4.3%
Total Liabilities	2,695,879	2,814,389	-4.2%
Deferred Inflows	18,387	3,293	458.4%
Net Position:			
Net Investment in Capital Assets	6,998	7,471	-6.3%
Restricted	464,688	437,852	6.1%
Unrestricted	469,168	453,102	3.5%
Total Net Position	$ 940,854	$ 898,425	4.7%

The Agency's total assets remained relatively flat between 2016 and 2017 although some larger changes occurred within various categories resulting from the following factors:

- Cash, cash equivalents and investments increased by $79.0 million primarily due to the increase of undisbursed proceeds from loans financed under the 2017 series of the MFRB Resolution.

- Mortgage and supplemental loans receivable decreased by $113.0 million, primarily due to the decrease in single family loan production coupled with delinquent loans progressing through the foreclosure process and natural loan run-off.

- Other current assets decreased by $8.2 million due to a decrease in foreclosure claims receivable.

- Other noncurrent liabilities increased by $1.3 million due to the valuation of mortgage servicing rights.

The Agency's overall 3.5% decrease in total liabilities resulted from the following factors:

- Bonds and accrued interest payable decreased by $74.1 million due to regularly scheduled payments of $106.6 million and early redemptions of $159.2 million. This was offset by the issuance of $191.7 million bonds payable.

- Funds held in trust for mortgagors decreased by $55.1 million due to increased production of programs administered by the Agency, such as Supportive Housing Connection and Police and Firemen's Retirement System Mortgage Program.

- Unearned revenue increased by $46.6 million due to the increase of Federal Hardest Hit Funds available to the Agency.

- Pension liability decreased by $21.2 million due to changes in actuarial assumptions used to determine the net pension liability.

  Derivative instruments (hedging derivative value + off market loan balances) decreased by $11.9 million due to a multitude of factors. Individual swaps are affected by changes in Libor and/or SIFMA rates. In 2017, both Libor rates and SIFMA rates rose over the course of the year, and experienced a dramatic rise near year end. The remaining life of a swap also impacts the value as it must accrete to $0 by the maturity date. In addition to these factors which affect the directional change in a swap's value, the magnitude of the change is affected by other factors including the size, remaining life and the maturity date. Each swap is analyzed individually with any changes in fair value reported. See Note 18 for further analysis about specific derivative instruments held by the SFHRB, MFHRB and MFRB Resolutions.

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, 2017 and 2016. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2017 and 2016. 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, 2017 and 2016
(In Thousands)

	2017	2016	% Change 2017 / 2016
Operating Revenues:			
Interest Income on Mortgage Loans	$ 97,878	$ 102,719	-4.7%
Fees and Charges	46,095	44,293	4.1%
Program Income	54,064	14,474	273.5%
Grant Income	107,036	96,632	10.8%
Recovery of Bad Debt and Mortgage Modifications	37,102	57,351	-35.3%
Gain on Derivative	260	234	11.1%
Other	11,313	18,217	-37.9%
Total Operating Revenues	353,748	333,920	5.9%
Operating Expenses	303,875	279,434	8.7%
Operating Income (Loss)	49,873	54,486	-8.5%
Non-operating Revenues (Expenses), Net	11,056	9,134	21.0%
Transfers	(18,500)	-	-100.0%
Increase in Net Position	42,429	63,620	-33.3%
Net Position - Beginning of Year	898,425	834,805	7.6%
Net Position - End of Year	$ 940,854	$ 898,425	4.7%

The 5.9% increase in operating income is due to the following factors:

- Interest income on mortgages receivable decreased by $4.8 million due to the decrease in production in the single family bond resolutions, delinquencies and normal portfolio runoff.
- Program income increased by $39.6 million due to increased production in the various Hardest Hit Fund programs as a result of increased Federal funding.
- Grant income increased by $10.4 million due to the increase in multifamily Funds for Restoration (CDBG) disbursements.
- Recovery of bad debt decreased by $20.2 million due to the change in mortgage reserve valuation method which resulted in recoveries on previous allowances being recognized in 2016.
- Other income decreased by $6.9 million due to the one-time receipt of funds held under the General Housing Loan Bond Resolution which matured in 2016.

Summary of Operating Expenses for the Years Ended December 31, 2017 and 2016
(In Thousands)

	2017	2016	% Change 2017/2016
Operating Expenses:			
Interest and Amortization	$ 76,048	$ 81,500	-6.7%
Insurance Costs	911	1,548	-41.1%
Servicing Fees and Other	9,042	9,744	-7.2%
Salaries and Related Benefits	22,914	30,863	-25.8%
Professional Services and Financing Costs	9,018	4,345	107.5%
General and Administrative Expenses	8,290	6,517	27.2%
Grant Expense	107,230	100,488	6.7%
Program Expense	47,422	11,954	296.7%
Pension Expense	6,143	12,505	-50.9%
Loss on Sale of Real Estate Owned	8,475	9,151	-7.4%
Provision for Loan Losses	8,382	10,819	-22.5%
Total Operating Expenses	$ 303,875	$ 279,434	8.7%

Total operating expenses increased by 8.7%. The following significant fluctuations occurred within operating expenses:

- Interest expense decreased by $5.5 million due to the early redemption of bonds and low interest rates on variable rate debt.
- Salaries and related benefits decreased by $7.9 million primarily from the decrease in the OPEB expense.
- Professional services and financing costs increased by $4.7 million primarily from the increased single family loan production under the MBS platform in the general fund.
- Grant expense increased by $6.7 million primarily due to an increase in multifamily Funds for Restoration (CDBG) disbursement.
- Program expense increased by $35.5 million due to increased production in the various Hardest Hit Fund programs as a result of increased Federal funding.
- Pension expense decreased by $6.4 million due to the change in actuarial and economic assumptions used to calculate the pension liability
- Provision for loan losses decreased by $2.4 million due a decreased number of single family loans and no additional significant reserves were required on any multifamily loans.

Debt Administration

At December 31, 2017, the Agency had $1.8 billion of bond principal outstanding, net of deferral on refunding, discount and premium, a decrease of 3.9% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2017 and 2016, and the changes in bonds payable. Dollars are in thousands.

	2017	2016	% Change 2017/2016
Bonds Payable, Net	$ 1,820,721	$ 1,894,781	-3.9%

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 were funded with Mortgage Revenue Bond proceeds, however due to market conditions, no bonds were issued in 2017 and the Agency continued funding loans via the mortgage backed securities platform (MBS).

Multi-Family Programs

In May 2017, the Agency issued $90.44 million of publicly-offered tax-exempt and taxable Multi-Family Revenue Bonds ("MFRB") to finance 8 new money rental housing developments containing a total of 1,006 multifamily units. In addition, this financing included a $59.82 million tax-exempt and taxable refunding component which refunded $27.595 million of fixed rate bonds and $32.225 million of variable rate bonds ("VRDN's"). The VRDN-related interest rate swaps were fully callable at Par and were terminated at no cost to the Agency on November 1, 2016 or May 1, 2017. The refunding is expected to generate approximately $4.1 million in net present value (NPV) savings (12.7% of the bonds) to the Resolution.

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.

- As the Federal Reserve continues to raise interest rates, the Agency's traditional cost of funds in the mortgage revenue bond (MRB) market is beginning to normalize. This market change is expected to provide opportunities for the Agency to re-enter the MRB market. The Agency continues to operate its mortgage backed security (MBS) funding program, which allows 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. The backlog of foreclosure cases that existed for several years has now been cleared. The foreclosure process can take between 18-24 months to complete. The shortened timeframe is beneficial to the Agency in managing the REO portfolio.

- **Trends in home prices**- The Agency's REO losses for 2017 were similar to 2016. New Jersey has seen home sales rise in 2017 by 7.93% over 2016 volumes. Additionally, average home sales prices increased in 2017 by 1.17% over 2016. New Jersey has one of the highest foreclosure rates in the country, which limited home price growth year over year.

- **Continued Effect of Superstorm Sandy-** The recovery from Superstorm Sandy continues to influence our multifamily production. Community Development Block Grant Funds (CDBG) provided a 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 decreases as credit ratings trend upward. In 2017, Moody's Investor Service (Moody's) revised the outlook on the Single Family Housing Revenue Bonds from negative to standard. All other ratings by Moody's and Standard and Poor's Rating Services (S&P) were affirmed or no action taken on all current ratings on the Agency and its other bond resolutions.

Contacting The Agency's Financial Management

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds					Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2017	2016
CURRENT ASSETS							
Cash and Cash Equivalents	$ -	$ -	$ 66,419	$ 66,419	$ -	$ 66,419	$ 78,939
Restricted Cash and Cash Equivalents	85,503	386,625	468,378	940,506	-	940,506	844,077
Investments	-	-	20,742	20,742	-	20,742	13,217
Restricted Investments	-	-	420	420	-	420	-
Accrued Interest Receivable on Investments	212	382	1,701	2,295	-	2,295	2,165
Mortgage Loans Receivable, Net	24,466	108,208	27,625	160,299	-	160,299	137,184
Supplemental Mortgages and Other Loans, Net	-	-	1,181	1,181	-	1,181	2,389
Fees and Other Charges Receivable	-	-	2,075	2,075	-	2,075	2,293
Due from Loan Servicers	1,897	-	18	1,915	-	1,915	2,101
Interfund Allocation	-	-	3,239	3,239	(3,239)	-	-
Other Current Assets	23,513	19	4,387	27,919	-	27,919	36,089
Total Current Assets	135,591	495,234	596,185	1,227,010	(3,239)	1,223,771	1,118,454
NONCURRENT ASSETS							
Investments	-	-	219,500	219,500	-	219,500	223,879
Restricted Investments	19,866	48,378	16,270	84,514	-	84,514	92,975
Mortgage Loans Receivable, Net	711,514	808,193	184,322	1,704,029	-	1,704,029	1,822,376
Debt Service Arrears Receivable, Net	6,903	7,911	51	14,865	-	14,865	33,302
Supplemental Mortgages and Other Loans, Net	110	17,431	260,707	278,248	-	278,248	276,396
Real Estate Owned	9,150	30,385	12,967	52,502	-	52,502	50,819
Capital Assets, Net	-	-	6,998	6,998	-	6,998	7,471
Other Noncurrent Assets	-	-	1,406	1,406	-	1,406	127
Total Noncurrent Assets	747,543	912,298	702,221	2,362,062	-	2,362,062	2,507,345
Total Assets	883,134	1,407,532	1,298,406	3,589,072	(3,239)	3,585,833	3,625,799
DEFERRED OUTFLOWS OF RESOURCES							
Pension Expense	-	-	20,189	20,189	-	20,189	29,531
Acc. Decrease in Fair Value of Hedging Derivatives	3,970	45,128	-	49,098	-	49,098	60,777
Total Deferred Outflows of Resources	3,970	45,128	20,189	69,287	-	69,287	90,308

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds					Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2017	2016
CURRENT LIABILITIES							
Bonds and Obligations, Net	$ 19,125	$ 75,825	$ -	$ 94,950	$ -	$ 94,950	$ 110,525
Accrued Interest Payable on Bonds & Obligations	6,749	7,050	-	13,799	-	13,799	15,028
Subsidy Payments Received in Advance	-	-	4,055	4,055	-	4,055	4,724
Advances from State of NJ for Bond/Hsng Assist	-	-	11,235	11,235	-	11,235	11,597
Other Current Liabilities	862	66	7,715	8,643	-	8,643	8,733
Interfund Allocation	-	3,239	-	3,239	(3,239)	-	-
Mortgagor Escrow Deposits	-	-	239,702	239,702	-	239,702	235,458
Total Current Liabilities	26,736	86,180	262,707	375,623	(3,239)	372,384	386,065
NONCURRENT LIABILITIES							
Bonds and Obligations, Net	740,185	985,586	-	1,725,771	-	1,725,771	1,784,256
Minimum Escrow Requirement	-	6,281	798	7,079	-	7,079	7,503
Funds Held in Trust for Mortgagors	-	3,108	307,717	310,825	-	310,825	365,984
Other Non-current Liabilities	-	1,906	5,311	7,217	-	7,217	8,301
OPEB Liability	-	-	75,846	75,846	-	75,846	78,942
Net Pension Liability	-	-	66,132	66,132	-	66,132	87,342
Derivative Instrument	3,970	45,128	-	49,098	-	49,098	61,038
Unearned Revenue	-	-	81,527	81,527	-	81,527	34,958
Total Noncurrent Liabilities	744,155	1,042,009	537,331	2,323,495	-	2,323,495	2,428,324
Total Liabilities	770,891	1,128,189	800,038	2,699,118	(3,239)	2,695,879	2,814,389
DEFERRED INFLOWS OF RESOURCES							
Pension Expense	-	-	17,834	17,834	-	17,834	2,620
Commitment Fees	553	-	-	553	-	553	673
Total Deferred Inflows of Resources	553	-	17,834	18,387	-	18,387	3,293
NET POSITION							
Net Investment in Capital Assets	-	-	6,998	6,998	-	6,998	7,471
Restricted Under Bond and Obligation Resolutions	115,660	324,471	-	440,131	-	440,131	412,485
Restricted for Special Needs Housing	-	-	24,557	24,557	-	24,557	25,367
Unrestricted	-	-	469,168	469,168	-	469,168	453,102
Total Net Position	$ 115,660	$ 324,471	$ 500,723	$ 940,854	$ -	$ 940,854	$ 898,425

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2017	2016
OPERATING REVENUES					
Interest Income on Mortgage Loans	$ 38,152	$ 52,322	$ 7,404	$ 97,878	$ 102,719
Fees and Charges	-	7,949	38,146	46,095	44,293
Program Income	-	-	54,064	54,064	14,474
Grant Income	-	-	107,036	107,036	96,632
Recovery on Mortgage Modifications	5,252	-	-	5,252	3,951
Recovery of Bad Debt	6,308	11,691	13,851	31,850	53,400
Gain on Derivative	-	260	-	260	234
Other Income - Net	87	1,103	10,123	11,313	18,217
Total Operating Revenues	49,799	73,325	230,624	353,748	333,920
OPERATING EXPENSES					
Interest and Amortization of Bond Premium and Discounts	30,999	44,681	368	76,048	81,500
Insurance Costs	-	71	840	911	1,548
Servicing Fees and Other	2,355	270	6,417	9,042	9,744
Salaries and Related Benefits	-	4,586	18,328	22,914	30,863
Professional Services and Financing Costs	171	1,665	7,182	9,018	4,345
General and Administrative Expenses	-	917	7,373	8,290	6,517
Grant Expense	-	-	107,230	107,230	100,488
Program Expense	-	-	47,422	47,422	11,954
Pension Expense	-	-	6,143	6,143	12,505
Loss on Sale of Real Estate Owned	8,445	-	30	8,475	9,151
Provision for Loan Losses	6,447	1,211	724	8,382	10,819
Total Operating Expenses	48,417	53,401	202,057	303,875	279,434
Operating Income	1,382	19,924	28,567	49,873	54,486
NONOPERATING REVENUES					
Investment Income	1,616	4,688	4,752	11,056	9,134
Income Before Transfers	2,998	24,612	33,319	60,929	63,620
TRANSFERS TO STATE	-	-	(18,500)	(18,500)	-
TRANSFERS	-	36	(36)	-	-
INCREASE IN NET POSITION	2,998	24,648	14,783	42,429	63,620
Net Position - Beginning of Year	112,662	299,823	485,940	898,425	834,805
NET POSITION - END OF YEAR	$ 115,660	$ 324,471	$ 500,723	$ 940,854	$ 898,425

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Interest on Mortgages and Loans	$ 43,404	$ 52,322	$ 7,404	$ 103,130	$ 106,670
Receipts from Fees, Charges and Other	87	9,249	255,125	264,461	163,624
Receipts from Principal Payments on Mortgage Receivables	113,347	135,216	11,705	260,268	220,608
Receipts (Payments) for Funds Held in Trust	-	-	(50,519)	(50,519)	33,523
Payments to Employees	-	(4,586)	(24,221)	(28,807)	(28,966)
Payments to Vendors	(4,293)	(19,547)	(161,338)	(185,178)	(136,559)
Payments to Mortgage Purchases and Advances	(2,584)	(105,918)	(15,146)	(123,648)	(147,110)
Payments for Interest and Amortization of Bond Premium/Discounts	(32,454)	(44,992)	(368)	(77,814)	(83,442)
(Payments) Receipts for Other	-	(757)	-	(757)	(8,120)
Net Cash Provided (Used) by Operating Activities	117,507	20,987	22,642	161,136	120,228
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from Proceeds of Sale of Bonds and Obligations	-	191,705	-	191,705	146,862
Payments for Retirement of Bonds	(125,985)	(139,624)	-	(265,609)	(242,986)
Transfers and Others	-	36	(18,536)	(18,500)	(6)
Net Cash Provided (Used) by Noncapital Financing Activities	(125,985)	52,117	(18,536)	(92,404)	(96,130)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Additions to Capital Assets	-	-	(644)	(644)	(283)
Net Cash Used by Capital Financing Activities	-	-	(644)	(644)	(283)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Investments	(53,305)	(25,074)	(2,761)	(81,140)	(67,736)
Sales/Maturities of Investments	63,334	22,701	-	86,035	75,940
Earnings on Investments	1,673	4,741	4,512	10,926	8,972
Net Cash Provided by Investing Activities	11,702	2,368	1,751	15,821	17,176
INCREASE IN CASH AND CASH EQUIVALENTS	3,224	75,472	5,213	83,909	40,991
Cash and Cash Equivalents - Beginning of Year	82,279	311,153	529,584	923,016	882,025
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 85,503	$ 386,625	$ 534,797	$ 1,006,925	$ 923,016

See accompanying Notes to Financial Statements.

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STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED) BY OPERATING ACTIVITIES					
Operating Income	$ 1,382	$ 19,924	$ 28,567	$ 49,873	$ 54,613
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	-	-	1,117	1,117	1,112
Loss on Real Estate Owned	8,445	-	30	8,475	8,897
Provision for Loan Losses	6,447	1,211	724	8,382	10,819
Amortization of Premium and Discounts	(170)	14	-	(156)	(766)
Effects of Changes in Operating Assets and Liabilities:					
Mortgage Loans Receivable, Net	103,639	17,607	(15,146)	106,100	52,110
Fees and Other Charges Receivable	-	-	218	218	(632)
Due from Loan Servicers and Insurers	196	-	(10)	186	643
Deferred Outflow of Resources	-	-	-	-	-
Other Assets	9,033	7	(2,149)	6,891	1,386
Real Estate Owned	(9,449)	-	(2,166)	(11,615)	(32,093)
Commitment Fees	(120)	-	-	(120)	-
Interfund Allocation	-	(15,671)	15,671	-	3
Accrued Interest Payable on Bonds	(1,165)	(64)	-	(1,229)	(813)
Advance from the State of New Jersey	-	-	(362)	(362)	(4,905)
Funds Held in Trust for Mortgagor	-	(427)	(54,732)	(55,159)	20,328
Minimum Escrow Requirement	-	(393)	(31)	(424)	(66)
Mortgagor Escrow Deposits	-	-	4,244	4,244	4,383
Subsidy Payments Received in Advance	-	-	(669)	(669)	102
Unearned Revenue	-	-	46,569	46,569	(10,407)
Net Pension Liability	-	-	3,346	3,346	9,964
OPEB Liability	-	-	(3,096)	(3,096)	4,438
Other Liabilities	(731)	(1,221)	517	(1,435)	1,112
Net Cash Provided (Used) by Operating Activities	$ 117,507	$ 20,987	$ 22,642	$ 161,136	$ 120,228

See accompanying Notes to 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 8 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 $63,223 for the year ended December 31, 2017.

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 $9,273 for the year ended December 31, 2017.

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). 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.

On the basis of the application of these criteria, management determined that 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.

In addition, management 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 Presentation and Accounting

The financial statements of the Agency are presented as an enterprise fund and accounted for on the flow of economic resources measurement focus using 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.

Use of Estimates

The preparation of financial statements inconformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

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, 2016, from which the summarized information was derived. 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.

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.

Multifamily Program – The Multifamily Program transactions relate to the construction, rehabilitation and permanent financing of multifamily rental housing developments generally designed entirely or with a percentage of persons and families of low and moderate income or for senior citizens. Assets under the bond resolutions are restricted and are not available for any other purpose other than as stated.

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 fixtures	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.

Mortgage Servicing Rights

Certain mortgage loans are sold with mortgaged servicing rights retained by the Agency. The value of mortgage loans sold with servicing rights retained is reduced by the cost allocated to the associated mortgage servicing rights. Gain or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. The Agency estimates fair value for servicing rights based on the present value of future expected cash flows, using management's best estimate of the key assumptions—credit losses, prepayment speeds, servicing costs, earnings rate, and discount rates commensurate with the risks involved.

Capitalized servicing rights are reported at fair value and changes in fair value are reported in net income for the period the change occurs.

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 $258,404 as of December 31, 2017 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Advances from the State of New Jersey for Affordable Housing

Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low income projects. The amount available for the program is $1,161 as of December 31, 2017 which is included in restricted cash and cash equivalents.

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 revenues arise when potential revenue has not been earned in the current period. Unearned revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements and/or the occurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met or when the Authority has a legal claim to the resources, the liability for the unearned revenue is removed from the statement of net position, and revenue is recognized.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources, reported after total liabilities, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The Agency has two items that are required to be reported in this category: (1) The deferred inflow from pension, and (2) commitment fees related to bonds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Agency has three items that are required to be reported in this category: (1) Changes in assumptions and employer proportionate share of the net pension liability that are being amortized over future periods, (2) pension contributions made subsequent to the measurement date related to pensions, and (3) the accumulated decrease in fair value of hedging derivatives.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Derivative Instruments

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In fiscal year 2017, the Agency implemented the following GASB Statements:

Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address issues (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this Statement resulted in changes to the pension disclosures.

NOTE 2 EARLY EXTINGUISHMENT OF DEBT

During the year ended December 31, 2017, 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 $159,160.

NOTE 3 INVESTMENTS AND DEPOSITS

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). As of December 31, 2017, the Agency's bank balance amounted to $507,414, all of which was insured or collateralized.

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.

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Policy – Agency General Fund (Continued)

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.

Investment Types

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)

New Jersey Cash Management Fund and Bank of America Cash Management Fund

During the year, the Agency invested monies in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, which prescribes standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits 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.

The following assets held by the Agency as of December 31, 2017 are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Cash and Cash Equivalents:		
Cash	$	124,459
Money Market Funds		421,616
NJ Cash Management Fund		187,021
Bank of America Cash Management Fund		273,829
Investments		325,176
Total	$	1,332,101

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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Interest Rate Risk (continued)

As of December 31, 2017, the value and maturities for these assets related to the General Fund were as follows:

		Maturities (in Years)				
Assets	Value	Less Than 1	1-5	6-10	11-15	More Than 15
Cash and Cash Equivalents						
Cash and Cash Equivalents	$ 101,343	$ 101,343	$ -	$ -	$ -	$ -
Money Market Funds	7,483	7,483	-	-	-	-
NJ Cash Mgmt Fund	152,142	152,142	-	-	-	-
Bank of America Cash Mgmt Fund	273,829	273,829	-	-	-	-
Investment type:			.			
Money Market Funds	5,960	5,960	-	-	-	-
U.S. Govt and Agency Obligations	60,590	7,773	41,096	2,872	1,670	7,179
Comm. Mortgage-Backed Securities	10,665	-	521	1,824	-	8,320
Collateralized Mortgage Obligations	4,359	-	-	-	-	4,359
Asset Backed Securities	42,906	-	36,152	4,077	1,139	1,538
Municipal Bonds	16,690	-	-	-	-	16,690
Corporate Notes	115,762	12,857	102,905	-	-	-
Total	$ 791,729	$ 561,387	$ 180,674	$ 8,773	$ 2,809	$ 38,086

As of December 31, 2017, the value and maturities for these assets related to the Bond Resolutions were as follows:

		Maturities (in Years)		
Assets	Value	Less Than 1	10-15	More Than 15
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 23,116	$ 23,116	$ -	$ -
Money Market Funds	414,133	414,133	-	-
NJ Cash Management Fund	34,879	34,879	-	-
Investments:				
Guaranteed Investment Contracts	64,644	-	6,122	58,522
Federal Home Loan Mortgage Corp	3,600	-	3,600	-
Total	$ 540,372	$ 472,128	$ 9,722	$ 58,522

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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Credit Risk (continued)

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

As of December 31, 2017, the General Fund had the following investments, maturities and credit quality:

	Value	Weighted Average Maturity (years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:				
Money Market Funds	$ 5,960	0.35	AAA	Aaa
U.S. Govt and Agency Obligations	60,590	2.64	AA+	Aaa
Comm. Mortgage-Backed Securities	10,665	2.27	AAA to AA+	Aaa to Baa3
Collateralized Mortgage Obligations	4,359	4.11	AAA	Aaa
Asset Backed Securities	42,906	1.61	AAA	Aaa
Municipal Bonds	16,690	14.73	AA-	Unrated
Corporate Notes	115,762	2.29	AAA to BBB+	Aaa to A1
Total investments	$ 256,932			

As of December 31, 2017, the Bond Resolution had the following investments, maturities and credit quality:

	Value	Average Maturity (years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:				
Guaranteed Investment Contracts	$ 64,644	20.69	Unrated	Unrated
Federal Home Loan Mortgage Corp	3,600	14.55	AA+	AAA
Total investments	$ 68,244			

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Concentration of Credit Risk

The Agency's aforementioned investment policy does place limits on the amounts that may be invested in any one issuer relating to certain types of investments. There are no concentration limits on obligations of the U.S. government and U.S. federal agencies; however, obligations of all other issuers are limited such that those with any one issuer may not exceed 5% of the aggregate market value of the portfolio. The table below shows those investments of the General Fund that represented 5% or more of total investments as of December 31, 2017.

Issuer	December 31, 2017		
NJ Hsng & Mtg Fin Agy Multi-Family Rev Bonds	$	16,690	6.50%
US Treasury		60,590	23.58%

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, 2017, 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, 2017:

Issuer	December 31, 2017		
Natixis Funding Corp	$	13,403	19.64%
Federal Home Loan Mortgage Corp		3,600	5.28%
Mass Mutual		11,770	17.25%
CDC Funding Corp		4,217	6.18%
Bayerishe Landesbank		1,224	1.79%
Morgan Stanley		6,122	8.97%
GE Investment		16,450	24.10%
AEGON/Transamerica Life		11,458	16.79%

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 $42,256 and aggregate a fair value of approximately $28,220 as of December 31, 2017. 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 $19,866 and had an aggregate fair value of approximately $9,198 as of December 31, 2017. 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 $6,055 and the Single-Family component had $9,198 of Surety Bonds outstanding as of December 31, 2017.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market accounts and guaranteed investment contracts are recorded at amortized cost or contract value, thus are not included within the fair value hierarchy established by generally accepted accounting principles.

As of December 31, 2017, the General Fund had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by Fair Value Level	12/31/2017	Quoted Prices in Active Market for Identical Asets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Government and Agency Obligations	$ 66,550	$ 5,960	$ 60,590	$ -
Commercial Mortgage-Backed Securities	10,665	-	10,665	-
Collateralized Mortgage Obligations	4,359	-	4,359	-
Asset Backed Securities	42,906	-	42,906	-
Municipal Obligations	16,690	-	16,690	-
Total Debt Securities	141,170	5,960	135,210	-
Equity Securities				
Corporate Notes	115,762	115,762	-	-
Total Investments by Fair Value Level	$ 256,932	$ 121,722	$ 135,210	$ -

As of December 31, 2017, the Bond Resolution had the following recurring fair value measurements:

- Federal Home Loan Mortgage Corporation securities of $3,600 as of December 31, 2017 are valued using the matrix pricing technique (Level 2).
- Pay-fixed, receive variable interest rate swap agreements of $49,097 as of December 31, 2017 are valued using the matrix pricing technique (Level 2).

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

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, 2017 is:

Interest Income on Investments	$	11,466
Unrealized Gain (Loss) on Investments		(410)
Total	$	11,056

NOTE 4 MORTGAGE LOANS RECEIVABLE

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, 2017 are as follows:

Mortgage Loans Receivable	$	741,629
Allowance for Loan Losses		(5,649)
Mortgage Receivable - Net		735,980
Less Current Portion		(24,466)
Long Term Portion	$	711,514

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31, 2017, consisted of the following:

Mortgage Loans Subject to Subsidy Contracts Under Section 8 of the United States Housing Act	$	63,244
Mortgage Loans Subject to Subsidy Contracts Under Section 236 of the National Housing Act		84,498
Unsubsidized Mortgage Loans		853,359
Subtotal		1,001,101
Allowance for Loan Losses		(4,492)
Undisbursed Mortgage Loans		(80,208)
Mortgage Receivable - Net		916,401
Less Current Portion		(108,208)
Long Term Portion	$	808,193

(IN THOUSANDS)

NOTE 4 MORTGAGE LOANS RECEIVABLE (CONTINUED)

Multi-Family Housing Component (continued)

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, 2017 consisted of the following:

Mortgage Loans Subject to Subsidy Contracts Under Section 8 of the United States Housing Act	$	11,268
Mortgage Loans Subject to Subsidy Contracts Under Section 236 of the National Housing Act		18,294
Unsubsidized Mortgage Loans		304,524
Subtotal		334,086
Allowance for Loan Losses		(83,699)
Advanced (Undisbursed) Mortgage Proceeds		(38,440)
Mortgage Receivable - Net		211,947
Less Current Portion		(27,625)
Long Term Portion	$	184,322

Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying statement of net position. The unpaid principal balance of mortgage loans serviced for others amounted to $111,071 at December 31, 2017. Mortgage servicing rights are included in other assets in the accompanying statement of net position. The Agency has elected to record its mortgage servicing rights using the fair value measurement method. Significant assumptions used in determining the fair value of servicing rights as of December 31, 2017 include prepayment assumptions based on the Public Securities Associations Standard Prepayment Model, an internal rate of return of 11.5% to 13.5%, servicing costs of $60 to $75 per loan, annually (with higher costs for delinquent loans) an inflation rate on servicing costs of 3% and an earnings rate of 0.25%.

Mortgage servicing rights were not valued in prior fiscal years due to immateriality. The following is a summary of mortgage servicing rights activity for the year ended December 31, 2017.

Fair Value at Beginning of Year	$	-
Capitalized Servicing Rights - New Valuation		1,340
Changes in Fair Value		-
Fair Value at End of Year	$	1,340

(IN THOUSANDS)

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 $25,175 at December 31, 2017. The debt service allowance for loan losses was $10,318 as of December 31, 2017. A subsidy payment receivable of $9 was due at December 31, 2017.

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 $2,332 against interest receivable was recorded at December 31, 2017. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to $171,279 as of December 31, 2017.

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.

Single-Family Housing Component

The Single-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31, 2017 consisted of the following:

Supplemental Mortgages	$	2,742
Allowance for Loan Losses		(2,632)
Long Term Portion	$	110

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31, 2017 consisted of the following:

Supplemental Mortgages	$	17,660
Allowance for Loan Losses		(229)
Long Term Supplemental Mortgages, Net	$	17,431

(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, 2017 consisted of the following:

Mortgages Subject to Subsidy Contracts Under Section 8 of the National Housing Act	$	787
Mortgages Subject to Subsidy Contracts Under Section 236 of the National Housing Act		1,914
Agency Supplemental Mortgages		246,631
Special Needs Housing Trust Fund Mortgages		154,399
HUD Supplemental Mortgages		881
State of New Jersey Supplemental Mortgages		7,431
Other		5,402
Subtotal		417,445
Allowance for Loan Losses		(151,383)
Undisbursed Supplemental Mortgage Proceeds		(4,174)
Supplemental Motgages and Other Loans Receivable, Net		261,888
Less Current Portion		(1,181)
Long Term Portion	$	260,707

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

NOTE 7 CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Non-Depreciable Capital Assets:				
Land	$ 1,225	$ -	$ -	$ 1,225
Depreciable Capital Assets:				
Building and Building Improvements	17,067	-	-	17,067
Motor Vehicles	663	91	(99)	655
Machinery and Equipment	7,260	550	(161)	7,649
Furniture and Fixtures	626	3	-	629
Total	25,616	644	(260)	26,000
Less Accumulated Depreciation:				
Building and Building Improvements	(11,819)	(683)	-	(12,502)
Motor Vehicles	(476)	(73)	99	(450)
Machinery and Equipment	(6,532)	(321)	161	(6,692)
Furniture and Fixtures	(543)	(40)	-	(583)
Total	(19,370)	(1,117)	260	(20,227)
Total Capital Assets, Net	$ 7,471	$ (473)	$ -	$ 6,998

Depreciation expense was $1,117 for the year ended December 31, 2017.

(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, 2017 the following bonds and obligations:

Description of Bonds as Issued	Bonds Outstanding December 31, 2016	Issued	Reductions	Bonds Outstanding December 31, 2017	Amount Due Within One Year
Single Family Housing Revenue Bonds:					
2004 Series I, variable rate, due 2025 to 2034	$ 10,920	$ -	$ 2,905	$ 8,015	$ 900
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	1,445	-	1,445	-	-
2005 Series N, variable rate, due 2006 to 2017	5,030	-	5,030	-	-
2005 Series O, variable rate, due 2026 to 2031	31,115	-	2,620	28,495	-
2005 Series P, variable rate, due 2008 to 2025	3,290	-	3,290	-	-
2005 Series R, variable rate, due 2031 to 2038	24,565	-	1,175	23,390	-
2007 Series S, 3.60% to 4.05%, due 2008 to 2017	6,525	-	5,715	810	810
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	64,705	-	4,250	60,455	1,635
2007 Series U, 3.60% to 5.00%, due 2008 to 2037	23,470	-	13,685	9,785	340
2007 Series V, variable rate, due 2018 to 2037	69,235	-	-	69,235	2,040
2008 Series Y, variable rate, due 2030 to 2039	74,925	-	-	74,925	-
2008 Series Z, variable rate, due 2014 to 2034	17,980	-	14,190	3,790	-
2008 Series AA, 3.00% to 6.50%, due 2009 to 2038	13,335	-	13,335	-	-
2008 Series BB, variable rate, due 2018 to 2039	79,085	-	1,865	77,220	475
2009 Series CC, 0.875% to 5.25%, due 2010 to 2038	37,165	-	3,750	33,415	265
2009 Series DD, 0.75% to 3.50%, due 2010 to 2017	2,445	-	2,445	-	-
2009 Series EE, 2.00% to 5.20%, due 2010 to 2025	20,970	-	980	19,990	2,740
2009 Series FF, 4.00% to 5.05%, due 2019 to 2039	6,840	-	670	6,170	-
2009 Series GG, 1.00% to 5.00%, due 2010 to 2039	16,195	-	885	15,310	415
Total Single Family Housing Revenue Bonds	509,240	-	78,235	431,005	9,620
Single Family Home Mortgage Bonds:					
2009 Series A1, 3.63%, due 10/01/2041	87,160	-	10,400	76,760	-
2009 Series A2, 3.63%, due 10/01/2029	37,320	-	4,490	32,830	-
2011 Series A, 0.50% to 4.65%, due 10/01/2029	54,475	-	11,250	43,225	4,480
2009 Series B1, 2.64%, due 10/01/2041	80,900	-	6,550	74,350	-
2009 Series B2, 2.64%, due 10/01/2025	49,620	-	4,040	45,580	4,480
2011 Series B, 4.00% to 4.50%, due 10/01/2032	58,715	-	5,160	53,555	-
2011 Series C, 0.30% to 2.25%, due 04/01/2017	590	-	590	-	-
2011 Series D, 1.20% to 3.25%, due 04/01/2018	5,815	-	5,270	545	545
Total Single Family Home Mortgage Bonds	374,595	-	47,750	326,845	9,505
Total Single Family Bonds Program	883,835	-	125,985	757,850	19,125
Net Premium on Bonds Payable	1,630	-	170	1,460	-
Total Single Family Bonds Payable (Net)	**885,465**	**-**	**126,155**	**759,310**	**19,125**

(IN THOUSANDS)

NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2016	Issued	Reductions	Bonds Outstanding December 31, 2017	Amount Due Within One Year
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	90,190	-	4,435	85,755	4,750
Multi-Family Housing Revenue Bonds 1995 Resolution:					
2000 Series C2, variable rate, due 2004 to 2032	4,635	-	160	4,475	175
2002 Series G, variable rate, due 2004 to 2025	3,310	-	310	3,000	330
2008 Series 1, 5.75%, due 2009 to 2038	3,260	-	-	3,260	-
2008 Series 2, 4.375%, due 2012 to 2046	6,370	-	-	6,370	-
2013 Series 1, 0.20% to 4.25%, due 2013 to 2039	26,685	-	1,520	25,165	1,540
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	64,640	-	2,170	62,470	2,295
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	13,790	-	285	13,505	300
2013 Series 5, variable rate, due 2013 to 2046	114,920	-	4,455	110,465	4,645
2013 Series 6, variable rate, due 2013 to 2037	15,695	-	530	15,165	565
Total Multi-Family Housing Revenue Bonds	253,305	-	9,430	243,875	9,850
Multi-Family Revenue Bonds 2005 Resolution:					
2005 Series F, variable rate, due 2005 to 2040	9,495	-	9,495	-	-
2005 Series G, variable rate, due 2007 to 2047	4,230	-	4,230	-	-
2006 Series A, variable rate, due 2006 to 2028	15,565	-	15,565	-	-
2006 Series B, variable rate, due 2006 to 2028	4,095	-	4,095	-	-
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	4,095	-	4,095	-	-
2007 Series G, variable rate, due 2008 to 2034	10,670	-	555	10,115	570
2007 Series I, variable rate, due 2008 to 2029	5,780	-	355	5,425	375
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,195	-	115	9,080	120
2008 Series B, variable rate, due 2008 to 2048	53,370	-	680	52,690	720
2008 Series C, variable rate, due 2009 to 2039	9,470	-	210	9,260	220
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	1,695	-	665	1,030	675
2008 Series F, variable rate, due 2019 to 2048	48,645	-	-	48,645	-
2008 Series G, variable rate, due 2008 to 2039	5,010	-	95	4,915	95
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	27,230	-	1,200	26,030	1,180
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,710	-	70	3,640	80
2009 Series D, variable rate, due 2010 to 2048	17,075	-	385	16,690	420
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	5,460	-	350	5,110	360
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	30,140	-	870	29,270	910
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	19,870	-	400	19,470	420
2012 Series C, 4.38%, due 2013 to 2025	3,030	-	45	2,985	50
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	8,775	-	155	8,620	165
2012 Series F, 4.83%, due 2014 to 2025	340	-	5	335	5
2014 Series A, 0.5% to 4.55%, due 2016 to 2045	2,380	-	75	2,305	80
2014 Series B, 0.45% to 5.25%, due 2014 to 2046	24,495	-	635	23,860	690
2015 Series A, 0.55% to 4.00%, due 2016 to 2045	10,885	-	145	10,740	150
2015 Series B, 0.55% to 1.00%, due 2016 to 2017	21,825	-	21,825	-	-
2015 Series C, 3.80%, due 2016 to 2047	7,080	945	175	7,850	185
2015 Series D, 0.70%, due 2016 to 2017	13,805		13,805	-	-
2015 Series E, 0.813% to 4.671%, due 2015 to 2045	130,775		6,145	124,630	6,595
2016 Series A, 1.15% to 3.90%, due 2018 to 2050	43,110		125	42,985	290
2016 Series B,1.00% to 1.25%, due 2017 to 2019	77,095		13,735	63,360	42,005
2016 Series C, 1.30% to 5.00%, due 2016 to 2046	4,100		185	3,915	195
2016 Series D, 0.875% to 3.70%, due 2016 to 2036	2,485		70	2,415	80
2016 Series E, variable rate, due 2019	7,197	40,500	-	47,697	-
2017 Series A, 1.35% to 4.20%	-	32,080	-	32,080	1,715
2017 Series B, 1.65% to 2.00%	-	56,005	-	56,005	-
2017 Series C, 1.50% to 4.968%	-	14,395	345	14,050	640
2017 Series D, 1.25% to 4.45%	-	47,780	1,080	46,700	2,235
Total Multi-Family Revenue Bonds	665,957	191,705	125,760	731,902	61,225
Total Multi-Family bonds program	1,009,452	191,705	139,625	1,061,532	75,825
Net discount on bonds payable	(136)	14	(1)	(121)	-
Total Multi-Family bonds payable (net)	**1,009,316**	**$ 191,719**	**$ 139,624**	**1,061,411**	**75,825**
Total bonds payable	**$ 1,894,781**			**$ 1,820,721**	**$ 94,950**

NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

In May 2017, the Agency issued $90.44 million of publicly-offered tax-exempt and taxable Multi-Family Revenue Bonds ("MFRB") to finance 8 new money rental housing developments containing a total of 1,006 multifamily units. In addition, this financing included a $59.82 million tax-exempt and taxable refunding component which refunded $27.595 million of fixed rate bonds and $32.225 million of variable rate bonds ("VRDN's"). The VDRN-related interest rate swaps were fully callable at Par and were terminated at no cost to the Agency on November 1, 2016 or May 1, 2017. The refunding is expected to generate approximately $4.1 million in net present value (NPV) savings (12.7% of the bonds) to the Resolution.

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, 2017, there was $80,208 of undisbursed proceeds of construction loans and $21,000 committed but not yet closed proceeds from the sale of bonds and obligations. Such funds represent initial mortgage loan funds committed to Multi-Family Housing sponsors authorized under various resolutions.

(IN THOUSANDS)

NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

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							
2018	$ 16,610	$ 19,311	$ 2,515	$ 3,510	$ 6,206	$ 19,125	$ 29,027
2019	18,780	18,789	2,610	3,726	4,096	21,390	26,611
2020	18,665	18,090	2,710	3,690	3,813	21,375	25,593
2021	19,740	17,387	2,825	3,638	3,759	22,565	24,784
2022	21,050	16,637	2,930	3,591	3,711	23,980	23,939
2023-2027	131,980	69,732	16,605	17,143	17,699	148,585	104,574
2028-2032	131,970	40,504	52,525	14,994	15,920	184,495	71,418
2033-2037	114,315	20,040	104,065	7,864	9,793	218,380	37,697
2038-2042	63,360	4,299	34,595	695	1,600	97,955	6,594
Total	$ 536,470	$ 224,789	$ 221,380	$ 58,851	$ 66,597	$ 757,850	

	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							
2018	$ 68,830	$ 29,624	$ 6,995	$ 3,492	$ 8,955	$ 75,825	$ 42,071
2019	96,588	28,416	8,050	3,517	8,684	104,638	40,617
2020	44,965	26,622	9,320	3,412	8,469	54,285	38,503
2021	68,040	24,985	9,330	3,289	8,223	77,370	36,497
2022	29,865	23,491	9,765	3,171	7,969	39,630	34,631
2023-2027	160,730	97,973	51,630	13,927	31,036	212,360	142,936
2028-2032	123,325	62,613	50,475	10,542	20,931	173,800	94,086
2033-2037	88,300	39,186	45,370	7,138	13,242	133,670	59,566
2038-2042	69,800	20,582	34,885	4,076	7,114	104,685	31,772
2043-2047	37,795	6,956	29,695	1,613	3,235	67,490	11,804
2048-2052	12,464	933	5,315	45	102	17,779	1,080
Total	$ 800,702	$ 361,381	$ 260,830	$ 54,222	$ 117,960	$ 1,061,532	

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 improvements 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, 2017, conduit debt outstanding aggregated $805,471.

(IN THOUSANDS)

NOTE 9 CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Agency's MF Conduit Bonds Outstanding as of December 31, 2017 are as follows:

	Conduit Project	Series	Closing Date	Balance At Closing	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017
^	Capital Funds Program Revenue Bonds	2004-A	12/23/2004	$ 79,860	$ 40,700	$ -	$ (7,340)	$ 33,360
^	Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	11,665	-	(3,365)	8,300
*	2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,715	-	(100)	6,615
*	Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,410	-	(25)	4,385
*	Asbury Park Gardens	2012-A	7/1/2012	14,310	13,590	-	(200)	13,390
*	Washington Dodd	2012-F	12/12/2012	19,755	17,580	-	(135)	17,445
*	Carl Miller Homes	2012-C	12/28/2012	31,656	2,607	-	(67)	2,540
*	Hampshire House	2012-D	1/11/2013	6,400	6,260	-	(75)	6,185
*	Alexander Hamilton III	2013-B	2/20/2013	11,762	11,507	-	-	11,507
*	McIver Homes	2013-C	5/23/2013	5,200	4,770	-	(150)	4,620
*	Great Falls	2013-M	1/9/2014	15,400	15,193	-	(321)	14,872
*	Brigantine Apts.	2014-G	1/30/2014	11,510	11,170	-	(125)	11,045
*	Willows at Waretown [1]	2014-M	6/27/2014	9,281	-	2,413	-	2,413
*	Catherine Todd [1]	2014-N	10/24/2014	9,415	8,175	-	(3,760)	4,415
*	Atlantic City Townhouses	2014-P	12/23/2014	17,800	17,800	-	(4,400)	13,400
*	Glennview Townhouses II	2014-R	12/30/2014	6,243	3,725	-	(737)	2,988
*	Paragon	2015-Q	2/27/2015	13,700	13,700	-	(130)	13,570
*	Fairview Homes [1][2]	2015-L	5/7/2015	13,200	12,945	-	(186)	12,759
*	609 Broad [1]	2015-D	5/12/2015	66,800	62,857	3,943	(7,101)	59,699
*	Lexington	2015-B	6/29/2015	11,750	11,550	200	(780)	10,970
*	NCC Manor	2015-K	7/16/2015	34,970	34,970	-	-	34,970
*	Trent Center East	2015-J	8/7/2015	13,500	11,617	1,883	(13,500)	-
*	Heritage Village - Whalepond	2015-G	8/11/2015	5,895	5,895	-	(5,895)	-
*	Doddtown Plaza Apartments	2015-M	8/28/2015	6,450	6,450	-	(6,450)	-
*	Lincoln Towers	2015-E	9/3/2015	34,000	34,000	-	(34,000)	-
*	Prospect Park	2015-R	9/10/2015	16,145	16,145	-	(16,145)	-
*	Hollybush I & II	2015-S	10/14/2015	14,500	14,500	-	(275)	14,225
*	Oakwood Towers	2015-U	10/23/2015	23,755	23,755	-	-	23,755
*	Riverside Arms [1]	2015-H	11/20/2015	17,550	16,559	991	(25)	17,525
*	Edward Sisco	2015-O	12/4/2015	18,232	17,627	-	(621)	17,006
*	Toms River Senior [1]	2015-X	12/7/2015	14,597	2,579	12,018	-	14,597
*	North 25	2015-F	12/15/2015	14,850	14,850	-	(160)	14,690
*	Brunswick Estates [1]	2015-AA	12/17/2015	27,000	21,371	-	(155)	21,216
*	Carver	2015-CC	12/18/2015	18,425	18,425	-	(18,425)	-
*	Trent Center West	2015-FF	12/18/2015	12,325	12,325	-	(12,325)	-
*	Barnegat Senior [1]	2015-W	12/22/2015	9,100	7,205	1,895	(9,100)	-
*	Egg Harbor [1]	2015-BB	12/30/2015	10,790	5,757	1,444	-	7,201
*	Hampton Valley Apartments [1]	2015-P	12/30/2015	10,090	10,090	-	(10,090)	-
*	Colt Arms	2016-A	1/15/2016	21,455	15,850	1,495	-	17,345
*	Passaic	2016-D	1/22/2016	9,100	9,100	-	(9,100)	-
*	Pavilion [1]	2016-B	3/1/2016	26,667	22,338	3,598	-	25,936
*	Sebastian Villa	2016-F	3/17/2016	15,000	15,000	-	(15,000)	-
*	The Aspire Project	2016-1	5/24/2016	49,935	49,935	-	-	49,935
*	Ocean Towers [1]	2016-E	5/26/2016	9,200	5,904	3,296	(2,240)	6,960
*	Wesmont [1]	2016-J	6/23/2016	2,638	2,522	116	(32)	2,606
*	Glassworks at Aberdeen [1]	2016-L	8/23/2016	17,540	4,434	11,212	-	15,646
*	Keansburg Mixed Income [1]	2016-I	9/27/2016	35,745	1,061	6,354	-	7,415
*	Aspen Riverpark Apartments [1]	2016-N	10/20/2016	27,615	27,615	-	-	27,615
*	999 Broad Phase I	2016-H	11/1/2016	10,706	10,706	-	(210)	10,496
*	Montgomery Gardens Family Phase I [1]	2016-M	11/21/2016	23,573	2,055	3,649	-	5,704
*	Branch Village	2016-G	11/22/2016	9,600	9,600	-	(2,655)	6,945
*	Oak Lane at Little Egg Harbor [1]	2017-C	3/10/2017	8,977	-	5,829	-	5,829
*	New Horizons [1]	2017-A	4/12/2017	20,798	-	885	-	885
*	Montgomery Heights II [1]	2017-3	4/28/2017	21,300	-	5,301	-	5,301
*	Willows at Whiting [1]	2017-1	5/5/2017	10,079	-	3,722	-	3,722
*	Jacobs Landing [1]	2017-2	5/18/2017	17,065	-	5,011	-	5,011
*	Residences at Willow Pond Village [1]	2017-H	5/24/2017	2,089	-	2,089	(10)	2,079
*	Stafford Senior Apartments [1]	2017-E	5/31/2017	13,065	-	3,055	-	3,055
*	Cedar Run Preservation	2017-B	6/9/2017	5,750	-	5,750	-	5,750
*	Bridgeton Villas [1]	2017-4	6/19/2017	9,553	-	9,553	-	9,553
*	Berkeley Terrace Apartments	2017-G	7/14/2017	17,500	-	16,348	-	16,348
*	Camden Townhouses	2017-F	7/28/2017	15,075	-	15,075	-	15,075
*	New Hope Village [1]	2017-D	9/14/2017	14,511	-	6,603	-	6,603
*	Victorian Towers [1]	2017-5	10/31/2017	13,067	-	2,590	-	2,590
*	Gardens Family & Senior	2017-7	11/21/2017	23,568	-	23,568	-	23,568
*	Douglas Homes	2017-8	11/21/2017	12,583	-	12,583	-	12,583
*	Roseville Senior	2017-9	11/21/2017	7,238	-	7,238	-	7,238
*	Commons Family & Senior	2017-10	11/21/2017	40,321	-	40,321	-	40,321
*	Carrino Plaza Apartments	2017-L	11/29/2017	11,600	-	11,600	-	11,600
*	PAHA Family RAD	2017-K	11/30/2017	11,300	-	11,300	-	11,300
*	Washington Street/ St. James [1]	2017-6	11/30/2017	17,375	-	9,739	-	9,739
*	Marveland Crescent [1]	2017-M	12/22/2017	5,955	-	5,955	-	5,955
*	Cedar Meadows Apartments [1]	2017-11	12/22/2017	16,070	-	5,100	-	5,100
			Total conduit debt	$ 1,251,314	$ 727,159	$ 263,722	$ (185,410)	$ 805,471

^ Capital Fund bonds to finance certain capital renovations
* Fixed rate bonds to finance a single Multifamily project
1 These projects were funded by drawdown bonds. Bond proceeds are drawn down periodically as needed by the borrower. Bonds are not considered outstanding until drawn by the borrower.
2 Fairview Balance 12/31/2016 is a correction from 2016 Annual report

(IN THOUSANDS)

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.

Funds held in trust for mortgagors as of December 31, 2017, include the following:

General Fund:	
Community Development Escrows	$ 1,471
Development Cost Escrows	2,517
Other Funds Held in Trust	303,729
Total General Fund	307,717
Multi-Family Housing Component	3,108
Total	$ 310,825

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, 2017, include the following:

General Fund:	
Reserve for Repairs and Replacements	$ 191,885
Tax and Insurance Escrows	47,817
Total	$ 239,702

NOTE 12 CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Bonds and Obligations, Net	$ 1,894,781	$ 191,718	$ 265,778	$ 1,820,721	$ 94,950
Minimum Escrow Requirement	7,503	939	1,363	7,079	-
Funds Held in Trust for Mortgagor	365,984	413,078	468,237	310,825	-
Other Noncurrent Liabilities	8,301	242	1,326	7,217	-
OPEB Liability	78,942	-	3,096	75,846	-
Net Pension Liability	87,342	-	21,210	66,132	-
Derivative Instrument	61,038	-	11,940	49,098	-
Unearned Revenues	34,958	112,804	66,235	81,527	-
Total	$ 2,538,849	$ 718,781	$ 839,185	$ 2,418,445	$ 94,950

(IN THOUSANDS)

NOTE 13 NET POSITION

Changes in net position are summarized as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
Net Position at December 31, 2016	$ 7,471	$ 437,852	$ 453,102	$ 898,425
Net Income	-	26,800	34,129	60,929
Acquisition of Capital Assets	644	-	(644)	-
Transfer to the State of New Jersey			(18,500)	(18,500)
Transfer	-	36	(36)	-
Depreciation on Capital Assets	(1,117)	-	1,117	-
Net Position at December 31, 2017	$ 6,998	$ 464,688	$ 469,168	$ 940,854

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, 2017. The appropriated general fund net position makes up part, but not all, of the unrestricted net position reported on the statement of net position.

Transfer to the State of New Jersey

In 2017, the Agency was requested to transfer $18,500 to the State General Fund for housing related purposes related to the Department of Community Affairs State Rental Assistance Program (SRAP). $10,500 of the transfer was de-appropriated from previously appropriated programs while the remaining $8,000 was transferred from unallocated and uncommitted resources from the Agency's General Fund.

(IN THOUSANDS)

NOTE 13 NET POSITION (CONTINUED)

Appropriated General Fund Net Position (Continued)

ABC Corporation	$	14
Affordable Rental Housing Subsidy Loan Program		2
Agency CIAP		1,469
Aging Out of Foster Care		1,135
Bond Refunding Proceeds		1,626
Camden Initiative		24
CDBG Advance Funding		4,925
CDBG RAP		3,866
CHOICE		17,045
CIAP Loan Program		1,768
Developmental Disabilities Partnership		5,296
Ex-Offenders Re-Entry Housing Program		68
Homeless Management Information System		100
HOPE		500
Information Technology		2,932
MBS Mortgage Backed Security Start up		782
NJHMFA Portion of Undisbursed Mtg. Proceeds		43
Non-Bond Multi-Family Program		25,495
Policy and Community Initiatives		51
Portfolio Reserve Balance		1,521
Project Remediation		2,760
Public Outreach Initiatives		104
Single Family Counseling		88
Smart Start		3,643
Strategic Zone Lending Pool		5,905
Transitional Housing Loans		608
UHORP Mortgage Commitment		15,543
Urban Blight Reduction Pilot Program		11,500
Whitlock Mills		214
Total	$	109,027

(IN THOUSANDS)

NOTE 14 PENSION PLAN

Plan Description

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. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. 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 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.

Plan Benefits and Membership

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 member before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credits and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Funding Policy (Continued)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The Agency's contributions to the plan for fiscal years ending December 31, 2017, 2016 and 2015 were $2,632, $2,393 and $2,098 respectively and were equal to the required contributions.

Net Pension Liability

The net pension liability (NPL) was calculated for each entity within PERS based on a methodology that allocates the NPL and pension amounts based on the proportion of the total contributions made by each entity during the measurement period. The NPL was determined based on an actuarial valuation as of July 1, 2015, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The proportionate share for the Agency is 0.2841%, a decrease of 0.0108 from the prior year amount of 0.2949%. At December 31, 2017 the Agency reported a NPL of $66,132 for its proportionate share of the NPL.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Agency recognized pension expense of $5,965. At December 31, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual Experience	$ 1,557	$ -
Changes of Assumptions	13,323	13,275
Changes in Proportion	4,859	1,927
Agency Contributions Subsequent to Measurement Date	-	2,632
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	450	-
Total	$ 20,189	$ 17,834

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Actuarial Assumptions

Deferred outflows related to Agency contributions subsequent to the measurement date will be recognized in the following year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	Amount
2018	$ 3,776
2019	5,698
2020	3,452
2021	(4,592)
2023	(3,347)
Total	$ 4,987

The total pension liability (TPL) for the year ended June 30, 2017 was determined as part of the June 30, 2016 actuarial valuation, which was rolled forward to June 30, 2017 using the entry age normal cost method. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. Significant actuarial assumptions used in the valuation included:

Inflation	2.25%
Salary Increases	
2012-2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a -2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 - 2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040, Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(IN THOUSANDS)

NOTE 14 PENSION PLAN (CONTINUED)

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Total State PERS	$ 58,697,019	$ 48,924,024	$ 40,792,457
Agency's Proportionate Share	79,358	66,132	55,151

NOTE 15 POSTEMPLOYMENT BENEFITS

The Agency follows the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are actuarially calculated based on plan benefits (other than pensions) that current and retired employees have accrued as a result of their respective years of employment service and to what extent progress is being made in funding the plan.

The Plan

The Agency is a local employer in the State of New Jersey State Health Benefits Plan (SHBP). 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, 2017, the Agency paid $4,569 in health insurance premiums for current employees. The Agency also paid $1,604 for the year ended December 31, 2017, towards benefits for 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.

NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The actuarial valuation date is January 1, 2017. 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.

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, 2017, actuarial valuation, the projected unit credit cost method was used with the unfunded liability immediately recognized. The actuarial assumptions included a 3.25% discount rate and an annual healthcare cost trend rate based on the Society of Actuaries – Getzen Model version 2016 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 8.3%% and 8.6% respectively, for 2017 grading to 4.7% and 4.7% by 2056, respectively.

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, 2017, and the related information for the plan are as follows (dollar amounts in thousands):

Annual Required Contribution	$	77,464
Interest on Net OPEB Obligation		2,565
Adjustment to ARC		(81,478)
Annual OPEB Cost		(1,449)
Contributions Made		(1,647)
Decrease in Net OPEB Obligation		(3,096)
Net OPEB Obligation, Beginning of Year		78,942
Net OPEB Obligation, End of Year	$	75,846

NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016 and 2015 were as follows:

(dollar amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	$ (1,449)	113.7%	$ 75,846
December 31, 2016	6,018	26.2%	78,942
December 31, 2015	12,948	12.0%	74,504
December 31, 2014	5,009	22.3%	63,107

The actuarial accrued liability for benefits was $73,148 at January 1, 2017, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $18,991 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 385.2%.

On December 22, 2017, the New Jersey Housing and Mortgage Finance Agency OPEB 115 Trust Fund (the "Trust") was established pursuant to Section 115 of the Internal Revenue Code as an irrevocable trust. The policy for and management of the OPEB benefits provided to retirees are the responsibility of the SHBP. Although the trust became effective in fiscal year 2017, no deposits to the trust were made until January 18, 2018 and no benefits were administered by the trust through December 31, 2017. The trust had zero assets, liabilities or net position as of December 31, 2017 and there were no transactions that occurred during fiscal year 2017.

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.

At this time it is not believed that 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. In some cases, the notional principal of the swap initially increases 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 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.

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Terms, Fair Values, and Credit Risk

At December 31, 2017, all single family derivatives and all multi-family derivatives met the criteria for effectiveness.

The terms and fair values of the outstanding swaps as of December 31, 2017, are summarized in the following tables. 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.

(IN THOUSANDS)

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

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, 2017. This presentation has no effect on the net position of the Agency.

Associated Bond Issue	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:										
SHRB 2007 V	$ 69,235	$ 52,570	11/8/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	$ (793)	$ (172)	Royal Bank of Canada, New York	Aa3 /AA- / AA
SHRB 2008 BB	77,220	79,085	3/1/2009	10/1/2039	3.504%	68% of 1-Mo LIBOR	(1,841)	(274)	The Bank of New York Mellon	Aa1 / AA- / AA
SHRB 2008 Y	74,925	47,765	5/1/2008	10/1/2039	3.757%	69% of 1-Mo LIBOR	(648)	(242)	The Bank of New York Mellon	Aa1 / AA- / AA
	$ 221,380	$ 179,420					$ (3,282)	$ (688)		
							1	1		

SHRB = Single-Family Housing Revenue Bonds
Derivative instrument ∑ 1 = (3,970)

(IN THOUSANDS)

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Multi-Family Bond Component Swaps

Associated Bond Issue	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	$ 3,000	$ 3,000	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	$ (499)	$ (2)	Merrill Lynch Capital Services, Inc. (MLCS)	A3 / A- / A
MHRB 2013-5	110,465	35,245	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	6	(6,238)	Merrill Lynch Capital Services, Inc. (MLCS)	A3 / A- / A
MHRB 2013-5	-	21,600	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	(274)	(3,778)	Goldman Sachs MMDP	A3 / BBB+ / A
MHRB 2013-5	-	54,965	5/1/2005	5/1/2024	4.0010%	67% of 1-Mo LIBOR + 18bp	274	(6,642)	Bank of America, N.A.	Aa3 / A+ / A+
MHRB 2013-6	15,165	7,070	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(83)	(1,299)	Bank of America, N.A.	Aa3 / A+ / A+
MHRB 2013-6	-	7,995	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	99	(1,820)	JPMorgan Chase Bank, N.A.	Aa2 / A+ / AA-
MRB 2008-B	52,690	72,535	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(12,262)	(369)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2008-B-HMFA #1426 - Heritage Village at Manalapan	-	2,575	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(478)	-	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2008-B-HMFA #2190 - Royal Crescent	-	3,125	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(596)	-	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2008-C	9,260	6,845	11/1/2008	5/1/2040	5.7120%	1-Mo LIBOR	(142)	(24)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2008-C- HMFA #2265 - Sharp Road	-	2,375	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(638)	-	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2008-F	48,645	5,250	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(1,057)	(276)	JPMorgan Chase Bank, N.A.	Aa2 / A+ / AA-
MRB 2008-F	-	24,215	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(2,239)	(1,542)	Bank of America, N.A.	Aa3 / A+ / A+
MRB 2008-G	4,915	1,875	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(571)	-	JPMorgan Chase Bank, N.A.	Aa2 / A+ / AA-
MRB 2008-G	-	3,045	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(583)	(193)	Bank of America, N.A.	Aa3 / A+ / A+
MRB 2009D HMFA 2101 - Acorn	16,690	1,375	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	(153)	(235)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2009D HMFA 1352 - King	-	7,160	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(754)	(1,125)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2009D HMFA 1437 -Trenton	-	1,295	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(132)	(206)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2009D HMFA 2171 - Royal	-	1,370	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(179)	(254)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
MRB 2009D HMFA 2272 - Toms	-	3,510	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(405)	(459)	Wells Fargo Bank, N.A.	Aa1 / AA- / AA-
	$ 260,830	$ 266,425					$ (20,666)	$ (24,462)		
							1, 2	1, 2		
							20,665	24,462		

MHRB = Multi-Family Housing Revenue Bonds
MRB = Multi-Family Revenue Bonds

∑ 1 =	Derivative instrument	(45,128)
∑ 2 =	Accumulated decrease in fair value of hedging derivative	(45,128)

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2017 was $445,845. This portfolio of derivative instruments is used to hedge $561,440 of variable rate debt as of December 31, 2017.

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.

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 ALLOCATION

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	$ 3,239
Interfund Payable	
Multi-Family Housing Component	$ 3,239

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, 2017, the line of credit had $5,442,281 aggregate amount outstanding which was comprised of three (3) separate fixed rate amortizing advances. Repayments on the advances vary with maturity dates in 2038 and 2039, payable monthly at rates ranging from 5.08% to 6.57%. The Agency has pledged mortgages receivable totaling $3,047,328 and $3,100,000 of cash collateral securing 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.

The Agency participates in the Government National Mortgage Association (Ginnie Mae) Mortgage Backed Securities (MBS) Programs. Through the MBS programs, Ginnie Mae guarantees securities that are issued by the Agency and backed by pools of mortgage loans. If a borrower fails to make a timely payment on a mortgage loan, the Agency must use its own funds to ensure that the security holders receive timely payment.

All loans pooled under the Ginnie Mae MBS program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration. The Agency assesses the overall risk of loss on loans that it may be required to repurchase and establishes reserves for them. At December 31, 2016, a reserve for potential losses on repurchased loans had not yet been established as the program did not begin until September 2015 with a limited number of loans. The Agency has, however, set aside $525 in their budget for potential payments due under this program.

NOTE 21 SUBSEQUENT EVENTS

On January 3, 2018 the Agency renewed the Revolving Line of Credit with Wells Fargo, NA. The credit limit was increased to $25 million.

On January 18, 2018 the Agency funded the OPEB 115 Trust Fund with an initial investment of $8 million.

On January 31, 2018 the Agency extended the Standby Bond Purchase Agreement ("SBPA") with Barclays Bank PLC related to $28,495,000 outstanding principal amount of Single Family Housing Revenue Bonds 2005 Series O. This agreement extended the expiration date of the SBPA from March 21, 2018 to March 21, 2022.

Subsequent to year end the Multi-Family Revenue Bond Resolution drew a total of $5,653 from the 2016 E drawdown bonds.

In March 2018, Standard & Poor's Rating Services (S&P) affirmed its AA rating (stable outlook) on the Agency's issuer credit rating (ICR).

In March 2018, Standard & Poor's Rating Services (S&P) affirmed its AA rating (stable outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.

In April 2018, Standard & Poor's Rating Services (S&P) affirmed its AA rating (stable outlook) on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) Resolution.

NOTE 22 PENDING GASB PRONOUNCEMENTS

The following pending GASB Pronouncements are not expected to impact the financial statements of the Agency:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for fiscal years beginning after June 15, 2017.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF FUNDING PROGRESS – OPEB
AS OF DECEMBER 31, 2017
(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	158.12%
January 1, 2011	-	45,393	45,393	0.00%	18,209	249.29%
January 1, 2013	-	56,411	56,411	0.00%	16,625	339.31%
January 1, 2015	-	71,352	71,352	0.00%	19,482	366.25%
January 1, 2017	-	73,148	73,148	0.00%	18,991	385.17%

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF DECEMBER 31, 2017
(IN THOUSANDS)

	2017	2016	2015
Agency's Proportion of Net Pension Liability	0.2841%	0.2949%	0.2783%
Agency's Proportionate Share of Net Pension Liability	$ 66,132	$ 87,342	$ 62,473
Agency's Covered Payroll	$ 19,000	$ 18,509	$ 21,083
Agency's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	348%	472%	296%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	36.78%	31.20%	38.21%

* The Agency implemented GASB 68 during fiscal year 2015. As such, only three years of information is available.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S CONTRIBUTIONS
AS OF DECEMBER 31, 2017
(IN THOUSANDS)

	2017	2016	2015
Actuarial determined contributions	$ 2,632	$ 2,393	$ 2,098
Contributions in relation to the actuarial determined contribution	$ 2,632	$ 2,393	$ 2,098
Contribution deficiency (excess)	$ -	$ -	$ -
Agency's covered employee payroll	$ 19,000	$ 18,509	$ 21,083
Contributions as a percentage of covered payroll	13.85%	12.93%	9.95%

* The Agency implemented GASB 68 during fiscal year 2015. As such, only three years of information is available.

Notes to Schedule

Valuation Date:
Actuarially determined contribution amounts were calculated as of June 30, 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage of payroll
Remaining amortization period:	30 years, open
Asset valuation method:	5 year, smoothed marked
Inflation:	2.25%
Salary increases:	1.65% - 4.15%
Investment rate of return:	7.00%
Retirement age:	Rates vary by participant age
Mortality:	RP-2000, generational approach based on Projection Scale AA

Changes in Assumptions
Adjustments to roll-forward liabilities were made to reflect the following assumptions in the 2016 valuation:

Inflation assumption decreased from 3.08% to 2.25%
Salary increases assumption decreased from 1.65% - 5.15% to 1.65% - 4.15%.
Investment rate of return decreased from 7.65% to 7.00%.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)
(IN THOUSANDS)

	FY 2017			
	Housing Revenue Bonds	Home Mortgage Bonds	Total	2016 Total
ASSETS				
CURRENT ASSETS				
Restricted Cash and Cash Equivalents	$ 58,808	$ 26,695	$ 85,503	$ 82,279
Accrued Interest Receivable on Investments	212	-	212	269
Mortgage Loans Receivable, Net	15,868	8,598	24,466	25,946
Due from Loan Servicers	1,271	626	1,897	2,093
Other Current Assets	17,617	5,896	23,513	32,546
Total Current Assets	93,776	41,815	135,591	143,133
NONCURRENT ASSETS				
Restricted Investments	19,866	-	19,866	29,895
Mortgage Loans Receivable, Net	425,258	286,256	711,514	816,380
Debt Service Arrears Receivable, Net	3,985	2,918	6,903	9,344
Supplemental Mortgages and Other Loans, Net	85	25	110	153
Real Estate Owned	5,574	3,576	9,150	9,402
Total Noncurrent Assets	454,768	292,775	747,543	865,174
Total Assets	548,544	334,590	883,134	1,008,307
DEFERRED OUTFLOWS OF RESOURCES				
Acc. Dec. in Fair Value of Hedging Derivatives	3,970	-	3,970	8,186
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Bonds and Obligations, Net	9,620	9,505	19,125	30,670
Accrued Interest Payable on Bonds & Obligations	3,908	2,841	6,749	7,914
Other Current Liabilities	453	409	862	1,593
Total Current Liabilities	13,981	12,755	26,736	40,177
NONCURRENT LIABILITIES				
Bonds and Obligations, Net	421,781	318,404	740,185	854,795
Derivative Instrument	3,970	-	3,970	8,186
Total Noncurrent Liabilities	425,751	318,404	744,155	862,981
Total Liabilities	439,732	331,159	770,891	903,158
DEFERRED INFLOWS OF RESOURCES				
Commitment Fees	479	74	553	673
NET POSITION				
Restricted Under Bond and Obligation Resolutions	112,303	3,357	115,660	112,662
Total Net Position	$ 112,303	$ 3,357	$ 115,660	$ 112,662

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, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)
(IN THOUSANDS)

	FY 2017			
	Housing Revenue Bonds	Home Mortgage Bonds	Total	2016 Total
OPERATING REVENUES				
Interest Income on Mortgages Loans	$ 24,807	$ 13,345	$ 38,152	$ 43,977
Recovery on Mortgage Modifications	3,406	1,846	5,252	3,951
Recovery of Bad Debt	4,487	1,821	6,308	2,244
Other Income, Net	87	-	87	1,196
Total Operating Revenues	32,787	17,012	49,799	51,368
OPERATING EXPENSES				
Interest and Amortization of Bond Prem/Disc	18,943	12,056	30,999	35,701
Servicing Fees and Other	1,369	986	2,355	2,764
Professional Services and Financing Costs	139	32	171	179
Loss on Sale of Real Estate Owned	6,668	1,777	8,445	9,024
Provision for Loan Losses	5,181	1,266	6,447	6,081
Total Operating Expenses	32,300	16,117	48,417	53,749
Operating Income (Loss)	487	895	1,382	(2,381)
NONOPERATING REVENUES				
Investment Income	1,513	103	1,616	1,269
INCREASE (DECREASE) IN NET POSITION	2,000	998	2,998	(1,112)
Net Position - Beginning of Year	110,303	2,359	112,662	113,774
NET POSITION - END OF YEAR	$ 112,303	$ 3,357	$ 115,660	$ 112,662

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM
DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)
(IN THOUSANDS)

	FY 2017				
	1991-I	Housing Revenue 1995	Revenue 2005	Total	2016 Total
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 207	$ 149,482	$ 236,936	$ 386,625	$ 311,153
Accrued Interest Receivable on Investments	53	154	175	382	435
Mortgage Loans Receivable, Net	4,812	13,420	89,976	108,208	104,866
Supplemental Mortgages and Other Loans, Net	-	-	-	-	45
Other Current Assets	-	2	17	19	26
Total Current Assets	5,072	163,058	327,104	495,234	416,525
NONCURRENT ASSETS					
Restricted Investments	6,122	18,806	23,450	48,378	46,005
Mortgage Loans Receivable, Net	74,502	236,261	497,430	808,193	813,339
Debt Service Arrears Receivable, Net	-	5,463	2,448	7,911	23,913
Supplemental Mortgages and Other Loans, Net	-	17,431	-	17,431	18,398
Real Estate Owned	-	30,385	-	30,385	30,385
Total Noncurrent Assets	80,624	308,346	523,328	912,298	932,040
Total Assets	85,696	471,404	850,432	1,407,532	1,348,565
DEFERRED OUTFLOWS OF RESOURCES					
Acc. Dec. in Fair Value of Hedging Derivatives	-	20,256	24,872	45,128	52,591
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Bonds and Obligations, Net	4,750	9,850	61,225	75,825	79,855
Accrued Interest Payable on Bonds & Obligations	1,000	1,711	4,339	7,050	7,114
Interfund Allocation	-	1,064	2,175	3,239	18,910
Other Current Liabilities	-	32	34	66	73
Total Current Liabilities	5,750	12,657	67,773	86,180	105,952
NONCURRENT LIABILITIES					
Bonds and Obligations, Net	81,005	234,016	670,565	985,586	929,461
Minimum Escrow Requirement	-	2,595	3,686	6,281	6,674
Funds Held in Trust for Mortgagor	-	3,091	17	3,108	3,535
Other Noncurrent Liabilities	-	-	1,906	1,906	2,859
Derivative Instrument	-	20,256	24,872	45,128	52,852
Total Noncurrent Liabilities	81,005	259,958	701,046	1,042,009	995,381
Total Liabilities	86,755	272,615	768,819	1,128,189	1,101,333
NET POSITION (DEFICIT)					
Restricted Under Bond and Obligation Resolutions	(1,059)	219,045	106,485	324,471	299,823
Total Net Position	$ (1,059)	$ 219,045	$ 106,485	$ 324,471	$ 299,823

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
MULTI-FAMILY HOUSING PROGRAM
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)
(IN THOUSANDS)

	FY 2017				
		Housing Revenue	Revenue		2016
	1991-I	1995	2005	Total	Total
OPERATING REVENUES					
Interest Income on Mortgages Loans	$ 5,716	$ 15,695	$ 30,911	$ 52,322	$ 51,902
Fees and Charges	135	2,229	5,585	7,949	8,700
Recovery of Bad Debt	-	1,409	10,282	11,691	40,184
Gain on Derivative	-	-	260	260	234
Other Income - Net	-	163	940	1,103	7,992
Total Operating Revenues	5,851	19,496	47,978	73,325	109,012
OPERATING EXPENSES					
Interest and Amortization of Bond Prem/Disc	6,185	11,273	27,223	44,681	45,393
Insurance Costs	-	7	64	71	77
Servicing Fees and Other	270	-	-	270	270
Salaries and Related Benefits	-	1,637	2,949	4,586	5,244
Professional Services and Financing Costs	8	236	1,421	1,665	1,290
General and Administrative Expenses	-	327	590	917	412
Provision for Loan Losses	-	518	693	1,211	2,088
Total Operating Expenses	6,463	13,998	32,940	53,401	54,774
Operating Income (Loss)	(612)	5,498	15,038	19,924	54,238
NONOPERATING REVENUES					
Investment Income	379	1,470	2,839	4,688	3,526
Income (Loss) Before Transfers	(233)	6,968	17,877	24,612	57,764
TRANSFERS	-	-	36	36	(13,941)
INCREASE (DECREASE) IN NET POSITION	(233)	6,968	17,913	24,648	43,823
Net Position - Beginning of Year	(826)	212,077	88,572	299,823	256,000
NET POSITION - END OF YEAR	$ (1,059)	$ 219,045	$ 106,485	$ 324,471	$ 299,823