NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE INFORMATION FOR YEAR ENDED DECEMBER 31, 2017)

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED DECEMBER 31, 2017)

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, each major fund, and the fiduciary fund of the New Jersey Housing and Mortgage Finance Agency (the Agency), as of and for the year ended December 31, 2018, 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.

Board of Directors
New Jersey Housing and Mortgage Finance Agency

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, each major fund and the fiduciary fund of the Agency as of December 31, 2018, 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.

Emphasis of a Matter

During fiscal year ended December 31, 2018, the Agency adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the Agency reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinion was not modified with respect to the restatement.

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 4-14, the Schedule of Agency's Proportionate Share of Net Pension Liability, Schedule of Agency's Pension Contributions, Schedule of Changes in the Agency's Net OPEB Liability and Related Ratios, and the Schedule of Agency's OPEB contributions on pages 64-67 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 68-71 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.

Board of Directors
New Jersey Housing and Mortgage Finance Agency

Report on Summarized Comparative Information

We have previously audited the Agency's 2017 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019 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 30, 2019

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 accompanying basic financial statements include the proprietary fund of the New Jersey Housing and Mortgage Finance Agency (the Agency) and the fiduciary fund.

Basic Financial Statements

The Agency's proprietary fund engages only in business-type activities and as a result, the Agency's basic financial statements include the statement of net position, the statement of revenue, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Position which provides information about the Agency's investments in resources (assets), deferred outflows of resources, obligations to Agency creditors (liabilities), deferred inflows of resources and net position. Over time, increases or decreases in the Agency's net position may serve as an indicator of whether the financial position of the Agency is improving or deteriorating. Other factors, both internal and external to the Agency, should be considered when evaluating the Agency's financial position.

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.

A fiduciary fund is used to account for resources held for the benefit of parties outside the Agency. A fiduciary fund is not reflected with the proprietary fund financial statements because the resources of the fund are not available to support the proprietary fund programs. The Agency's fiduciary fund is the New Jersey Housing and Mortgage Finance Agency OPEB 115 Trust Fund (the Trust).

The Trust is a separate legal entity created pursuant to a trust agreement initiated by the Agency. The Trust is a private-purpose trust established for the sole purpose of providing health and welfare benefits for retirees and their eligible spouses and dependents as provided by the New Jersey State Health Benefits Program (the Program). All resources of the Trust, including income on investments and other revenues, are held in trust to meet obligations to provide the health and welfare benefit payments to retirees and their eligible spouses and dependents. Resources of the Trust may also be used to pay reasonable expenses of administering the Trust and the Program. Trust receipts consist of contributions made by the Agency. The Trust administers its affairs through its trustee, records its assets in segregated accounts, and maintains financial records separate from the Agency.

Notes to the Financial Statements

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, and 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 pension benefits and 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 NJHMFA's financial statements presents the Management's Discussion and Analysis (MD&A), of the Agency's financial performance as of December 31, 2018 and 2017 and for the years then ended. 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.

Overview of the Financial Statements

The Agency is a self-supporting entity and follows enterprise fund reporting except for the fiduciary fund. 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. The Agency'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 the Agency to control and manage money for particular purposes and to determine that the Agency is properly using specific resources.

The fiduciary fund is included as the Agency has fiduciary responsibility for it, but it does not follow enterprise fund reporting. The fiduciary fund accounts for resources held for the benefit of parties outside the Agency, and these resources are therefore not available to support the Agency.

Overall Financial Highlights – Year Ended December 31, 2018

The Agency's overall net position increased by 8.8% from 2017 to 2018. The multifamily portfolio continued to perform well and the single-family portfolio added significant loans resulting from the ability to re-enter the bond market. 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.

In January 2018, the Agency renewed the Revolving Line of Credit with Wells Fargo, NA. The credit limit was increased to $25.0 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). In June 2018, the Agency sold the property to RPM Development, LLC. The Multifamily Housing Revenue Bond (MFHRB) Resolution received $9.9 million in cash. In addition a seller's promissory note in the amount of $35.7 million was recorded with $20.4 million allocated to the MFHRB Resolution and $15.3 million allocated to the General Fund. The result was a net recovery of $1.66 million in the General Fund.

In June 2018, the Agency issued $378.9 million of Single Family Housing Revenue Bonds, 2018 Series A and B. This bond issue, the Agency's first Single Family bond issue since 2011, was the largest Single Family bond issuance in the U.S. municipal market since 2015, and included both new money ($118.9 million) and refunding ($260.0 million) components. The refunding component, which refunded various outstanding Housing Revenue Bonds Resolution series, is expected to generate approximately $12.3 million in net present value (NPV) savings (4.7% of the bonds) to the Resolution.

In June 2018, the MFHRB Resolution contributed $30 million to the Single Family Housing Revenue Bond Resolution, $10 million to the Single Family Home Mortgage Bond Resolution and $2 million to the Multifamily Revenue Bond Resolution to provide additional financial support or assist in bond issuance costs.

In September 2018, the Agency issued $245.5 million of Multi-Family Revenue Bonds, 2018 Series A-H. $115.8 million of this amount represents publicly offered tax-exempt and taxable Multi-Family Revenue Bonds to finance 17 new money rental housing developments containing a total of 1,709 multifamily units. $129.7 million of this amount represents tax-exempt and taxable refunding component which refunded $8.9 million of fixed rate bonds and $120.7 million of variable rate bonds (VRDNs) to $45.3 million of new fixed rate bonds and $84.3 million of floating rate note (FRNs) bonds that were directly purchased by Barclays Capital Inc. $39.8 million of the VRDN-related interest rate swaps were callable at Par and were terminated at no cost to the Agency on November 1, 2018. The remaining $83.8 million of VRDN-related interest rate swaps were retained to hedge the newly issued FRNs. The refunding is expected to generate approximately $9.3 million in net present value (NPV) savings (7.2% of the bonds) to the MFRB Resolution.

As a result of entering the bond market again the Single Family bond fund loan production increased as 314 loans were funded from the Single Family Housing Revenue Bond Resolution in 2018 compared to 16 loans in 2017. In addition, the Agency continued to participate in the 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 2018, the Agency securitized 936 loans for $184 million with Ginnie Mae II MBS.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, the Agency 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. In 2018, the NJHMFA committed $51.7 million in FRM funds to create 304 rental opportunities, including 6 beds for special needs consumers.

In 2018, the Agency funded 752 HomeKeeper and HomeSaver homeowner assistance loans under the U.S. Department of Treasury Hardest Hit Funds program. Additionally, the Agency closed 1,067 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 $27.0 million. This is primarily the result of the Agency establishing and partially funding an Other Post-Employment Benefits (OPEB) 115 Trust. Since an ongoing funding plan is anticipated, a 5.5% discount rate could be used in actuarial calculations.

The Agency closed 12 conduit bond issues totaling $253.7 million in 2018. In addition, the program has a pipeline in excess of $410.0 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, 2018, the Agency had total variable rate bonds outstanding in the amount of $144.0 million (excluding bond maturities scheduled to occur in 2018) whose related liquidity facilities were scheduled to expire in 2018. The Agency successfully resolved its entire 2018 liquidity expiration exposure of $144.0 million by taking the following actions:

- January 2018 – Extended a SF liquidity facility totaling $28.5 million with current provider (Barclays Bank PLC).

- May 2018 – Extended two SF liquidity facilities totaling $100.4 million with current provider (TD Bank, N.A.).

- September 2018 – Refunded two MF variable rate bond series totaling $15.1 million to fixed rate bonds as part of the MF 2018 Series A-H bond issuance.

The following ratings actions occurred in 2018:

- March 2018 – Standard & Poor's Global Ratings (S&P) affirmed its AA rating (stable outlook) on the Agency's issuer credit rating (ICR).
- March 2018 – S&P affirmed its AA rating (stable outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- April 2018 – S&P affirmed its AA rating (stable outlook) on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) Resolution.
- May 2018 – S&P affirmed its AA rating (stable outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- June 2018 – Moody's Investors Service (Moody's) affirmed its Aa3 rating (stable outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- June 2018 – S&P affirmed its AA rating (stable outlook) on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) Resolution.
- June 2018 – S&P affirmed its AA- rating (stable outlook) on the Agency's Multi-Family Revenue Bonds (MF 2005) Resolution.
- July 2018 – Moody's affirmed its Aa3 rating (outlook revised from stable to positive) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.
- August 2018 – S&P affirmed its AA- rating (stable outlook) on the Agency's Multi-Family Revenue Bonds (MF 2005) Resolution.

There were no ratings actions on the Agency's Single Family Home Mortgage Bonds (HMB) Resolution during 2018. Moody's rating on the HMB Resolution remains at Aa2 (stable outlook).

Financial Analysis

The following sections will discuss the Agency's financial results for 2018 compared to 2017. 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 of America. All dollar amounts are in thousands.

Agency'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, 2018. The following table represents the comparison of net position as of December 31, 2018 and 2017. The change between December 31, 2018 and December 31, 2017 should be read in conjunction with the financial statements. The amounts in the table below and in the explanation of changes in certain financial categories are expressed in thousands to provide easier comparison to the Statement of Net Position on pages 15-16.

Condensed Statement of Net Position (In Thousands)

	2018	2017*	% Change 2018/2017
Current and Other Assets	$ 1,338,958	$ 1,238,636	8.1 %
Other Noncurrent Assets	2,312,229	2,340,199	(1.2)
Capital Assets	6,070	6,998	(13.3)
Total Assets	3,657,257	3,585,833	2.0
Deferred Outflows of Resources	43,591	69,287	(37.1)
Current Liabilities	431,708	372,384	15.9
Long-Term Liabilities	2,223,899	2,323,495	(4.3)
Total Liabilities	2,655,607	2,695,879	(1.5)
Deferred Inflows of Resources	21,809	18,387	18.6
Net Position:			
Net Investment in Capital Assets	6,070	6,998	(13.3)
Restricted	498,867	464,688	7.4
Unrestricted	518,495	469,168	10.5
Total Net Position	$ 1,023,432	$ 940,854	8.8

* The 2017 information has not been restated for the implementation of GASB 75

The Agency's total assets remained relatively flat between 2017 and 2018 although some larger changes occurred within various categories resulting from the following factors:

- Cash, cash equivalents, and investments increased by $99,341 primarily due to unexpended bond proceeds for both single family and multifamily bond resolutions.
- Mortgage loans receivable, supplemental loans receivable and accrued mortgage interest receivable increased by $15,660, primarily due to the increase in both single family and multifamily loan production.
- Other current assets decreased by $5,629 due to a decrease in single-family foreclosure claims receivable.

- Real estate owned decreased by $40,343 due to the Sale of the Whitlock Mills project which the Agency had owned since 2012.

- The accumulated decrease in fair value of hedging derivatives decreased by $19,454 due to the termination of three Single Family swaps and three multifamily swaps in 2018 along with the changes in SIFMA and Libor rates as noted below.

The Agency's overall 1.5% decrease in total liabilities resulted from the following factors:

- Bonds payable increased by $55,369 due to regularly scheduled payments of $87,705 and early redemptions of $496,365. This was offset by the issuance of $639,439 bonds payable.

- Funds held in trust for mortgagors increased by $10,803 due to an increase of funds held for housing programs such as Money Follows the Person, new multifamily projects and an increase in the interest earned on the funds held which increased various balances.

- Unearned revenue decreased by $45,553 primarily due to the increased production in the Hardest Hit Funds with the balance going from $58,184 to $8,692.

- Pension liability decreased by $12,578 due to changes in actuarial assumptions used to determine the net pension liability.

- OPEB liability decreased by $27,032 due to a new actuarial valuation being completed in conjunction with the implementation of GASB 75 and funding of the Trust by the Agency.

- Derivative instruments (hedging derivative value + off market loan balances) decreased by $19,454 due to a multitude of factors. Individual swaps are affected by changes in Libor and/or SIFMA rates. In 2018, Libor rates rose throughout the year while SIFMA rates experienced volatility the first seven months before stabilizing in an upward trend over the last five months. 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 the notes to the financial statements for further analysis about specific derivative instruments held by the MFHRB and MFRB Resolutions.

Agency'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, 2018 and 2017. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2018 and 2017. It should be read in conjunction with the financial statements. The amounts in the two tables below and in the explanation of changes in certain financial categories are expressed in thousands to provide easier comparison to the Statement of Revenues, Expenses and Changes in Net Position on page 17.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2018 and 2017
(In Thousands)**

	2018	2017*	% Change 2018 / 2017
Operating Revenues:			
Interest Income on Mortgage Loans	$ 97,595	$ 97,878	(0.3)%
Fees and Charges	57,632	46,095	25.0
Program Income	49,828	54,064	(7.8)
Grant Income	171,000	107,036	59.8
Recovery of Bad Debt and Mortgage Modifications	37,684	37,102	1.6
Gain on Derivative	-	260	(100.0)
Other	10,370	11,313	(8.3)
Total Operating Revenues	424,109	353,748	19.9
Operating Expenses	376,037	303,875	23.7
Operating Income	48,072	49,873	(3.6)
Nonoperating Revenues	15,892	11,056	43.7
Transfers to State	-	(18,500)	(100.0)
Increase in Net Position	63,964	42,429	50.8
Net Position - Beginning of Year, as restated	959,468	898,425	6.8
Net Position - End of Year	$ 1,023,432	$ 940,854	8.8

* The 2017 information has not been restated for the implementation of GASB 75

The 19.9% increase in operating revenue is due to the following factors:

- Fees and charges increased by $11,537 due to an increase in single-family servicing fees and conduit bond fees.

- Grant income increased by $63,964 due to increased receipts of Community Development Block Grant – Disaster Recovery (CDBG-DR) funds for the multifamily program.

Summary of Operating Expenses
Years Ended December 31, 2018 and 2017
(In Thousands)

	2018	2017	% Change 2018/2017
Operating Expenses:			
Interest and Amortization	$ 73,734	$ 76,048	(3.0)%
Insurance Costs	855	911	(6.1)
Servicing Fees and Other	7,889	9,042	(12.8)
Salaries and Related Benefits	30,673	22,914	33.9
Professional Services and Financing Costs	13,688	9,018	51.8
General and Administrative Expenses	7,202	8,290	(13.1)
Grant Expense	171,675	107,230	60.1
Program Expense	45,517	47,422	(4.0)
Pension Expense	1,185	6,143	(80.7)
Loss on Sale of Real Estate Owned	2,559	8,475	(69.8)
Provision for Loan Losses	21,060	8,382	151.3
Total Operating Expenses	$ 376,037	$ 303,875	23.7

Total operating expenses increased by 23.7%. The following significant fluctuations occurred within operating expenses:

- Salaries and related benefits increased by $7,759 primarily from the initial $12,000 funding of the OPEB Trust.

- Professional services and financing costs increased by $4,670 primarily from the increased single-family loan production under the MBS platform in the general fund.

- Grant expense increased by $64,445 primarily due to the $63,696 increase in funds disbursed under the CDBG–DR Multifamily program.

- Pension expense decreased by $4,958 due to the change in actuarial and economic assumptions used to calculate the pension liability.

- Loss on sale of real estate owned decreased by $5,916 due to less REO properties, and a slight increase in market values throughout the state.

- Provision for loan losses increased by $12,678 due to writing off of uncollectable closing cost loans and Choice Program loans in the general fund and an increase in the reserve on older foreclosure claims receivable.

Debt Administration

At December 31, 2018, the Agency had $1,876,090 of bond principal outstanding, net of deferral on refunding, discount, and premium which represents an increase of 3.0% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2018 and 2017, and the changes in bonds payable. Dollars are expressed in thousands to provide easier comparison to the Statement of Net Position on pages 15-16.

	2018	2017	% Change 2018/2017
Bonds Payable, Net	$ 1,876,089	$ 1,820,721	3.0 %

Additional information about the Agency's debt is presented in the notes to 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. In 2018, the Agency continued funding loans via the mortgage backed securities platform (MBS) in addition to the issuance of the $378.9 million 2018 Series A&B bonds described on page 6.

Multi-Family Programs

The Agency provides bond proceeds as loans to finance the construction and acquisition of multi-family housing projects designed to serve low-to-moderate income individuals and families. The Agency continued funding these loans in 2018 with the issuance of the $245.5 million Multi-Family Revenue Bonds 2018 Series A-H as described on page 6.

Economic Factors

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

- **Trends in single-family mortgage and bond rates** – In the last year, the interest rate environment has allowed the Agency to re-enter the mortgage revenue bond (MRB) market, its traditional loan financing mechanism, which has increased the Agency's ability to lend profitably at competitive loan interest rates. 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 2018 were similar to 2017. New Jersey has seen home sales rise in 2018 by 3.38% over 2017 volumes. Additionally, average home sales prices increased in 2018 by 0.99% over 2017 prices. 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. CDBG-DR funds 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 changes as credit ratings change. In 2018, Moody's Investor Service (Moody's) revised the outlook on the Single Family Housing Revenue Bonds Resolution from stable to positive. All other ratings by Moody's and Standard and Poor's Global Ratings (S&P) were either affirmed or no action was 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, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds					Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2018	2017
CURRENT ASSETS							
Cash and Cash Equivalents	$ -	$ -	$ 122,072	$ 122,072	$ -	$ 122,072	$ 66,419
Restricted Cash and Cash Equivalents	174,766	363,352	432,137	970,255	-	970,255	940,506
Investments	-	-	20,062	20,062	-	20,062	20,742
Restricted Investments	30,083	-	1,443	31,526	-	31,526	420
Accrued Interest Receivable on Investments	98	313	1,203	1,614	-	1,614	2,295
Mortgage Loans Receivable, Net	24,346	113,321	10,729	148,396	-	148,396	160,299
Supplemental Mortgages and Other Loans, Net	-	-	2,988	2,988	-	2,988	1,181
Fees and Other Charges Receivable	-	115	3,266	3,381	-	3,381	2,075
Accrued Interest Receivable on Mortgages	5,616	5,114	3,171	13,901	-	13,901	14,865
Due from Loan Servicers	2,389	-	84	2,473	-	2,473	1,915
Due from Other Funds	43	-	3,151	3,194	(3,194)	-	-
Other Current Assets	17,055	20	5,215	22,290	-	22,290	27,919
Total Current Assets	254,396	482,235	605,521	1,342,152	(3,194)	1,338,958	1,238,636
NONCURRENT ASSETS							
Investments	-	-	224,169	224,169	-	224,169	219,500
Restricted Investments	6,502	41,021	15,835	63,358	-	63,358	84,514
Mortgage Loans Receivable, Net	681,643	866,682	154,089	1,702,414	-	1,702,414	1,704,029
Supplemental Mortgages and Other Loans, Net	36	36,858	269,689	306,583	-	306,583	278,248
Real Estate Owned	11,537	-	622	12,159	-	12,159	52,502
Capital Assets, Net	-	-	6,070	6,070	-	6,070	6,998
Other Noncurrent Assets	-	-	3,546	3,546	-	3,546	1,406
Total Noncurrent Assets	699,718	944,561	674,020	2,318,299	-	2,318,299	2,347,197
Total Assets	954,114	1,426,796	1,279,541	3,660,451	(3,194)	3,657,257	3,585,833
DEFERRED OUTFLOWS OF RESOURCES							
Pension	-	-	13,079	13,079	-	13,079	20,189
OPEB	-	-	868	868	-	868	-
Acc. Decrease in Fair Value of Hedging Derivatives	-	29,644	-	29,644	-	29,644	49,098
Total Deferred Outflows of Resources	-	29,644	13,947	43,591	-	43,591	69,287

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds					Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	Subtotal	Interfund Eliminations	2018	2017
CURRENT LIABILITIES							
Bonds and Obligations, Net	$ 24,140	$ 132,126	$ -	$ 156,266	$ -	$ 156,266	$ 94,950
Accrued Interest Payable on Bonds and Obligations	6,966	6,845	-	13,811	-	13,811	13,799
Subsidy Payments Received in Advance	-	-	2,287	2,287	-	2,287	4,055
Advances from State of NJ for Bond/Hsng Assist	-	-	11,021	11,021	-	11,021	11,235
Other Current Liabilities	375	879	8,738	9,992	-	9,992	8,643
Due to Other Funds	43	3,151	-	3,194	(3,194)	-	-
Mortgagor Escrow Deposits	-	-	238,331	238,331	-	238,331	239,702
Total Current Liabilities	31,524	143,001	260,377	434,902	(3,194)	431,708	372,384
NONCURRENT LIABILITIES							
Bonds and Obligations, Net	753,547	966,276	-	1,719,823	-	1,719,823	1,725,771
Minimum Escrow Requirement	-	6,502	669	7,171	-	7,171	7,079
Funds Held in Trust for Mortgagors	-	3,091	318,537	321,628	-	321,628	310,825
Other Noncurrent Liabilities	-	2,118	5,173	7,291	-	7,291	7,217
OPEB Liability	-	-	48,814	48,814	-	48,814	75,846
Net Pension Liability	-	-	53,554	53,554	-	53,554	66,132
Derivative Instrument	-	29,644	-	29,644	-	29,644	49,098
Unearned Revenue	-	-	35,974	35,974	-	35,974	81,527
Total Noncurrent Liabilities	753,547	1,007,631	462,721	2,223,899	-	2,223,899	2,323,495
Total Liabilities	785,071	1,150,632	723,098	2,658,801	(3,194)	2,655,607	2,695,879
DEFERRED INFLOWS OF RESOURCES							
Pension	-	-	21,643	21,643	-	21,643	17,834
OPEB	-	-	123	123	-	123	-
Commitment Fees	43	-	-	43	-	43	553
Total Deferred Inflows of Resources	43	-	21,766	21,809	-	21,809	18,387
NET POSITION							
Net Investment in Capital Assets	-	-	6,070	6,070	-	6,070	6,998
Restricted Under Bond and Obligation Resolutions	169,000	305,808	-	474,808	-	474,808	440,131
Restricted for Special Needs Housing	-	-	24,059	24,059	-	24,059	24,557
Unrestricted	-	-	518,495	518,495	-	518,495	469,168
Total Net Position	$ 169,000	$ 305,808	$ 548,624	$ 1,023,432	$ -	$ 1,023,432	$ 940,854

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, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2018	2017
OPERATING REVENUES					
Interest Income on Mortgage Loans	$ 35,192	$ 50,971	$ 11,432	$ 97,595	$ 97,878
Fees and Charges	-	6,212	51,420	57,632	46,095
Program Income	-	-	49,828	49,828	54,064
Grant Income	-	-	171,000	171,000	107,036
Recovery on Mortgage Modifications	2,326	-	26	2,352	5,252
Recovery of Bad Debt	23,719	7,858	3,755	35,332	31,850
Gain on Derivative	-	-	-	-	260
Other Income - Net	-	555	9,815	10,370	11,313
Total Operating Revenues	61,237	65,596	297,276	424,109	353,748
OPERATING EXPENSES					
Interest and Amortization of Bond Premium and Discounts	28,820	44,466	448	73,734	76,048
Insurance Costs	-	59	796	855	911
Servicing Fees and Other	2,265	270	5,354	7,889	9,042
Salaries and Related Benefits	-	3,576	27,097	30,673	22,914
Professional Services and Financing Costs	3,885	2,500	7,303	13,688	9,018
General and Administrative Expenses	-	1,232	5,970	7,202	8,290
Grant Expense	-	-	171,675	171,675	107,230
Program Expense	-	-	45,517	45,517	47,422
Pension Expense	-	-	1,185	1,185	6,143
Loss on Sale of Real Estate Owned	2,556	-	3	2,559	8,475
Provision for Loan Losses	12,769	90	8,201	21,060	8,382
Total Operating Expenses	50,295	52,193	273,549	376,037	303,875
OPERATING INCOME	10,942	13,403	23,727	48,072	49,873
NONOPERATING REVENUES					
Investment Income	2,283	7,934	5,675	15,892	11,056
INCOME BEFORE TRANSFERS	13,225	21,337	29,402	63,964	60,929
TRANSFERS TO STATE	-	-	-	-	(18,500)
TRANSFERS	40,115	(40,000)	(115)	-	-
INCREASE (DECREASE) IN NET POSITION	53,340	(18,663)	29,287	63,964	42,429
Net Position - Beginning of Year, As Restated	115,660	324,471	519,337	959,468	898,425
NET POSITION - END OF YEAR	$ 169,000	$ 305,808	$ 548,624	$ 1,023,432	$ 940,854

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Interest on Mortgages and Loans	$ 43,661	$ 50,872	$ 11,432	$ 105,965	$ 103,130
Receipts from Fees, Charges and Other	-	6,767	241,069	247,836	264,461
Receipts from Principal Payments on Mortgage Receivables	96,368	153,041	116,865	366,274	260,268
Receipts (Payments) for Funds Held in Trust	-	-	9,320	9,320	(50,519)
Payments to Employees	-	(3,576)	(46,837)	(50,413)	(28,807)
Payments to Vendors	(6,680)	(3,917)	(237,553)	(248,150)	(185,178)
Payments to Mortgage Purchases and Advances	(49,143)	(194,190)	(75,788)	(319,121)	(123,648)
Payments for Interest and Amortization of Bond Premium/Discounts	(29,306)	(44,465)	(448)	(74,219)	(77,814)
Payments for Other	(10,000)	(145)	-	(10,145)	(757)
Net Cash Provided (Used) by Operating Activities	44,900	(35,613)	18,060	27,347	161,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from Proceeds of Sale of Bonds and Obligations	388,250	251,189	-	639,439	191,705
Payments for Retirement of Bonds	(359,725)	(214,209)	-	(573,934)	(265,609)
Transfers and Other	30,160	(40,000)	(115)	(9,955)	(18,500)
Net Cash Provided (Used) by Noncapital Financing Activities	58,685	(3,020)	(115)	55,550	(92,404)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	-	(129)	(129)	(644)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Investments	(67,487)	(29,747)	(56,115)	(153,349)	(81,140)
Sales/Maturities of Investments	50,768	37,104	51,537	139,409	86,035
Earnings on Investments	2,397	8,003	6,173	16,573	10,926
Net Cash Provided (Used) by Investing Activities	(14,322)	15,360	1,595	2,633	15,821
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,263	(23,273)	19,411	85,401	83,909
Cash and Cash Equivalents - Beginning of Year	85,503	386,625	534,798	1,006,926	923,016
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 174,766	$ 363,352	$ 554,209	$ 1,092,327	$ 1,006,925

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family Mortgage Component	Multi-Family Housing Component	General Fund	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income	$ 10,942	$ 13,403	$ 23,727	$ 48,072	$ 49,873
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	-	-	1,057	1,057	1,117
Gain on Real Estate Owned	2,556	-	3	2,559	8,475
Provision for Loan Losses	12,769	90	8,201	21,060	8,382
Amortization of Premium and Discounts	(193)	12	-	(181)	(156)
Effects of Changes in Operating Assets, Liabilities and Deferred Outflows/Inflows of Resources:					
Mortgage Loans Receivable, Net	19,098	(79,392)	25,096	(35,198)	106,100
Fees and Other Charges Receivable	-	-	(1,191)	(1,191)	218
Mortgage Interest Receivable	1,287	(930)	-	357	
Due from Loan Servicers and Insurers	(492)	-	(65)	(557)	186
Other Assets	4,656	(116)	(2,968)	1,572	6,891
Real Estate Owned	(4,943)	30,385	12,265	37,707	(11,615)
Interfund Allocation	-	(88)	88	-	-
Deferred Outflow of Resources - Pension	-	-	7,110	7,110	-
Deferred Outflow of Resources - OPEB	-	-	(868)	(868)	-
Accrued Interest Payable on Bonds	217	(205)	-	12	(1,229)
Advance from the State of New Jersey	-	-	(214)	(214)	(362)
Funds Held in Trust for Mortgagor	-	(17)	10,820	10,803	(55,159)
Minimum Escrow Requirement	-	221	(129)	92	(424)
Mortgagor Escrow Deposits	-	-	(1,371)	(1,371)	4,244
Subsidy Payments Received in Advance	-	-	(1,768)	(1,768)	(669)
Unearned Revenue	-	-	(45,553)	(45,553)	46,569
Net Pension Liability	-	-	(12,578)	(12,578)	3,346
OPEB Liability	-	-	(8,419)	(8,419)	(3,096)
Deferred Inflow of Resources - Commitment Fees	(510)	-	-	(510)	(120)
Deferred Inflow of Resources - Pension	-	-	3,809	3,809	-
Deferred Inflow of Resources - OPEB	-	-	123	123	-
Other Liabilities	(487)	1,024	885	1,422	(1,435)
Net Cash Provided (Used) by Operating Activities	$ 44,900	$ (35,613)	$ 18,060	$ 27,347	$ 161,136

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF FIDUCIARY NET POSITION – OPEB TRUST
DECEMBER 31, 2018
(IN THOUSANDS)

ASSETS		
Cash and Cash Equivalents	$	347
Investment Income Receivable		2
Investments		11,172
Total Assets	$	11,521
LIABILITIES		
Accrued Expenses and Benefits Payable	$	40
NET POSITION, RESTRICTED FOR OPEB		11,481
Total Liabilities and Net Position	$	11,521

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

ADDITIONS		
Employer Trust Contributions	$	13,795
Investment Income (Loss):		
Interest and Dividends		3
Dividends		190
Net Decrease in Fair Value of Investments		(765)
Less Direct Investment Expenses		(38)
Net Investment Loss		(610)
Total Additions		13,185
DEDUCTIONS		
Benefit Payments		1,704
NET INCREASE IN NET POSITION		11,481
Net Position Restricted for OPEB - Beginning of Year		-
NET POSITION RESTRICTED FOR OPEB - END OF YEAR	$	11,481

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 $63,644 for the year ended December 31, 2018.

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 $9,942 for the year ended December 31, 2018.

Reporting Entity

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure and determining whether the Agency itself is a component unit, the Agency applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. Through the application of these GASB criteria, management of the Agency 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 of the Agency determined that A Better Camden Corporation is a component unit of the Agency due to control and financial accountability as further described below.

A Better Camden Corporation

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly owned subsidiary corporation, 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 statements as a blended component unit. 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, Measurement Focus, and Accounting

The Agency engages only in business-type activities. 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 and the accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America (GAAP).

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activity is excluded from presentation in enterprise fund financial statements. The Trust uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred. The Trust is required to follow all statements of the GASB and the accompanying financial statements have been prepared in conformance with GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, 2017, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Descriptions of Funds (Continued)

The Agency reports the following as major funds:

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.

The Agency reports the following as a fiduciary fund:

New Jersey Housing Mortgage and Finance Agency OPEB 115 Trust Fund

The Trust is a separate legal entity created pursuant to a trust agreement initiated by the Agency on December 22, 2017. The Trust is a private-purpose trust established for the sole purpose of providing health and welfare benefits for retirees and their eligible spouses and dependents as provided by the New Jersey State Health Benefits Program (the Program). All resources of the Trust, including income on investments and other revenues, are held in trust to meet obligations to provide the health and welfare benefit payments to retirees and their eligible spouses and dependents. Resources of the Trust may also be used to pay reasonable expenses of administering the Trust and the Program. Trust receipts consist of contributions made by the Agency. The Trust administers its affairs through its trustee, records its assets in segregated accounts, and maintains financial records separate from the Agency. The Trust is presented in the accompanying fiduciary fund financial statements.

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.

Investments of the Trust fiduciary fund are stated at fair value. The fair value is generally based on quoted market prices at December 31, 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Related Depreciation

The Agency capitalizes all capital assets with an acquisition value greater than $1,000 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 homeowners may face similar cash flow issues causing loans to become uncollectible. The Agency has provided allowances for loan losses of $258,404 as of December 31, 2018 against mortgage loans receivable, debt service arrears receivable, supplemental mortgages, other loans, and fees and charges including provision for negative cash flows and cost overruns for these projects. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of the loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Economic conditions may result in the necessity to change the allowance quickly in order to react to deteriorating financial conditions of the Agency's borrowers. As a result, additional provisions on existing loans may be required in the future if borrowers' financial conditions deteriorate or if real estate values decline.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $1,194 as of December 31, 2018 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/OPEB, 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/net OPEB liability that are being amortized over future periods, (2) pension contributions/OPEB contributions made subsequent to the measurement date related to pensions, and (3) the accumulated decrease in fair value of hedging derivatives.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the State of New Jersey State Health Benefits Plan (the Plan). For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest-earning investment contracts with a maturity at time of purchase of one year or less, which are reported at cost.

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 Nonoperating 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 nonoperating 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.

(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncements

In fiscal year 2018, the Agency implemented the following GASB Statements:

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to prescribe standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered. The Agency is now required to record a liability for future postemployment benefits other than pension benefits in excess of accumulated plan contributions. The cumulative effect of the accounting change in connection with the implementation of GASB No. 75 was an increase in net position of $18,614 as of January 1, 2018.

In accordance with GASB No. 75 which was adopted effective January 1, 2018, the Agency restated the January 1, 2018 net position as follows:

Net Position January 1, 2018, as Previously Stated	$ 940,854
Cumulative Effect of GASB No. 75, Net OPEB Liability	18,614
Net Position January 1, 2018, as Restated	$ 959,468

NOTE 2 EARLY EXTINGUISHMENT OF DEBT

During the year ended December 31, 2018, 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 $496,365.

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 or Trust'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, 2018, the Agency's bank balance amounted to $45,837, 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 investments are managed by BlackRock pursuant to an agreement between the Agency and BlackRock. BlackRock has been instructed to follow the Agency's aforementioned investment policy.

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

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.

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Types (Continued)

Also permitted are asset backed securities, mortgage backed securities and collateralized mortgage obligations, however, these securities must be rated AA 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. Further, excluding the aforementioned equity investments, the Agency's Investment Policy indicates the maximum effective duration of any individual security is not to exceed 10.5 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.

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 three 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.

New Jersey and Bank of America Cash Management Funds

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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

New Jersey and Bank of America Cash Management Funds (continued)

The following assets held by the Agency as of December 31, 2018 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	$ 51,063
Money Market Funds	538,456
NJ Cash Management Fund	222,856
Bank of America Cash Management Fund	279,952
Investments	339,115
Total	$ 1,431,442

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 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 20% of the aggregate market value of the portfolio.

The maximum effective duration of the General Fund investment portfolio is not to exceed 10.5 years.

As of December 31, 2018, 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	$ 49,147	$ 49,147	$ -	$ -	$ -	$ -
Money Market Funds	63,990	63,990	-	-	-	-
NJ Cash Mgmt Fund	161,120	161,120	-	-	-	-
Bank of America Cash Mgmt Fund	279,952	279,952	-	-	-	-
Investment Type:						
Money Market Funds	5,810	5,810	-	-	-	-
U.S. Govt and Agency Obligations	52,263	5,567	34,893	2,636	316	8,851
Comm. Mortgage-Backed Securities	16,110	-	1,702	1,776	1,581	11,051
Collateralized Mortgage Obligations	4,495	-	991	-	-	3,504
Asset Backed Securities	51,494	-	44,338	3,796	-	3,360
Municipal Bonds	16,270	-	-	-	-	16,270
Corporate Notes	115,067	10,127	104,940	-	-	-
Total	$ 815,718	$ 575,713	$ 186,864	$ 8,208	$ 1,897	$ 43,036

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Interest Rate Risk (Continued)

As of December 31, 2018, 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	$ 1,916	$ 1,916	$ -	$ -
Money Market Funds	474,466	474,466	-	-
NJ Cash Management Fund	61,736	61,736	-	-
Investments:				
Guaranteed Investment Contracts	44,097	-	11,127	32,970
U.S. Treasuries	30,083	30,083	-	-
Federal Home Loan Mortgage Corp	3,426	-	3,426	-
Total	$ 615,724	$ 568,201	$ 14,553	$ 32,970

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 must have a minimum rating of AA, while mortgage backed securities and collateralized mortgage obligations must have a minimum rating of AA+. Further, the minimum short-term debt rating of money market instruments or other instruments with maturities of less than one year is Aaa-mf/AAAm while the minimum long-term debt rating for all other instruments, excluding the permitted equity investments, is BBB.

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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Credit Risk (Continued)

As of December 31, 2018, 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	$	5,810	0.35	AAA	Aaa
U.S. Govt and Agency Obligations		52,263	3.76	AA+	Aaa
Comm. Mortgage-Backed Securities		16,110	1.93	AAA to AA+	Aaa to Baa3
Collateralized Mortgage Obligations		4,495	3.36	AAA	Aaa
Asset Backed Securities		51,494	1.47	AAA	Aaa
Municipal Bonds		16,270	13.73	AA-	Unrated
Corporate Notes		115,067	2.31	AAA to BBB+	Aaa to A1
Total investments	$	261,509			

As of December 31, 2018, the Bond Resolution had the following investments, maturities, and credit quality:

	Value		Weighted Average Maturity (Years)	Credit Ratings S&P	Credit Ratings Moody's
Investment type:					
Guaranteed Investment Contracts	$	44,097	17.87	Unrated	Unrated
U.S. Treasuries		30,083	0.37	AA+	Aaa
Federal Home Loan Mortgage Corp		3,426	13.55	AA+	AAA
Total investments	$	77,606			

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, 2018.

Issuer	December 31, 2018		
NJ Hsng & Mtg Fin Agy Multi-Family Rev Bonds	$	16,270	6.22%
U.S. Treasury		52,263	19.99%

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the year ended December 31, 2018, the Agency did not invest in any repurchase agreements.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Concentration of Credit Risk (continued)

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, 2018:

Issuer	December 31, 2018		
Federal Home Loan Mortgage Corp	$	3,426	7.21%
Mass Mutual		11,770	24.77%
CDC Funding Corp		2,734	5.75%
Morgan Stanley		7,620	16.03%
GE Investment		16,450	34.61%
AEGON/Transamerica Life		2,990	6.29%

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 $41,021 and aggregate a fair value of approximately $28,220 as of December 31, 2018. The debt service reserve investments for the Single-Family Program (funded by bond proceeds or contributed cash) are included in the restricted noncurrent investment balances of $6,502 and had an aggregate fair value of approximately $4,478 as of December 31, 2018. 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 $42,370 of Surety Bonds outstanding as of December 31, 2018.

Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

(IN THOUSANDS)

NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Fair Value Measurements (Continued)

As of December 31, 2018, the General Fund had the following recurring fair value measurements:

Investments by Fair Value Level	12/31/2018	Fair Value Measurements Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Government and Agency Obligations	$ 58,073	$ 5,810	$ 52,263	$ -
Commercial Mortgage-Backed Securities	16,110	-	16,110	-
Collateralized Mortgage Obligations	4,495	-	4,495	-
Asset Backed Securities	51,494	-	51,494	-
Municipal Obligations	16,270	-	16,270	-
Total Debt Securities	146,442	5,810	140,632	-
Equity Securities:				
Corporate Notes	115,067	115,067	-	-
Total Investments by Fair Value Level	$ 261,509	$ 120,877	$ 140,632	$ -

As of December 31, 2018, the Bond Resolution had the following recurring fair value measurements:

- U.S. Government agency securities of $30,083 are valued using quoted market prices (Level 1).
- Federal Home Loan Mortgage Corporation securities of $3,426 are valued using the matrix pricing technique (Level 2).
- Pay-fixed, receive variable interest rate swap agreements of $29,644 are valued using the matrix pricing technique (Level 2).

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, 2018 is:

Interest Income on Investments	$ 17,588
Unrealized Loss on Investments	(1,696)
Total	$ 15,892

(IN THOUSANDS)

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, 2018 are as follows:

Mortgage Loans Receivable	$ 709,576
Allowance for Loan Losses	(3,587)
Mortgage Receivable - Net	705,989
Less: Current Portion	(24,346)
Long Term Portion	$ 681,643

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31, 2018 consisted of the following:

Mortgage Loans Subject to Subsidy Contracts Under Section 8 of the United States Housing Act	$ 62,062
Mortgage Loans Subject to Subsidy Contracts Under Section 236 of the National Housing Act	86,256
Unsubsidized Mortgage Loans	872,223
Subtotal	1,020,541
Allowance for Loan Losses	(3,214)
Undisbursed Mortgage Loans	(37,324)
Mortgage Receivable - Net	980,003
Less: Current Portion	(113,321)
Long Term Portion	$ 866,682

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.

NOTE 4 MORTGAGE LOANS RECEIVABLE (CONTINUED)

General Fund Component

The General Fund mortgage loans receivable as of December 31, 2018 consisted of the following:

Mortgage Loans Subject to Subsidy Contracts Under Section 8 of the United States Housing Act	$	4,077
Mortgage Loans Subject to Subsidy Contracts Under Section 236 of the National Housing Act		8,020
Unsubsidized Mortgage Loans		242,834
Subtotal		254,931
Allowance for Loan Losses		(87,025)
Advanced (Undisbursed) Mortgage Proceeds		(3,088)
Mortgage Receivable - Net		164,818
Less: Current Portion		(10,729)
Long Term Portion	$	154,089

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 $290,469 at December 31, 2018. 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, 2018 include prepayment assumptions based on the Public Securities Associations Standard Prepayment Model, an internal rate of return of 13.5% to 15.5%, servicing costs of $85 to $100 per loan (not in thousands), annually (with higher costs for delinquent loans) an inflation rate on servicing costs of 3% and an earnings rate of 1.50%.

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, 2018.

Fair Value at Beginning of Year	$	1,340
Changes in Fair Value		2,152
Fair Value at End of Year	$	3,492

(IN THOUSANDS)

NOTE 5 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, 2018 consisted of the following:

Supplemental Mortgages	$	883
Allowance for Loan Losses		(847)
Long Term Portion	$	36

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31, 2018 consisted of the following:

Supplemental Mortgages	$	37,087
Allowance for Loan Losses		(229)
Long Term Supplemental Mortgages, Net	$	36,858

General Fund Component

The General Fund supplemental mortgages and other loans receivable as of December 31, 2018 consisted of the following:

Mortgages Subject to Subsidy Contracts Under Section 8 of the National Housing Act	$	583
Mortgages Subject to Subsidy Contracts Under Section 236 of the National Housing Act		1,698
Agency Supplemental Mortgages		265,157
Special Needs Housing Trust Fund Mortgages		154,241
State of New Jersey Supplemental Mortgages		7,306
Other		920
Subtotal		429,905
Allowance for Loan Losses		(153,851)
Undisbursed Supplemental Mortgage Proceeds		(3,377)
Supplemental Mortgages and Other Loans Receivable, Net		272,677
Less: Current Portion		(2,988)
Long Term Portion	$	269,689

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

(IN THOUSANDS)

NOTE 6 CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Nondepreciable Capital Assets:				
Land	$ 1,225	$ -	$ -	$ 1,225
Depreciable Capital Assets:				
Building and Building Improvements	17,067	-	-	17,067
Motor Vehicles	655	90	(134)	611
Machinery and Equipment	7,649	19	(6)	7,662
Furniture and Fixtures	629	20	-	649
Total	26,000	129	(140)	25,989
Less Accumulated Depreciation:				
Building and Building Improvements	(12,502)	(682)	-	(13,184)
Motor Vehicles	(450)	(83)	134	(399)
Machinery and Equipment	(6,692)	(267)	6	(6,953)
Furniture and Fixtures	(583)	(25)	-	(608)
Total	(20,227)	(1,057)	140	(21,144)
Total Capital Assets, Net	$ 6,998	$ (928)	$ -	$ 6,070

Depreciation expense was $1,057 for the year ended December 31, 2018.

(IN THOUSANDS)

NOTE 7 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, 2018 the following bonds and obligations:

Description of Bonds as Issued	Bonds Outstanding December 31, 2017	Issued	Reductions	Bonds Outstanding December 31, 2018	Amount Due Within One Year
Single Family Housing Revenue Bonds					
2004 Series I, variable rate, due 2025 to 2034	$ 8,015	$ -	$ 2,330	$ 5,685	$ 760
2005 Series O, variable rate, due 2026 to 2031	28,495	-	5,585	22,910	-
2005 Series R, variable rate, due 2031 to 2038	23,390	-	5,220	18,170	-
2007 Series S, 3.55% to 4.10%, due 2007 to 2018	810	-	810	-	-
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	60,455	-	60,455	-	-
2007 Series U, 3.60% to 5.00%, due 2008 to 2037	9,785	-	9,785	-	-
2007 Series V, variable rate, due 2018 to 2037	69,235	-	69,235	-	-
2008 Series Y, variable rate, due 2030 to 2039	74,925	-	74,925	-	-
2008 Series Z, variable rate, due 2014 to 2034	3,790	-	3,790	-	-
2008 Series BB, variable rate, due 2018 to 2039	77,220	-	77,220	-	-
2009 Series CC, 0.875% to 5.25%, due 2010 to 2038	33,415	-	5,735	27,680	270
2009 Series EE, 2.00% to 5.20%, due 2010 to 2025	19,990	-	3,750	16,240	2,740
2009 Series FF, 4.00% to 5.05%, due 2019 to 2039	6,170	-	870	5,300	205
2009 Series GG, 1.00% to 5.00%, due 2010 to 2039	15,310	-	2,255	13,055	380
2018 Series A, 3.60% to 4.50%, due 2033 to 2048	-	186,225	2,160	184,065	-
2018 Series B, 1.65% to 3.80%, due 2018 to 2032	-	192,705	1,980	190,725	10,555
Total Single Family Housing Revenue Bonds	431,005	378,930	326,105	483,830	14,910
Single Family Home Mortgage Bonds					
2009 Series A1, 3.63%, due 10/01/2041	76,760	-	10,470	66,290	-
2009 Series A2, 3.63%, due 10/01/2029	32,830	-	2,320	30,510	2,180
2011 Series A, 0.50% to 4.65%, due 10/01/2029	43,225	-	9,235	33,990	2,340
2009 Series B1, 2.64%, due 10/01/2041	74,350	-	7,510	66,840	-
2009 Series B2, 2.64%, due 10/01/2025	45,580	-	8,300	37,280	4,710
2011 Series B, 4.00% to 4.50%, due 10/01/2032	53,555	-	5,195	48,360	-
2011 Series D, 1.20% to 3.25%, due 04/01/2018	545	-	545	-	-
Total Single Family Home Mortgage Bonds	326,845	-	43,575	283,270	9,230
Total Single Family Bonds Program	757,850	378,930	369,680	767,100	24,140
Net Premium on Bonds Payable	1,503	9,320	195	10,628	-
Net Discount on Bonds Payable	(43)	-	(2)	(41)	-
Total Single Family Bonds Payable (Net)	759,310	388,250	369,873	777,687	24,140
Multi-Family Housing Revenue					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 1992 to 2030	85,755	-	4,750	81,005	5,085

(IN THOUSANDS)

NOTE 7 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2017	Issued	Reductions	Bonds Outstanding December 31, 2018	Amount Due Within One Year
Multi-Family Housing Revenue Bonds 1995 Resolution					
2000 Series C2, variable rate, due 2001 to 2032	$ 4,475	$ -	$ 175	$ 4,300	$ 185
2002 Series G, variable rate, due 2003 to 2025	3,000	-	330	2,670	350
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	25,165	-	1,540	23,625	2,040
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	62,470	-	2,295	60,175	2,425
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	13,505	-	300	13,205	330
2013 Series 5, variable rate, due 2013 to 2046	110,465	-	4,645	105,820	4,820
2013 Series 6, variable rate, due 2013 to 2037	15,165	-	565	14,600	605
Total Multi-Family Housing Revenue Bonds	243,875	-	9,850	234,025	10,755
Multi-Family Revenue Bonds 2005 Resolution					
2007 Series G, variable rate, due 2008 to 2034	10,115	-	10,115	-	-
2007 Series I, variable rate, due 2008 to 2029	5,425	-	5,425	-	-
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,080	-	9,080	-	-
2008 Series B, variable rate, due 2008 to 2048	52,690	-	52,690	-	-
2008 Series C, variable rate, due 2009 to 2039	9,260	-	9,260	-	-
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	1,030	-	1,030	-	-
2008 Series F, variable rate, due 2019 to 2048	48,645	-	48,645	-	-
2008 Series G, variable rate, due 2008 to 2039	4,915	-	4,915	-	-
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	26,030	-	1,180	24,850	705
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,640	-	80	3,560	80
2009 Series D, variable rate, due 2010 to 2048	16,690	-	420	16,270	435
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	5,110	-	360	4,750	370
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	29,270	-	910	28,360	950
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	19,470	-	420	19,050	445
2012 Series C, 4.38%, due 2013 to 2043	2,985	-	50	2,935	50
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	8,620	-	165	8,455	180
2012 Series F, 4.83%, due 2014 to 2042	335	-	5	330	5
2014 Series A, 0.5% to 4.55%, due 2016 to 2045	2,305	-	80	2,225	80
2014 Series B, 0.45% to 5.25%, due 2014 to 2046	23,860	-	690	23,170	735
2015 Series A, 0.55% to 4.00%, due 2016 to 2045	10,740	-	150	10,590	160
2015 Series C, 3.80%, due 2016 to 2047	7,850	-	185	7,665	170
2015 Series E, 0.813% to 4.671%, due 2015 to 2045	124,630	-	6,595	118,035	7,090
2016 Series A, 1.15% to 3.90%, due 2018 to 2050	42,985	-	290	42,695	705
2016 Series B, 1.00% to 1.25%, due 2017 to 2019	63,360	-	42,005	21,355	21,355
2016 Series C, 1.30% to 5.00%, due 2016 to 2046	3,915	-	195	3,720	210
2016 Series D, 0.875% to 3.70%, due 2016 to 2036	2,415	-	80	2,335	80
2016 Series E, variable rate, due 2019	47,697	5,654	-	53,351	53,351
2017 Series A, 1.35% to 4.20%, due 2018 to 2050	32,080	-	1,715	30,365	1,205
2017 Series B, 1.65% to 2.00%, due 2020 to 2021	56,005	-	-	56,005	-
2017 Series C, 1.50% to 4.968%, due 2017 to 2051	14,050	-	640	13,410	430
2017 Series D, 1.25% to 4.45%, due 2017 to 2048	46,700	-	2,235	44,465	2,330
2018 Series A, 1.900% To 4.100%, due 2019 to 2053	-	44,020	-	44,020	1,140
2018 Series B, 2.000% To 2.100%, due 2019 to 2020	-	56,595	-	56,595	20,125
2018 Series C, 2.750% To 4.550%, due 2019 to 2048	-	44,630	-	44,630	1,495
2018 Series D, 3.200%, due 2021	-	9,105	-	9,105	-
2018 Series E, 2.050% To 2.500%, due 2019 to 2021	-	6,850	-	6,850	1,915
2018 Series F, Variable Rate, due 2039 to 2048	-	27,185	-	27,185	-
2018 Series G, Variable Rate, due 2019 to 2039	-	50,000	-	50,000	300
2018 Series H, Variable Rate, due 2019 to 2039	-	7,150	-	7,150	190
Total Multi-Family Revenue Bonds	731,902	251,189	199,610	783,481	116,286
Total Multi-Family Bonds Program	1,061,532	251,189	214,210	1,098,511	132,126
Net Discount on Bonds Payable	(121)	-	(12)	(109)	-
Total Multi-Family Bonds Payable (Net)	1,061,411	$ 251,189	$ 214,198	1,098,402	132,126
Total Bonds Payable	$ 1,820,721			$ 1,876,089	$ 156,266

NOTE 7 BONDS AND OBLIGATIONS (CONTINUED)

In June 2018, the Agency issued $378,930 of Single Family Housing Revenue Bonds, 2018 Series A and B to purchase loans under the Agency's single family housing loan purchase program and provided closing cost and down payment assistance to borrowers. This bond issue included both new money ($118.9 million) and refunding ($260.0 million) components. The refunding component, which refunded various outstanding variable rate Housing Revenue Bonds Resolution series, is expected to generate approximately $12.3 million in net present value (NPV) savings (4.7% of the bonds) to the Resolution.

In September 2018, the Agency issued $115,840 of publicly offered tax-exempt and taxable Multi-Family Revenue Bonds to finance 17 new money rental housing developments containing a total of 1,709 multifamily units. In addition, this financing included a $129,695 tax-exempt and taxable refunding component which refunded $8,960 of fixed rate bonds and $120,735 of variable rate bonds to $45,360 of new fixed rate bonds and $84,335 of floating rate note bonds that were directly purchased by Barclay's Capital Inc. $39,835 of the variable rate bonds related interest rate swaps were callable at Par and were terminated at no cost to the Agency on November 1, 2018. The remaining $83,815 of variable rate related interest rate swaps were retained to hedge the newly issued floating rate note bonds. The refunding is expected to generate approximately $9,300 in net present value (NPV) savings (7.2% 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, 2018, there was $37,324 of undisbursed proceeds of construction loans and $28,244 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 7 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	
Agency Component	Principal	Interest
Single Family		
2019	$ 24,140	$ 27,715
2020	25,030	27,038
2021	26,155	26,297
2022	27,490	25,478
2023	28,790	24,580
2024-2028	171,335	106,195
2029-2033	172,955	71,831
2034-2038	162,685	41,870
2039-2043	84,650	17,221
2044-2048	43,870	5,354
Total	$ 767,100	$ 373,579

	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							
2019	$ 125,426	$ 33,305	$ 6,700	$ 4,514	$ 5,888	$ 132,126	$ 43,707
2020	84,725	30,187	7,495	4,302	5,658	92,220	40,147
2021	81,170	27,767	7,585	4,178	5,448	88,755	37,393
2022	33,640	25,870	7,895	4,053	5,226	41,535	35,149
2023	34,910	24,547	8,695	3,919	4,990	43,605	33,456
2024-2028	174,350	100,726	49,455	17,024	16,942	223,805	134,692
2029-2033	119,980	64,148	46,140	12,343	10,533	166,120	87,024
2034-2038	95,205	40,179	40,725	7,418	6,069	135,930	53,666
2039-2043	76,950	19,958	26,840	3,765	3,159	103,790	26,882
2044-2048	39,635	5,812	22,165	1,132	1,138	61,800	8,082
2049-2053	8,825	585	-	-	-	8,825	585
Total	$ 874,816	$ 373,084	$ 223,695	$ 62,648	$ 65,051	$ 1,098,511	$ 500,783

NOTE 8 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, 2018, conduit debt outstanding aggregated $923,803.

(IN THOUSANDS)

NOTE 8 CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Agency's MF Conduit Bonds outstanding as of December 31, 2018 are as follows:

Conduit Project	Series	Closing Date	Debt Issuance	Balance 12/31/2018
^Capital Funds Program Revenue Bonds	2004-A	12/23/2004	$ 79,860	$ 26,100
^Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	6,665
2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,515
Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,335
Asbury Park Gardens	2012-A	7/1/2012	14,310	13,185
Washington Dodd	2012-F	12/12/2012	19,755	17,180
Carl Miller Homes	2012-C	12/28/2012	31,656	2,537
Hampshire House	2012-D	1/11/2013	6,400	6,105
Alexander Hamilton III	2013-B	2/20/2013	11,762	527
McIver Homes	2013-C	5/23/2013	5,200	4,455
Great Falls	2013-M	1/9/2014	15,400	14,872
Brigantine Apts.	2014-G	1/30/2014	11,510	10,915
Catherine Todd	2014-N	10/24/2014	9,415	4,374
Atlantic City Townhouses	2014-P	12/23/2014	17,800	13,255
Glennview Townhouses II	2014-R	12/30/2014	6,243	2,960
Willows at Waretown	2014-M	6/27/2014	9,281	2,390
Paragon	2015-Q	2/27/2015	13,700	13,430
Fairview Homes	2015-L	5/7/2015	13,200	12,595
609 Broad	2015-D	5/12/2015	66,800	47,007
Lexington	2015-B	6/29/2015	11,750	10,845
Hollybush I & II	2015-S	10/14/2015	14,500	14,075
Riverside Arms	2015-H	11/20/2015	17,550	17,525
Edward Sisco	2015-O	12/4/2015	18,232	16,360
North 25	2015-F	12/15/2015	14,850	14,525
Brunswick Estates	2015-AA	12/17/2015	27,000	10,150
Egg Harbor	2015-BB	12/30/2015	10,790	847
Colt Arms	2016-A	1/15/2016	21,455	17,000
Pavilion	2016-B	3/1/2016	26,667	23,495
The Aspire Project	2016-1	5/24/2016	49,935	49,935
Ocean Towers	2016-E	5/26/2016	9,200	6,720
Wesmont	2016-J	6/23/2016	2,638	2,582
Glassworks at Aberdeen	2016-L	8/23/2016	17,540	10,745
Keansburg Mixed Income	2016-I	9/27/2016	35,745	27,468
999 Broad Phase I	2016-H	11/1/2016	10,706	10,294
Montgomery Gardens Family Phase I	2016-M	11/21/2016	23,573	22,504
Oak Lane at Little Egg Harbor	2017-C	3/10/2017	8,977	5,856
New Horizons	2017-A	4/12/2017	20,798	18,977
Montgomery Heights II	2017-3	4/28/2017	21,300	15,466
Willows at Whiting	2017-1	5/5/2017	10,079	2,881
Jacobs Landing	2017-2	5/18/2017	17,065	14,344
Residences at Willow Pond Village	2017-H	5/24/2017	2,089	2,058
Stafford Senior Apartments	2017-E	5/31/2017	13,065	9,598
Bridgeton Villas	2017-4	6/19/2017	9,553	7,350
Berkeley Terrace Apartments	2017-G	7/14/2017	17,500	17,305
Camden Townhouses	2017-F	7/28/2017	15,075	15,075
New Hope Village	2017-D	9/14/2017	14,511	14,052
Victorian Towers	2017-5	10/31/2017	13,067	9,243
Gardens Family & Senior	2017-7	11/21/2017	23,568	23,568
Douglas Homes	2017-8	11/21/2017	12,583	12,583
Roseville Senior	2017-9	11/21/2017	7,238	6,728
Commons Family & Senior	2017-10	11/21/2017	40,321	34,532
Carrino Plaza Apartments	2017-L	11/29/2017	11,600	11,600
PAHA Family RAD	2017-K	11/30/2017	11,300	9,000
Washington Street/ St. James	2017-6	11/30/2017	17,375	14,612
Marveland Crescent	2017-M	12/22/2017	5,955	2,928
Cedar Meadows Apartments	2017-11	12/22/2017	16,070	53
Garden Spires	2018-A	8/23/2018	59,385	59,385
Spruce Spires	2018-B	8/23/2018	16,315	16,315
Grace West Apartments	2018-C	11/11/2018	45,000	45,000
Georgia King Village	2018-E	10/18/2018	40,640	40,640
Villa Victoria	2018-F	11/28/2018	24,000	24,000
Heritage at Galloway - Taxable	2018-G 1,2	9/11/2018	16,021	1,005
Manahawkin Family Apartments	2018-I	11/15/2018	9,690	1,386
Flemington Junction Apartments - Taxable	2018-J	11/1/2018	4,659	4,656
North Brunswick Crescent	2018-L 1,2	11/20/2018	15,255	305
Dalina Manor	2018-M	11/2/2018	2,804	2,804
Vista Village Apartments	2018-I	8/23/2018	10,263	6,345
Harvard Printing Apartments	2018-2	10/25/2018	9,690	9,681
		Total Conduit Debt	$ 1,238,719	$ 923,803

^Capital Fund bonds to finance certain capital renovations

(IN THOUSANDS)

NOTE 9 FUNDS HELD IN TRUST FOR MORTGAGORS

Funds held by the Agency for its projects include proceeds from conversion of projects from nonprofit 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, 2018, include the following:

General Fund:		
Community Development Escrows	$	1,473
Development Cost Escrows		902
Other Funds Held in Trust		316,162
Total General Fund		318,537
Multi-Family Housing Component		3,091
Total	$	321,628

NOTE 10 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, 2018, include the following:

General Fund:		
Reserve for Repairs and Replacements	$	190,764
Tax and Insurance Escrows		47,567
Total	$	238,331

NOTE 11 CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Bonds and Obligations, Net	$ 1,820,721	$ 639,439	$ 584,071	$ 1,876,089	$ 156,266
Minimum Escrow Requirement	7,079	92	-	7,171	-
Funds Held in Trust for Mortgagor	310,825	10,803	-	321,628	-
Other Noncurrent Liabilities	7,217	74	-	7,291	-
OPEB Liability	75,846	-	27,032	48,814	-
Net Pension Liability	66,132	-	12,578	53,554	-
Derivative Instrument	49,098	-	19,454	29,644	-
Unearned Revenues	81,527	-	45,552	35,975	-
Total	$ 2,418,445	$ 650,408	$ 688,687	$ 2,380,166	$ 156,266

(IN THOUSANDS)

NOTE 12 NET POSITION

Changes in net position are summarized as follows:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
Net Position at December 31, 2017	$ 6,998	$ 464,688	$ 469,168	$ 940,854
Prior Period Adjustment	-	-	18,614	18,614
Net Income	-	34,064	29,900	63,964
Acquisition of Capital Assets	129	-	(129)	-
Transfer	-	115	(115)	-
Depreciation on Capital Assets	(1,057)	-	1,057	-
Net Position at December 31, 2018	$ 6,070	$ 498,867	$ 518,495	$ 1,023,432

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, 2018. The appropriated general fund net position makes up part, but not all, of the unrestricted net position reported on the statement of net position.

(IN THOUSANDS)

NOTE 12 NET POSITION (CONTINUED)

Appropriated General Fund Net Position (Continued)

ABC Corporation	$	13
Affordable Rental Housing Subsidy Loan Program		2
Bond Refunding Proceeds		1,626
CDBG Advance Funding		2,283
CDBG RAP		2,570
CHOICE		5,760
CIAP Loan Program		1,768
Developmental Disabilities Partnership		10,441
Ex-Offenders Re-Entry Housing Program		37
Foreclosure Mediation Assistance Program		998
Homeless Management Information System		100
HOPE		500
Hospital Partnership Subsidy Program		12,000
Information Technology		816
MBS Mortgage Backed Security Start up		782
NJHMFA Portion of Undisbursed Mtg. Proceeds		60
Non-Bond Multi-Family Program		25,383
Portfolio Reserve Balance		1,511
Smart Start		2,088
Special Needs Revolving Loan Program		802
Strategic Zone Lending Pool		5,731
UHORP Mortgage Commitment		4,613
Urban Blight Reduction Pilot Program		11,159
Total	$	91,043

NOTE 13 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.

(IN THOUSANDS)

NOTE 13 PENSION PLAN (CONTINUED)

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 members 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. Pursuant to the provisions of P.L. 2011, C. 78, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.50% in State fiscal year 2018. Contributions are based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

The Agency's contributions to the plan for fiscal years ended December 31, 2018, 2017, and 2016 were $2,705, $2,632, and $2,393, 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, 2017, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The proportionate share for the Agency is 0.2720%, a decrease of 0.0121 from the prior year amount of 0.2841%. At December 31, 2018, the Agency reported a NPL of $53,554 for its proportionate share of the NPL.

(IN THOUSANDS)

NOTE 13 PENSION PLAN (CONTINUED)

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

For the year ended December 31, 2018, the Agency recognized pension expense of $1,185. At December 31, 2018, 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	$ 1,021	$ 276
Changes of Assumptions	8,825	17,124
Changes in Proportion	3,233	3,741
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	502
Total	$ 13,079	$ 21,643

Actuarial Assumptions

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
2019	$ 372
2020	(514)
2021	(3,691)
2022	(3,199)
2023	(1,532)
Total	$ (8,564)

The total pension liability (TPL) for the year ended June 30, 2018 was measured as of a valuation date of July 1, 2017 and projected to June 30, 2018 using the entry age normal cost method. The actuarial assumptions used in the July 1, 2017 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	
2018-2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Long-Term Expected Rate of Return	7.00%

(IN THOUSANDS)

NOTE 13 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employers, mortality tables are set back 4 years for males and females. The tables are projected on a generational basis from the base year of 2013 using the Conduent Modified 2014 Projection Scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 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 2012 to 2013 projection scale and the Conduent Modified 2014 Projection Scale thereafter. 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 accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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' target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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%

(IN THOUSANDS)

NOTE 13 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018, 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 employers will be 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. 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 2046, Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2018, 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 (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Total Net Pension Liability PERS Local Group	$ 24,757,280	$ 19,689,502	$ 15,437,960
Agency's Proportionate Share	67,340	53,554	41,991

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Agency is a local employer in the State of New Jersey State Health Benefits Plan (SHBP). 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 under the umbrella of the State plan for purposes of the Agency , is not a separate entity or trust, and does not issue stand-alone financial statements.

(IN THOUSANDS)

NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

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. At the valuation date of January 17, 2017, the following employees were covered by the benefit terms:

Active Plan Members	291
Retirees Currently Receiving Benefit Payments	94
Total	385

Contributions

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 range from 1% – 8.75% of the insurance premium based on salary, with a minimum of 1.5% of salary to be contributed. During the year ended December 31, 2018, the Agency paid $3,139 in health insurance premiums for current employees. The Agency also paid $1,704 for the year ended December 31, 2018, 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.

Net OPEB Liability

The Agency's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017 which was rolled forward to a measurement date of December 31, 2018 for purposes of calculating the net OPEB liability.

Actuarial Assumptions

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Increases	3.50%
Investment Rate of Return	5.50%
Healthcare Cost Trend Rates	Maximum of 8.60% for 2018, decreasing to an ultimate rate of 4.70% in 2056

(IN THOUSANDS)

NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

The plan has not had a formal actuarial experience study performed. Mortality rates were based on the RPH-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis. The other actuarial assumptions are based on the statewide 2014 experience study report for the state of New Jersey.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Cash	3.00 %	0.34%
U.S. Core Fixed Income	47.00	2.13%
U.S. Large Caps	10.50	4.70%
U.S. Small Caps	4.00	5.89%
U.S. Mid Caps	7.00	5.17%
U.S. Large Growth	8.00	5.37%
U.S. Large Value	8.00	4.63%
Non-U.S. Equity	12.50	6.38%
Total	100.00 %	

Actuarial Methods and Assumptions

Discount Rate

The discount rate used to measure the OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(IN THOUSANDS)

NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at December 31, 2017	$ 57,233	$ -	$ 57,233
Changes for the Year:			
Service Cost	1,708	-	1,708
Interest on Total OPEB Liability	3,196	-	3,196
Differences Between Expected and Actual Experience	(138)	-	(138)
Contributions - Employer	-	13,795	(13,795)
Net Investment Income	-	(610)	610
Benefit Payments	(1,704)	(1,704)	-
Administrative Expense	-	-	-
Net Changes	3,062	11,481	(8,419)
Balances at December 31, 2018	$ 60,295	$ 11,481	$ 48,814

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Agency calculated using the discount rate of 5.50%, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current discount rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	$ 59,081	$ 48,814	$ 40,596

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the Agency calculated using the current healthcare cost trend rates of 8.60% decreasing to 4.70%, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.60% decreasing to 3.70%) or 1-percentage-point higher (9.60% decreasing to 5.70%) than the current healthcare cost trend rates:

(IN THOUSANDS)

NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	1% Decrease (7.60% Decreasing to 3.70%)	Current Discount Rate (8.60% Decreasing to 4.70%)	1% Increase (9.60% Decreasing to 5.70%)
Net OPEB Liability	$ 38,869	$ 48,814	$ 61,638

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the Agency recognized OPEB expense of $4,631. At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 123
Net Difference Between Projected and Actual Earnings	868	-
Total	$ 868	$ 123

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Amount
2019	$ 202
2020	202
2021	201
2022	201
2023	(15)
Thereafter	(46)
Total	$ 745

NOTE 15 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 16 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, 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 17 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.

NOTE 17 DERIVATIVE INSTRUMENTS (CONTINUED)

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% 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% confidence level, and a regression coefficient for the slope between -1.25 and -0.80.

Terms, Fair Values, and Credit Risk

At December 31, 2018, all multi-family derivatives met the criteria for effectiveness.

The terms and fair values of the outstanding swaps as of December 31, 2018, 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 17 DERIVATIVE INSTRUMENTS (CONTINUED)

The following table presents both the hedging derivative value and the off market loan balances for Multi-Family Bond Component Swaps at December 31, 2018. 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:										
MHRB 2002-G	$ 2,670	$ 2,670	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	$ 347	$ (1)	Merrill Lynch Capital Services, Inc. (MLCS)	A3 / A- / A+
MHRB 2013-5	105,820	32,865	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	(223)	(5,334)	Merrill Lynch Capital Services, Inc. (MLCS)	A3 / A- / A+
MHRB 2013-5	-	20,600	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	31	(3,379)	Goldman Sachs MMDP	Aa2 / AA- / NR
MHRB 2013-5	-	53,265	5/1/2005	5/1/2024	4.0010%	67% of 1-Mo LIBOR + 18bp	(710)	(5,527)	Bank of America, N.A.	Aa3 / A+ / AA-
MHRB 2013-6	14,600	6,790	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(78)	(1,192)	Bank of America, N.A.	Aa3 / A+ / AA-
MHRB 2013-6	-	7,730	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	(266)	(1,675)	JPMorgan Chase Bank, N.A.	Aa1 / A+ / AA
MRB 2018-F HMFA #1426 - Heritage Village at Manalapan	27,185	2,500	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	67	-	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-F HMFA #2190 - Royal Crescent	-	3,035	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	82	-	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-F; MRB 2018-G	-	45,390	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	1,418	(8,685)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-G	50,000	20,690	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	393	(1,489)	Bank of America, N.A.	Aa3 / A+ / AA-
MRB 2018-G	-	5,050	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	477	(1,831)	JPMorgan Chase Bank, N.A.	Aa1 / A+ / AA
MRB 2018-H HMFA #2265 Sharp Rd	7,150	2,325	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	81	(676)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2018-H	-	1,850	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	67	-	JPMorgan Chase Bank, N.A.	Aa1 / A+ / AA
MRB 2018-H	-	2,975	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	95	(523)	Bank of America, N.A.	Aa3 / A+ / AA-
MRB 2009D HMFA #2101 - Acorn	16,270	1,335	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	97	(219)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #1352 - King	-	6,960	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	472	(1,045)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #2171 - Royal	-	1,350	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	108	(245)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #1437 -Trenton	-	1,255	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	82	(191)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
MRB 2009D HMFA #2272 - Toms	-	3,420	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	258	(430)	Wells Fargo Bank, N.A.	Aa1 / A+ / AA-
	$ 223,695	$ 222,055					$ 2,798	$ (32,442)		
							1, 2	1, 2		

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

∑ 1 =	Derivative instrument	$ (29,644)
∑ 2 =	Accumulated decrease in fair value of hedging derivative	(29,644)

NOTE 17 DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2018 was $222,055. This portfolio of derivative instruments is used to hedge $223,695 of the Agency's total $328,111 variable rate debt as of December 31, 2018.

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 18 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	$ 3,151
Interfund Payable:	
Multi-Family Housing Component	$ 3,151

NOTE 19 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, 2018, the line of credit had $5,312 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 $2,806 and $3,100 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 set aside $525 in their budget for potential payments due under this program.

The Agency has a $25,000 revolving line of credit with Wells Fargo Bank which accrues interest on any advances based on an applicable LIBOR rate as described in the agreement. At December 31 2018 there were no advances under this line of credit.

NOTE 20 SUBSEQUENT EVENTS

On January 2, 2019, the Agency renewed the $25,000 Revolving Line of Credit with Wells Fargo, NA through December 31, 2019.

In January 2019, Moody's maintained its Aa3 rating (positive outlook) on the Agency's Single Family Housing Revenue Bonds (HRB) Resolution.

In February 2019, S&P affirmed its AA rating (stable outlook) on the Agency's Single Family HRB Resolution.

In February 2019, the Agency extended two Multi-Family liquidity facilities totaling $120,400 with the current provider (Citi, N.A.)

In March 2019, the Agency issued $256,925 in Single Family Housing Revenue Bonds, 2019 Series C and D.

In March 2019, S&P affirmed its A+ rating (stable outlook) on the Agency's MF 1991-1 (Presidential Plaza at Newport) bonds and removed the rating from CreditWatch.

In April 2019, S&P affirmed its AA rating (stable outlook) on the Agency's issuer credit rating (ICR).

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF DECEMBER 31, 2018
(IN THOUSANDS)

	2018	2017	2016
Agency's Proportion of Net Pension Liability	0.2720%	0.2841%	0.2949%
Agency's Proportionate Share of Net Pension Liability	$ 53,554	$ 66,132	$ 87,342
Agency's Covered Payroll	$ 20,815	$ 19,000	$ 18,509
Agency's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	257%	348%	472%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	40.45%	36.78%	31.20%

* 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 PENSION CONTRIBUTIONS
AS OF DECEMBER 31, 2018
(IN THOUSANDS)

	2018	2017	2016
Actuarial Determined Contributions	$ 2,705	$ 2,632	$ 2,393
Contributions in Relation to the Actuarial Determined Contribution	$ 2,705	$ 2,632	$ 2,393
Contribution Deficiency (Excess)	$ -	$ -	$ -
Agency's Covered Payroll	$ 20,815	$ 19,000	$ 18,509
Contributions as a Percentage of Covered Payroll	13.00%	13.85%	12.93%

* 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,

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
There were no changes in assumptions when comparing to the prior year

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF CHANGES IN THE AGENCY'S NET OPEB LIABILITY AND RELATED RATIOS
AS OF DECEMBER 31, 2018
(IN THOUSANDS)

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
TOTAL OPEB LIABILITY										
Service Cost	$ 1,708	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Total OPEB Liability	3,196	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of Benefit Terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference Between Expected and Actual Experience	(138)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of Assumptions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(1,704)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in total OPEB Liability	3,062	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability - Beginning	57,233	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability - Ending (a)	$ 60,295	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	$ 13,795	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Investment Income	(610)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments	(1,704)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative Expenses	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	11,481	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	$ 11,481	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability (a) - (b)	$ 48,814	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a % of Total OPEB Liability	19.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	$ 18,991	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as a % of Covered Employee Payroll	257.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:
Benefit Changes: None
Changes of Assumptions: None

This schedule presents all information that is available until ten years of information is compiled.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S OPEB CONTRIBUTIONS
AS OF DECEMBER 31, 2018
(IN THOUSANDS)

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	$ 5,441	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution in Relation to the Actuarially Determined Contribution	13,795	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	$ (8,354)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	$ 18,991	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a % of Covered Employee Payroll	72.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule

Valuation date: 1/1/2017

Actuarially determined contribution rates are calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market Value
Inflation	2.30 percent
Healthcare cost trend rate	8.60 percent, decreasing to an ultimate rate of 4.70 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	5.50 percent
Retirement age	Expected retirements of employees with at least 25 years of service are assumed at a rate of 11.7% for employees aged 55, increasing to a rate of 50% for employees aged 65 or older
Mortality	Healthy lives used the RPH-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis. Disabled lives used the RPH-2015 Disabled Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis.

This schedule presents all information that is available until ten years of information is compiled.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
DECEMBER 31, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017
(IN THOUSANDS)

	FY 2018			
	Housing Revenue Bonds	Home Mortgage Bonds	Total	2017 Total
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS				
Restricted Cash and Cash Equivalents	$ 146,989	$ 27,777	$ 174,766	$ 85,503
Restricted Investments - Current	30,083	-	30,083	-
Accrued Interest Receivable on Investments	98	-	98	212
Mortgage Loans Receivable, Net	16,030	8,316	24,346	24,466
Accrued Interest Receivable on Mortgages	3,171	2,445	5,616	6,903
Due from Loan Servicers	1,441	948	2,389	1,897
Due from Other Funds	-	43	43	-
Other Current Assets	12,961	4,094	17,055	23,513
Total Current Assets	210,773	43,623	254,396	142,494
NONCURRENT ASSETS				
Restricted Investments - Noncurrent	6,502	-	6,502	19,866
Mortgage Loans Receivable, Net	425,494	256,149	681,643	711,514
Supplemental Mortgages and Other Loans, Net	25	11	36	110
Real Estate Owned	7,718	3,819	11,537	9,150
Total Noncurrent Assets	439,739	259,979	699,718	740,640
Total Assets	650,512	303,602	954,114	883,134
DEFERRED OUTFLOWS OF RESOURCES				
Acc. Dec. in Fair Value of Hedging Derivatives	-	-	-	3,970
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
CURRENT LIABILITIES				
Bonds and Obligations, Net	14,910	9,230	24,140	19,125
Accrued Interest Payable on Bonds and Obligations	4,497	2,469	6,966	6,749
Interfund Allocation	43	-	43	-
Other Current Liabilities	132	243	375	862
Total Current Liabilities	19,582	11,942	31,524	26,736
NONCURRENT LIABILITIES				
Bonds and Obligations, Net	478,567	274,980	753,547	740,185
Derivative Instrument	-	-	-	3,970
Total Noncurrent Liabilities	478,567	274,980	753,547	744,155
Total Liabilities	498,149	286,922	785,071	770,891
DEFERRED INFLOWS OF RESOURCES				
Commitment Fees	43	-	43	553
NET POSITION				
Restricted Under Bond and Obligation Resolutions	152,320	16,680	169,000	115,660
Total Net Position	$ 152,320	$ 16,680	$ 169,000	$ 115,660

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, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017)
(IN THOUSANDS)

	FY 2018			
	Housing Revenue Bonds	Home Mortgage Bonds	Total	2017 Total
OPERATING REVENUES				
Interest Income on Mortgage Loans	$ 22,459	$ 12,733	$ 35,192	$ 38,152
Recovery on Mortgage Modifications	1,441	885	2,326	5,252
Recovery of Bad Debt	18,863	4,856	23,719	6,308
Other Income, Net	-	-	-	87
Total Operating Revenues	42,763	18,474	61,237	49,799
OPERATING EXPENSES				
Interest and Amortization of Bond Prem/Disc	18,415	10,405	28,820	30,999
Servicing Fees and Other	1,347	918	2,265	2,355
Professional Services and Financing Costs	3,855	30	3,885	171
Loss on Sale of Real Estate Owned	1,378	1,178	2,556	8,445
Provision for Loan Losses	10,043	2,726	12,769	6,447
Total Operating Expenses	35,038	15,257	50,295	48,417
OPERATING INCOME	7,725	3,217	10,942	1,382
NONOPERATING REVENUES				
Investment Income	2,132	151	2,283	1,616
INCOME BEFORE TRANSFERS	9,857	3,368	13,225	2,998
TRANSFERS FROM OTHER RESOLUTIONS	30,160	9,955	40,115	-
INCREASE IN NET POSITION	40,017	13,323	53,340	2,998
Net Position - Beginning of Year	112,303	3,357	115,660	112,662
NET POSITION - END OF YEAR	$ 152,320	$ 16,680	$ 169,000	$ 115,660

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM
DECEMBER 31, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)
(IN THOUSANDS)

	FY 2018				
	1991-I	Housing Revenue 1995	Revenue 2005	Total	2017 Total
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 33	$ 129,929	$ 233,390	$ 363,352	$ 386,625
Accrued Interest Receivable on Investments	40	137	136	313	382
Mortgage Loans Receivable, Net	5,159	12,692	95,470	113,321	108,208
Accrued Interest Receivable on Mortgages	434	1,302	3,378	5,114	7,911
Fees and Other Charges Receivable	-	25	90	115	-
Other Current Assets	-	3	17	20	19
Total Current Assets	5,666	144,088	332,481	482,235	503,145
NONCURRENT ASSETS					
Restricted Investments - Noncurrent	7,620	16,951	16,450	41,021	48,378
Mortgage Loans Receivable, Net	69,343	227,467	569,872	866,682	808,193
Supplemental Mortgages and Other Loans, Net	-	36,858	-	36,858	17,431
Real Estate Owned	-	-	-	-	30,385
Total Noncurrent Assets	76,963	281,276	586,322	944,561	904,387
Total Assets	82,629	425,364	918,803	1,426,796	1,407,532
DEFERRED OUTFLOWS OF RESOURCES					
Acc. Dec. in Fair Value of Hedging Derivatives	-	18,007	11,637	29,644	45,128
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Bonds and Obligations, Net	5,085	10,755	116,286	132,126	75,825
Accrued Interest Payable on Bonds and Obligations	945	1,635	4,265	6,845	7,050
Interfund Allocation	-	982	2,169	3,151	3,239
Other Current Liabilities	831	31	17	879	66
Total Current Liabilities	6,861	13,403	122,737	143,001	86,180
NONCURRENT LIABILITIES					
Bonds and Obligations, Net	75,920	223,262	667,095	966,277	985,586
Minimum Escrow Requirement	-	2,450	4,052	6,502	6,281
Funds Held in Trust for Mortgagor	-	3,091	-	3,091	3,108
Other Noncurrent Liabilities	-	-	2,117	2,117	1,906
Derivative Instrument	-	18,007	11,637	29,644	45,128
Total Noncurrent Liabilities	75,920	246,810	684,901	1,007,631	1,042,009
Total Liabilities	82,781	260,213	807,638	1,150,632	1,128,189
NET POSITION (DEFICIT)					
Restricted Under Bond and Obligation Resolutions	(152)	183,158	122,802	305,808	324,471
Total Net Position	$ (152)	$ 183,158	$ 122,802	$ 305,808	$ 324,471

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, 2018
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED DECEMBER 31, 2017)
(IN THOUSANDS)

	FY 2018				
	1991-I	Housing Revenue 1995	Revenue 2005	Total	2017 Total
OPERATING REVENUES					
Interest Income on Mortgage Loans	$ 5,364	$ 14,151	$ 31,456	$ 50,971	$ 52,322
Fees and Charges	135	1,966	4,111	6,212	7,949
Recovery of Bad Debt	-	1,064	6,794	7,858	11,691
Gain on Derivative	-	-	-	-	260
Other Income - Net	462	11	82	555	1,103
Total Operating Revenues	5,961	17,192	42,443	65,596	73,325
OPERATING EXPENSES					
Interest and Amortization of Bond Prem/Disc	5,866	10,933	27,667	44,466	44,681
Insurance Costs	-	7	52	59	71
Servicing Fees and Other	270	-	-	270	270
Salaries and Related Benefits	-	1,191	2,385	3,576	4,586
Professional Services and Financing Costs	7	418	2,075	2,500	1,665
General and Administrative Expenses	-	410	822	1,232	917
Provision for Loan Losses	-	3	87	90	1,211
Total Operating Expenses	6,143	12,962	33,088	52,193	53,401
OPERATING INCOME (LOSS)	(182)	4,230	9,355	13,403	19,924
NONOPERATING REVENUES					
Investment Income	1,089	1,883	4,962	7,934	4,688
INCOME BEFORE TRANSFERS	907	6,113	14,317	21,337	24,612
TRANSFERS	-	(42,000)	2,000	(40,000)	36
INCREASE (DECREASE) IN NET POSITION	907	(35,887)	16,317	(18,663)	24,648
Net Position - Beginning of Year	(1,059)	219,045	106,485	324,471	299,823
NET POSITION - END OF YEAR	$ (152)	$ 183,158	$ 122,802	$ 305,808	$ 324,471