

**NEW JERSEY HOUSING AND
MORTGAGE FINANCE AGENCY**

FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE INFORMATION
FOR DECEMBER 31, 2014)**

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the New Jersey Housing and Mortgage Finance Agency (the Agency), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Agency as of December 31, 2015, 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-Matter

During fiscal year ended December 31, 2015, the Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the Agency reported a restatement for the change in accounting principle (see Note 20). Our auditors' opinion was not modified with respect to this matter.

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 4-13, the Schedule of Funding Progress, Schedule of Agency's Proportionate Share of Net Pension Liability and Schedule of Agency's Contributions on pages 54-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Agency's 2014 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated March 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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 27, 2016 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Baltimore, Maryland
May 27, 2016

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

Introduction to the Financial Report

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

The Financial Statements include

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

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

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

The Notes to the Financial Statements provide

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Management's Discussion and Analysis

This section of the Agency's financial statements, the Management's Discussion and Analysis (MD&A), presents an overview of the Agency's financial performance for the years ended December 31, 2015 and 2014. 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.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

The Agency's Business

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

Overall Financial Highlights – Year Ended December 31, 2015

The Agency's overall net position decreased by 4.1% from 2014 to 2015. The multifamily portfolio continued to perform well with continued recoveries on bad debt, and the single family portfolio had lower reserves offset by an increase in the loss on Real Estate Owned (REO) as foreclosures are steadily flowing through the court system. The General Fund remained relatively flat with recoveries of bad debt and conduit fee income offsetting the increase in OPEB liability and the Pension liability.

The Agency's Annual Required Contribution (ARC) for Other Postemployment Benefits (OPEB) increased by \$11.7 million in 2015 compared to an increase of \$4 million in 2014. This is primarily due to the decrease in the discount rate from 3.5% to 3.25% and a change in the mortality assumption. In addition, the Agency adopted Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 during the fiscal year which required a restatement to beginning net position of \$47.6 million related to net pension liability.

On December 31, 2012, the Agency acquired title to Paragon Village via a deed in lieu of foreclosure, and simultaneously appointed a reputable management company to assume control of Paragon's day to day operations. Management, under the direction of the Agency, restored Paragon to profitability in the 2nd quarter of 2013, reversing a trend of operating losses and delinquencies dating back to the project's inception. The Agency solicited offers to purchase Paragon from qualified owner-operators in the 4th quarter of 2013 pursuant to a Request for Offer to Purchase (RFOTP). On February 27, 2015, the Agency completed the sale of Paragon Village. The Agency received a cash payment of \$11.5 million at closing, and provided additional acquisition financing in the amount of \$2.5 million pursuant to a promissory note maturing in March of 2020 and bearing interest at an annual rate of 3.5%. A portion of the proceeds was used by the Agency to redeem, in full, outstanding bonds associated with Paragon in the Multi-Family Housing Revenue Bonds Resolution.

Single Family loan production declined as 99 loans were funded from the Single Family Housing Revenue Bond Resolution in 2015 compared to 166 loans in 2014. In order to offer competitive rates and increase single family loan production, the Agency implemented a mortgage backed securities (MBS) platform. In March 2014, the Agency was approved by the Government National Mortgage Association (Ginnie Mae) to be an issuer of Ginnie Mae I and II single family MBS. In 2015, the Agency originated 35 loans of which 21 were securitized with Ginnie Mae II MBS.

In February 2015, \$13.3 million in bonds were retired with proceeds from HUD Risk Share insurance received for Assisted Living at Wall. Upon bonds being called, the mortgage was transferred to the General Fund along with the corresponding liability of the insurance proceeds. Upon disposition of the asset, the final gain or loss on insurance risk will be determined.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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On March 26, 2015, the Agency issued \$69.6 million of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds, and \$31.8 million of tax-exempt direct purchase Multi-Family Revenue Bond draw down bonds to finance 26 new rental housing developments containing a total of 1,637 multifamily units. In addition, this financing included a \$109.8 million taxable fixed rate refunding component which refunded \$57.6 million of fixed rate bonds and \$52.1 million of hedged variable rate bond ("VRDN's"). The VRDN related interest rate swaps were fully callable at PAR and were terminated at no cost to the Agency on May 1, 2015. The refunding is expected to generate approximately \$8.1 million in net present value savings to the Resolution.

In 2012, the Agency acquired title to Whitlock Mills via a deed in lieu of foreclosure and currently records the property as an REO with a net value of \$18 million at December 31, 2015. 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). As of December 31, 2015, the Agency was reviewing the responses. The Agency anticipates selecting a buyer, negotiating the terms and conditions of sale and receiving the necessary internal approvals and completing the sale of Whitlock Mills in 2016.

The Agency closed 22 conduit bond issues totaling \$403 million in 2015. In addition, the program has a pipeline in excess of \$500 million.

In 2015, the Agency received \$25 million in U.S. Department of Treasury Hardest Hit Funds and closed 29 loans under this program. These are recorded as program income and program expense in the Agency's General Fund.

On December 23, 2014, the Agency entered into a one year Memorandum of Understanding (MOU) to administer Supportive Housing Connection. Supportive Housing Connection (SHC) is a partnership between the New Jersey Department of Human Services (NJ DHS) and the New Jersey Housing and Mortgage Finance Agency (NJHMF A) to administer NJ DHS rental subsidies and connect its clients to quality housing opportunities across the state. Additionally, SHC conducts inspections of participating housing units to ensure their physical integrity and compliance with the U.S. Department of Housing and Urban Development's Housing Quality Standards. SHC also provides resident inquiry resolution services for tenants and landlords, as needed. Officially launched in February of 2015, the goal of SHC is to provide access to affordable housing for New Jersey residents with special needs by consolidating NJ DHS's rental subsidy resources into one location for convenient and efficient management. By the end of 2015, SHC administered rental subsidies for approximately 3,000 tenants. The parties are in the process of extending the MOU for an additional three year period.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plans, the Agency received a total allocation of \$679.52 million in CDBG-DR funds as sub recipient to implement three state affordable housing programs designed to support the needs of renters and prospective homeowners in nine counties throughout the State which were hardest hit by Superstorm Sandy. The Fund for Restoration of Multifamily Housing (FRM Tranches 1 – 3B) was allocated \$594.52 million, the Sandy Special Needs Housing Fund (SSNHF) \$60.0 million, and the Sandy Homebuyer Assistance Program (SHAP) was allocated \$25.0 million. The following are the 2015 highlights:

FRM Tranche 1

A total of 22 projects financed through the FRM Tranche 1 Program were completed in 2015, creating approximately 1,800 units.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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FRM Tranche 2

At the April 10, 2015 Board Meeting of the HMFA, more than \$180 million in federal Sandy recovery funds were committed for Tranche 2. The awards were made to the highest ranking eligible applicants based on objective selection criteria, tiebreaker and equitable distribution provisions. The awards were based on criteria consistent with Action Plan Amendment 7 and the Voluntary Compliance Agreement and Conciliation Agreement (VCA). A total of 18 projects (1484 units) were committed in 2015.

FRM Tranche 3A

In May 2015, the Agency Board approved the initial rollout of FRM-3A funds for qualified projects that meet ALL of the following criteria:

- Family (non-age restricted) project;
- Located outside of a Targeted Urban Municipality (non-TUM);
- Located in Monmouth or Ocean County; and
- Located in a municipality that sustained major or severe renter damage based on a "Major and Severe Renter Damage by Municipality" chart or physically borders a town, or multiple towns.

A total of 6 projects for 3A were awarded \$74.8 million in 3B FRM funds at the November 5, 2015 Board Mtg. This will create 520 total units (445 LMI).

FRM Tranche 3B

The Selection Guidelines were presented to the HMFA Board at the September 24th meeting for Tranche 3B. Tranche 3B Part A applications were due on November 6, 2015 and Part B applications will be due on April 8, 2016. The awards will be announced in July 2016.

Sandy Special Needs

Approximately 85 beds were committed in 2015, accounting for approximately \$12 million in CDBG-DR funds.

SHAP

A total of 74 Sandy Homebuyer Assistance loans were committed in 2015, accounting for approximately \$3.7 in CDBG-DR funds. The program is now complete and the remaining funds of \$4.5 million will be transferred to the Essential Services Grant Program which is administered by the Department of Community Affairs.

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, 2015, the Agency had total variable rate bonds outstanding in the amount of \$77.505 million (excluding bond maturities scheduled to occur in 2015) whose related liquidity facilities were scheduled to expire in 2015. The Agency successfully resolved its entire 2015 liquidity expiration exposure of \$77.505 million by taking the following actions:

- May 2015 - Extended \$24.565 million SF liquidity facility with current provider (TD Bank, N.A.).
- November 2015 - Replaced six MF liquidity facilities totaling \$52.94 million with a new provider (Bank of America, N.A.).

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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The following credit rating actions occurred in 2015:

- February 2015 - Standard & Poor's Rating Services (S&P) upgraded its rating on the Agency's Multi-Family Revenue Bonds (MF 2004) resolution from A+ to AA-, and affirmed the stable outlook.
- April 2015 - Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the Agency's Single Family Housing Revenue Bonds (HRB) resolution.
- July 2015 - Moody's Investors Service (Moody's) affirmed its Aa3 (negative outlook) rating on the Agency's Single Family Housing Revenue Bonds (HRB) resolution.
- September 2015 - Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the Agency's issuer credit rating (ICR).
- October 2015 - Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the Agency's Multi-Family General Housing Loan Bonds (GHLB) resolution.
- December 2015 - Standard & Poor's Rating Services (S&P) affirmed its AA- (stable outlook) rating on the Agency's Multi-Family Revenue Bonds (MF 2004) resolution.

Overview of the Financial Statements

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

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

Financial Analysis

The following sections will discuss the Agency's financial results for 2015 compared to 2014. Additionally, an examination of major economic factors that have contributed to the Agency's operations is provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented are in conformity with the Agency's financial statements, which are presented in accordance with accounting principles generally accepted in the United States. All dollar amounts are in thousands.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

NJHMFA's Condensed Statement of Net Position

The Statement of Net Position presents the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of December 31, 2015. The following table represents the comparison of net position as of December 31, 2015 and 2014. The change between December 31, 2015 and December 31, 2014 should be read in conjunction with the financial statements.

Condensed Statement of Net Position
(In Thousands)

	2015	2014 *	<u>% Change</u> 2015/2014
Current and other assets	\$ 1,052,799	\$ 932,995	12.8%
Other noncurrent assets	2,574,200	2,816,470	-8.6%
Capital assets	<u>8,300</u>	<u>9,028</u>	-8.1%
Total assets	<u>3,635,299</u>	<u>3,758,493</u>	-3.3%
Deferred outflows	<u>93,272</u>	<u>90,623</u>	2.9%
Current liabilities	405,409	353,440	14.7%
Long-term liabilities	<u>2,486,550</u>	<u>2,622,855</u>	-5.2%
Total liabilities	<u>2,891,959</u>	<u>2,976,295</u>	-2.8%
Deferred Inflows	<u>1,807</u>	<u>932</u>	93.9%
Net position:			
Net investment in capital assets	8,300	9,028	-8.1%
Restricted	407,698	380,883	7.0%
Unrestricted	<u>418,807</u>	<u>481,978</u>	-13.1%
Total net position	<u>\$ 834,805</u>	<u>\$ 871,889</u>	-4.3%

* 2014 amounts have not been restated for the implementation of GASB 68 and 71

The Agency's overall 3.3% decrease in total assets resulted from the following factors:

- Cash and cash equivalents increased by \$114.6 million, offset by a decrease in investments of \$66.5 million, primarily due to bond fund investment agreements expiring and the proceeds were invested in cash equivalents. The remaining increase in cash equivalents is undisbursed bond proceeds which will be used for multifamily mortgages.
- Mortgage and supplemental loans receivable decreased by \$112.0 million, primarily due to the decrease in single family loan production coupled with delinquent loans progressing through the foreclosure process and natural loan run-off.
- Real estate owned decreased by \$42.6 million mainly due to the sale of Paragon Village (\$13.5 million) and the write down of Whitlock Mills (\$30 million).

The Agency's overall 2.8% decrease in total liabilities resulted from the following factors:

- Bonds and accrued interest payable decreased by \$159.5 million due to regularly scheduled payments of \$79.4 million and early redemptions of \$305.6 million coupled with low interest rates on unhedged variable rate bonds. This was offset by the issuance of \$225.5 million bonds payable.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

- Funds held in trust for mortgagors increased by \$11.3 million due to increased production of programs administered by the Agency, such as Supportive Housing and Police and Fire Retirement mortgages.
- The OPEB liability increased by \$11.4 million due to the effects of a decrease in the discount rate from 3.5% to 3.25% and a change in the mortality actuarial assumptions.
- Pension liability increased by \$62.5 million due to the implementation of GASB 68 & 71 which requires the Agency to report the liability calculated by an actuarial valuation for the pension plan.
- Derivative instruments (hedging derivative value + off market loan balances) decreased by \$10.6 million due to a multitude of factors. Individual swaps are affected by changes in Libor and/or SIFMA rates. In 2015, Libor rates rose steadily, while SIFMA rates fluctuated up and down. The remaining life of a swap also impacts the value as it must accrete to \$0 by the maturity date. In addition to these factors which affect the directional change in a swap's value, the magnitude of the change is affected by other factors including the size, remaining life and the maturity date. Each swap is analyzed individually with any changes in fair value reported. See Note 18 for further analysis about specific derivative instruments held by the SFHRB, MFHRB and MFRB Resolutions.

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

The Statements of Revenues, Expenses and Changes in Net Position reports revenues recognized and expenses incurred for the years ended December 31, 2015 and 2014. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2015 and 2014. It should be read in conjunction with the financial statements.

**Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Years Ended December 31, 2015 and 2014
(In Thousands)**

	2015	2014 *	<u>% Change</u> <u>2015/2014</u>
Operating revenues:			
Interest income on mortgage loans	\$ 114,463	\$ 127,728	-10.4%
Fees and charges	41,327	36,208	14.1%
Program income	23,265	79,904	-70.9%
Grant income	92,607	90,375	2.5%
Recovery of bad debt	61,487	30,358	102.5%
Gain on derivative	223	553	-59.7%
Other	3,079	5,304	-41.9%
	<u>336,451</u>	<u>370,430</u>	-9.2%
Operating expenses	<u>322,084</u>	<u>364,468</u>	-11.6%
Operating income (loss)	14,367	5,962	141.0%
Non-operating revenues (expenses), net	<u>(3,808)</u>	<u>7,421</u>	-151.3%
Increase in net position	10,559	13,383	-21.1%
Net position, beginning of year, as restated	824,246	858,506	-4.0%
Net position, end of year	<u>\$ 834,805</u>	<u>\$ 871,889</u>	-4.3%

* 2014 amounts have not been restated for the implementation of GASB 68 and 71

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The 141.0% increase in operating income is due to the following factors:

- Interest income on mortgages receivable decreased by \$13.3 million due to the decrease in production, delinquencies and normal portfolio runoff of the single family mortgages.
- Fees and charges increased by \$5.1 million due to the increase of \$4.4 million in multi-family conduit bond program fees and a modest increase in multi-family loan fees.
- Program income decreased by \$56.6 million due to the winding down of the initial Federal Hardest Hit Program.
- Recovery of bad debt increased by \$31.1 million due to the change in mortgage reserve valuation method which resulted in recoveries on previous allowances.

**Summary of Operating Expenses for the Years Ended
December 31, 2015 and 2014
(In Thousands)**

	2015	2014 *	<u>% Change</u> 2015/2014
Operating expenses:			
Interest and amortization	\$ 88,384	\$ 99,769	-11.4%
Insurance costs	1,705	787	116.6%
Servicing fees and other	9,787	17,809	-45.0%
Salaries and related benefits	42,226	30,517	38.4%
Professional services and financing costs	3,866	3,114	24.1%
General and administrative expenses	6,881	7,407	-7.1%
Grant expense	93,107	96,869	-3.9%
Program expense	21,353	76,841	-72.2%
Provision for loan losses	54,775	31,355	74.7%
Total operating expenses	<u>\$ 322,084</u>	<u>\$ 364,468</u>	-11.6%

* 2014 amounts have not been restated for the implementation of GASB 68 and 71

Total operating expenses decreased 11.6%. The following significant fluctuations occurred within operating expenses:

- Interest expense decreased by \$11.4 million due to the early redemption of bonds and low interest rates on variable rate debt.
- Servicing fees decreased by \$8.0 million due to the decrease in single family loans outstanding and the decrease in escrow shortages on delinquent single family loans.
- Salaries and related benefits increased by \$11.7 million primarily due to increases in the OPEB liability of \$11.4 million compared to an increase of \$3.8 million in 2014.
- Program expense decreased by \$58.5 million as the loan production for U.S. Department of Treasury Hardest Hit Funds decreased from 741 new loans in 2014 to 29 loans in 2015 as the original allocation of funds have been substantially committed.
- Provision for loan losses increased by \$23.4 million due to the write down of the Whitlock Mills REO property of about \$29 million.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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Debt Administration

At December 31, 2015, the Agency had \$2.0 billion of bond principal outstanding, net of deferral on refunding, discount and premium, a decrease of 7.3% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2015 and 2014, and the changes in bonds payable. Dollars are in thousands.

	2015	2014	<u>% Change</u> 2015/2014
Bonds payable, net	\$ 1,991,671	\$ 2,149,050	-7.3%

Additional information about the Agency's debt is presented in Note 8 of the financial statements.

Single Family Programs

The Agency provides a variety of residential mortgage financing programs that primarily serve low to moderate and middle-income first time homebuyers and homebuyers purchasing in certain designated urban areas. Traditionally, the programs were funded with Mortgage Revenue Bond proceeds, however due to market conditions, no bonds were issued in 2015 and the Agency began funding loans via the mortgage backed securities platform (MBS).

Multi-Family Programs

On March 26, 2015, the Agency issued \$69.6 million of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds, and \$31.8 million of tax-exempt direct purchase Multi-Family Revenue Bond draw down bonds to finance 26 new rental housing developments containing a total of 1,637 multifamily units. In addition, this financing included a \$109.8 million taxable fixed rate refunding component which refunded \$57.6 million of fixed rate bonds and \$52.1 million of hedged variable rate bond ("VRDN's"). The VRDN related interest rate swaps were fully callable at PAR and were terminated at no cost to the Agency on May 1, 2015.

Economic Factors

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

- **Trends in single family mortgage rates-** Although the Federal Reserve continued to apply downward pressure on interest rates for most of 2015, the Agency's traditional cost of funds in the mortgage revenue bond (MRB) market remained relatively high, limiting the Agency's ability to lend profitably at competitive interest rates. This market anomaly caused a significant decline in single family loan production. As an alternative funding source to remain active in the single family mortgage market, the Agency has implemented a 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. In 2010, the state, by way of an Administrative Order, imposed a moratorium on residential foreclosures, which expired in 2012. The expiration of the moratorium caused a backlog in the court proceedings which caused our delinquencies to remain high, pending judicial foreclosure. This backlog continues to slow the foreclosure process.

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

- **Trends in home prices-** The Agency experienced an increase in REO losses in 2015. This was a result of the number of properties to be sold in the portfolio and the sale of homes at reduced prices. New Jersey has one of the highest foreclosure rates in the country, which has resulted in a growing inventory of for sale homes, contributing further to the overall decline in sale prices.
- **Continued Effect of Superstorm Sandy-** The recovery from Superstorm Sandy continues to influence our multifamily production. Community Development Block Grant Funds (CDBG) provided a much needed subsidy for the development of multifamily housing in the hardest hit counties served by the Agency.
- **Trends in the Agency's credit ratings-** The cost of capital available to the Agency decreases as credit ratings trend upward. In 2015, Moody's Investor Services took no action on the rating of the SFHMB Resolution and affirmed its rating on the SFHRB Resolution. Standard and Poor's Rating Services also affirmed the SFHRB resolution ratings during the same period. In 2015, Standard and Poor's Rating Services upgraded the rating of the Multi-Family Revenue Bonds Resolution. There was no rating action in 2015 on the Multi-Family Housing Revenue Bond Resolution.

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, 2015
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)
(IN THOUSANDS)

Primary Government							
Bonds and Obligation Funds				Business-Type Activities			
Single-Family	Multi-Family	General	Subtotal	Interfund	2015	2014	
Mortgage	Housing	Fund		Eliminations			
Component	Component						
CURRENT ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 77,138	\$ 77,138	\$ -	\$ 77,138	\$ 55,755
Restricted cash and cash equivalents	79,170	285,551	440,166	804,887	-	804,887	711,707
Investments	-	-	11,137	11,137	-	11,137	9,919
Restricted investments	-	8,134	-	8,134	-	8,134	12,699
Accrued interest receivable on investments	269	408	1,326	2,003	-	2,003	2,418
Mortgage loans receivable, net	27,685	69,271	9,344	106,300	-	106,300	87,559
Supplemental mortgages and other loans, net	-	-	315	315	-	315	1,008
Fees and other charges receivable	-	-	2,024	2,024	-	2,024	1,797
Due from loan services and insurers	2,741	-	3	2,744	-	2,744	3,175
Interfund allocation	-	-	2,798	2,798	(2,798)	-	-
Other current assets	34,473	236	3,408	38,117	-	38,117	46,958
Total current assets	144,338	363,600	547,659	1,055,597	(2,798)	1,052,799	932,995
NONCURRENT ASSETS							
Investments	-	-	222,637	222,637	-	222,637	147,388
Restricted investments	29,428	49,509	17,430	96,367	-	96,367	234,774
Mortgage loans receivable, net	936,942	834,571	168,754	1,940,267	-	1,940,267	2,083,102
Debt service arrears receivable, net	11,037	127	110	11,274	-	11,274	15,962
Interest receivable on construction advances and mortgages	-	-	-	-	-	-	1,675
Supplemental mortgages and other loans, net	239	17,822	257,696	275,757	-	275,757	263,054
Real estate owned	6,128	21,181	450	27,759	-	27,759	70,359
Real estate held for redevelopment	-	-	-	-	-	-	-
Capital assets, net	-	-	8,300	8,300	-	8,300	9,028
Other noncurrent assets	-	-	139	139	-	139	156
Total non-current assets	983,774	923,210	675,516	2,582,500	-	2,582,500	2,825,498
Total Assets	1,128,112	1,286,810	1,223,175	3,638,097	(2,798)	3,635,299	3,758,493
DEFERRED OUTFLOWS OF RESOURCES							
Pension expense	-	-	13,010	13,010	-	13,010	-
Accumulated decrease in fair value of hedging derivatives	15,865	64,397	-	80,262	-	80,262	90,623
Total Deferred Outflows of Resources	15,865	64,397	13,010	93,272	-	93,272	90,623

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2015
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)
(IN THOUSANDS)

	Primary Government						
	Bonds and Obligation Funds				Business-Type Activities		
	Single-Family	Multi-Family	General Fund	Subtotal	Interfund Eliminations	2015	2014
	Mortgage Component	Housing Component					
CURRENT LIABILITIES							
Bonds and obligations, net	\$ 33,305	\$ 95,781	\$ -	\$ 129,086	\$ -	\$ 129,086	\$ 78,620
Accrued interest payable on bonds and obligations	8,942	6,899	-	15,841	-	15,841	17,951
Subsidy payments received in advance	-	-	4,622	4,622	-	4,622	4,575
Advances from State of NJ for bond and housing assistance	-	-	16,502	16,502	-	16,502	16,836
Other current liabilities	1,291	63	6,929	8,283	-	8,283	6,666
Interfund allocation	-	2,798	-	2,798	(2,798)	-	-
Mortgagor escrow deposits	-	1,107	229,968	231,075	-	231,075	228,792
Total current liabilities	<u>43,538</u>	<u>106,648</u>	<u>258,021</u>	<u>408,207</u>	<u>(2,798)</u>	<u>405,409</u>	<u>353,440</u>
NONCURRENT LIABILITIES							
Bonds and obligations, net	969,997	892,588	-	1,862,585	-	1,862,585	2,070,430
Minimum escrow requirement	-	6,931	638	7,569	-	7,569	8,151
Funds held in trust for mortgagors	-	11,049	334,607	345,656	-	345,656	334,327
Other non-current liabilities	-	2,045	5,597	7,642	-	7,642	7,893
OPEB liability	-	-	74,504	74,504	-	74,504	63,107
Net pension liability	-	-	62,473	62,473	-	62,473	-
Derivative instrument	15,865	64,891	-	80,756	-	80,756	91,340
Unearned revenue	-	-	45,365	45,365	-	45,365	47,607
Total noncurrent liabilities	<u>985,862</u>	<u>977,504</u>	<u>523,184</u>	<u>2,486,550</u>	<u>-</u>	<u>2,486,550</u>	<u>2,622,855</u>
Total liabilities	<u>1,029,400</u>	<u>1,084,152</u>	<u>781,205</u>	<u>2,894,757</u>	<u>(2,798)</u>	<u>2,891,959</u>	<u>2,976,295</u>
DEFERRED INFLOWS OF RESOURCES							
Pension expense	-	-	1,004	1,004	-	1,004	-
Commitment fees	803	-	-	803	-	803	932
Total deferred inflows of resources	<u>803</u>	<u>-</u>	<u>1,004</u>	<u>1,807</u>	<u>-</u>	<u>1,807</u>	<u>932</u>
NET POSITION							
Net investment in capital assets	-	-	8,300	8,300	-	8,300	9,028
Restricted under bond and obligation resolutions	113,774	267,055	-	380,829	-	380,829	369,938
Restricted for Special Needs Housing	-	-	26,869	26,869	-	26,869	10,945
Unrestricted	-	-	418,807	418,807	-	418,807	481,978
Total Net Position	<u>\$ 113,774</u>	<u>\$ 267,055</u>	<u>\$ 453,976</u>	<u>\$ 834,805</u>	<u>\$ -</u>	<u>\$ 834,805</u>	<u>\$ 871,889</u>

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, 2015
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family	Multi-Family	General		
	Mortgage	Housing	Fund	2015	2014
	Component	Component			
OPERATING REVENUES					
Interest income on mortgage loans	\$ 49,177	\$ 58,565	\$ 6,721	\$ 114,463	\$ 127,728
Fees and charges	-	7,044	34,283	41,327	36,208
Program income	-	-	23,265	23,265	79,904
Grant income	-	-	92,607	92,607	90,375
Recovery of bad debt	-	33,534	27,953	61,487	30,358
Gain on derivative	-	223	-	223	553
Other income - net	36	1,993	1,050	3,079	5,304
Total operating revenues	49,213	101,359	185,879	336,451	370,430
OPERATING EXPENSES					
Interest and amortization of bond premium and discounts	41,106	46,873	405	88,384	99,769
Insurance costs	-	283	1,422	1,705	787
Servicing fees and other	3,323	270	6,194	9,787	17,809
Salaries and related benefits	-	4,298	32,862	37,160	28,517
Professional services and financing costs	515	1,727	1,624	3,866	3,114
General and administrative expenses	-	1,090	5,791	6,881	7,407
Grant expense	-	-	93,107	93,107	96,869
Program expense	-	-	21,353	21,353	76,841
Pension Expense	-	-	5,066	5,066	2,000
Provision for loan losses	8,981	27,818	17,976	54,775	31,355
Total operating expenses	53,925	82,359	185,800	322,084	364,468
Operating income (loss)	(4,712)	19,000	79	14,367	5,962
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,451	4,109	3,042	8,602	11,332
Loss on sale of real estate owned	(11,869)	-	(541)	(12,410)	(3,911)
Total nonoperating revenues, net	(10,418)	4,109	2,501	(3,808)	7,421
Income (loss) before transfers	(15,130)	23,109	2,580	10,559	13,383
TRANSFERS	(110)	3,022	(2,912)	-	-
INCREASE (DECREASE) IN NET POSITION	(15,240)	26,131	(332)	10,559	13,383
NET POSITION, BEGINNING OF YEAR, AS RESTATED	129,014	240,924	454,308	824,246	858,506
NET POSITION, END OF YEAR	\$ 113,774	\$ 267,055	\$ 453,976	\$ 834,805	\$ 871,889

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds		General Fund	Business-Type Activities	
	Single-Family	Multi-Family		2015	2014
	Mortgage Component	Housing Component			
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interest on mortgages and loans	\$ 49,177	\$ 58,565	\$ 6,721	\$ 114,463	\$ 127,728
Receipts from fees, charges and other	36	9,260	148,449	157,745	185,072
Receipts from principal payments on mortgage receivables	141,078	111,525	31,072	283,675	313,705
Payments to employees	-	(4,298)	(23,707)	(28,005)	(257,704)
Payments to vendors	(2,588)	(3,696)	(126,385)	(132,669)	-
Payments to mortgage purchases and advances	(19,416)	(58,133)	(45,166)	(122,715)	(132,281)
Payments for interest and amortization of bond premium/discounts	(43,181)	(47,593)	(405)	(91,179)	(102,127)
(Payments) receipts for other	(120)	(43,104)	-	(43,224)	-
Recovery of bad debt	-	2,109	-	2,109	-
Receipts (payments) for funds held in trust	-	-	56,151	56,151	8,338
Net cash provided by operating activities	<u>124,986</u>	<u>24,635</u>	<u>46,730</u>	<u>196,351</u>	<u>142,731</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from proceeds of sale of bonds and obligations	-	225,514	-	225,514	54,633
Payments for retirement of bonds	(153,795)	(228,645)	-	(382,440)	(243,415)
Transfers and others	(110)	3,022	(2,912)	-	-
Net cash used in noncapital financing activities	<u>(153,905)</u>	<u>(109)</u>	<u>(2,912)</u>	<u>(156,926)</u>	<u>(188,782)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Additions to capital assets	-	-	(384)	(384)	(476)
Net cash used in capital financing activities	<u>-</u>	<u>-</u>	<u>(384)</u>	<u>(384)</u>	<u>(476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(73,207)	(31,385)	(1,302)	(105,894)	(167,356)
Sales/maturities of investments	90,346	82,053	-	172,399	234,327
Gain/Loss on real estate owned	-	-	-	-	(3,911)
Earnings on investments	1,596	4,471	2,950	9,017	11,820
Net cash provided by investing activities	<u>18,735</u>	<u>55,139</u>	<u>1,648</u>	<u>75,522</u>	<u>74,880</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(10,184)</u>	<u>79,665</u>	<u>45,082</u>	<u>114,563</u>	<u>28,353</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>89,354</u>	<u>205,886</u>	<u>472,222</u>	<u>767,462</u>	<u>739,109</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 79,170</u>	<u>\$ 285,551</u>	<u>\$ 517,304</u>	<u>\$ 882,025</u>	<u>\$ 767,462</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)
(IN THOUSANDS)

	Primary Government				
	Bonds and Obligation Funds			Business-Type Activities	
	Single-Family	Multi-Family	General Fund		
	Mortgage Component	Housing Component		2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ (4,712)	\$ 19,000	\$ 79	\$ 14,367	\$ 5,962
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	-	-	1,112	1,112	1,098
Loss on real estate owned	(11,869)	-	(541)	(12,410)	-
Provision for loan losses	5,365	27,818	17,976	51,159	31,355
Amortization of premium and discounts	(456)	3	-	(453)	(704)
Effects of changes in operating assets and liabilities:					
Mortgage loans receivable, net	128,063	13,415	(45,166)	96,312	154,463
Fees and other charges receivable	-	-	(227)	(227)	(596)
Due from loan servicers and insurers	351	-	80	431	(368)
Deferred charges - bond issuance costs, net	-	-	-	-	-
Deferred outflow of resources	(129)	(223)	-	(352)	-
Other assets	10,351	(176)	341	10,516	-
Real estate owned	(248)	8,569	3,580	11,901	(29,686)
Interfund allocation	-	(36)	53	17	(1)
Accrued interest payable on bonds	(1,610)	(500)	-	(2,110)	(1,460)
Advance from the State of New Jersey	-	-	(334)	(334)	(2,941)
Funds held in trust for mortgagor	-	(42,790)	54,119	11,329	9,012
Minimum escrow requirement	-	(314)	(268)	(582)	(625)
Mortgagor escrow deposits	-	(17)	2,300	2,283	(49)
Subsidy payments received in advance	-	-	47	47	(15)
Unearned revenue	-	-	(2,242)	(2,242)	(23,167)
Net pension liability	-	-	2,824	2,824	-
OPEB liability	-	-	11,397	11,397	3,892
Derivative instrument	-	-	-	-	(748)
Other liabilities	(120)	(114)	1,600	1,366	(2,691)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 124,986	\$ 24,635	\$ 46,730	\$ 196,351	\$ 142,731

See accompanying Notes to Financial Statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Agency

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

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

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

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

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

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

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 \$442,368 for the year ended December 31, 2015.

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 \$14,046 for the year ended December 31, 2015.

Reporting Entity

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

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

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

ABC

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

Basis of Accounting

The financial statements of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred.

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

Prior Year Comparative Financial Information

The basic financial statements include certain prior year summarized comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2014, from which the summarized information was derived. Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation. The reclassifications did not affect net position or changes therein.

Descriptions of Funds

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

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

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

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Descriptions of Funds (Continued)

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

Cash and Cash Equivalents

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

Investments

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

Capital Assets and Related Depreciation

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

<u>Asset Class</u>	<u>Useful Lives</u>
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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Allowance for Loan Losses

Certain projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's General Fund. In addition, the Single Family home owners may face similar cash flow issues causing loans to become uncollectible. The Agency has provided allowances for loan losses aggregating \$323,461 as of December 31, 2015 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).

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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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 \$2,085 as of December 31, 2015 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 revenue represents the cumulative amount by which pass-through revenues exceed expenses.

Deferred Inflows/Outflows of Resources

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

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

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

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

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

Operating and Non-Operating Revenues and Expenses

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

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

Derivative Instruments

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

Tax Status

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

New Accounting Pronouncements

The Agency implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 for the period ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The implementation resulted in the reporting of a net pension liability and deferred outflows/inflows of resources on the statement of net position.

The Agency implemented GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 for the period ending December 31, 2015. The objective of this Statement is to address an issue regarding the provisions of Statement No. 68 relating to contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the beginning net pension liability. The implementation was performed in conjunction with GASB Statement No. 68 and any changes to the financial statements were made accordingly.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 2 EARLY EXTINGUISHMENT OF DEBT

During the year ended December 31, 2015, 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 \$305,580.

NOTE 3 INVESTMENTS AND DEPOSITS

Investment Policy – Agency General Fund

The Agency has established an investment policy, which pertains to assets of the Agency such as the General Fund assets, which are held outside of the Agency's Bond Resolutions. The primary investment objectives of the Agency's investment activities are to preserve principal, meet liquidity needs, further purposes of the Agency and provide a suitable return in relationship to current market conditions and the established investment policy. The Agency's investment policy includes guidelines as to liquidity and duration, eligible investments, concentration limits, credit quality and currency. The Agency's General Fund cash and equivalents are managed by BlackRock pursuant to an agreement between the Agency and BlackRock. BlackRock has been instructed to follow the Agency's aforementioned investment policy.

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

Investment Policy – Bond Resolutions

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

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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency has no formal policy as to custodial credit risk related to cash and equivalents held outside of its Bond Resolutions. Certain of the Agency's Bond Resolutions have varying provisions which relate to custodial credit risk including requirements that certain monies and certain deposits of funds held under Resolutions be insured by federal deposit insurance or collateralized or secured by the U.S. government, or U.S. government agency obligations. In some cases, the Trustee or paying agent is excluded from these requirements related to funds held by them in trust. In some cases certain of the Agency's Bond Resolutions require that the holders (banks and other entities) of certain deposits have certain minimum long-term or short-term credit rating levels. All funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA).

As of December 31, 2015, the Agency's bank balance amounted to \$406,842, all of which was insured or collateralized.

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

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

Investments with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. The Fund does not have a credit rating. The Agency also utilizes Bank of America Cash Management Funds for certain project escrow accounts. These funds are invested in government securities and NJ municipal securities. At December 31, 2015, the Agency's investment in Cash Management Funds amounted to \$211,911. These amounts are included in cash and cash equivalents (unrestricted and restricted) on the Statement of Net Position.

Investment Type and Interest Rate Risk Disclosure

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

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

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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure (Continued)

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

Interest Rate Risk

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

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

Interest Rate Risk (Continued)

As of December 31, 2015, the Agency had the following investments, maturities and credit quality related to the General Fund.

	Fair Value	Weighted Average Maturity (years)	Credit Ratings	
	2015		S&P	Moody's
Investment type:				
U.S. Treasury Securities	\$ 55,995	4.16	AA+	Aaa
U.S. Government and Agency-Backed Securities	14,031	3.15	AA+	Aaa
Non-Agency Mortgage-Backed Securities	17,317	1.42	AAA to AA-	Aaa to Baa3
Asset Backed Securities	40,730	1.91	AAA	Aaa
Corporate Notes	82,991	2.08	AAA to BBB+	Aaa to A1
Municipal Bonds	17,430	14.72	AA-	Unrated
Other Short-Term Instruments	22,710	N/A	AAA	Aaa
Total investments	<u>\$ 251,204</u>			

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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

As of December 31, 2015, the Agency had the following investments, maturities and credit quality related to the Bond Resolutions.

	Fair Value	Weighted Average	Credit Ratings	
	2015	Maturity (years)	S&P	Moody's
Investment type:				
Guaranteed Investment Contracts	\$ 75,370	22.78	Unrated	Unrated
U.S. Treasury Securities	8,134	0.31	AA+	Aaa
U.S. Government and Agency-Backed Securities	3,567	16.55	AA+	Aaa
Total investments	<u>\$ 87,071</u>			

Credit Risk

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

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

Concentration of Credit Risk

The Agency's aforementioned investment policy does place limits on the amounts that may be invested in any one issuer relating to certain types of investments. There are no concentration limits on obligations of the U.S. government and U.S. federal agencies; however, obligations of all other issuers are limited such that those with any one issuer may not exceed 5% of the aggregate market value of the portfolio. As of December 31, 2015, the General Fund did not have any investments that represented 5% or more of total investments that were subject to concentration of credit risk.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 3 INVESTMENTS AND DEPOSITS (CONTINUED)

Concentration of Credit Risk (Continued)

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the years ended December 31, 2015, the Agency did not invest in any repurchase agreements.

Although the bond resolutions do not impose such limits, the following table shows investments of the Bond Resolutions in issuers that represent 5% or more of total investments at December 31, 2015:

Issuer	December 31, 2015	
Natixis Funding Corp	\$ 26,866	30.86%
Mass Mutual	28,220	32.41%
US Treasury	8,134	9.34%
Morgan Guaranty	6,551	7.52%
AEGON/Transamerica Life	12,648	14.53%

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 \$54,344 and aggregate a fair value of approximately \$57,648 as of December 31, 2015. The debt service reserve for several of the Multi-Family issues is called the Housing Finance Fund. The debt service reserve investments for the Single-Family Program (funded by bond proceeds or contributed cash) are included in the restricted investment balances of \$28,427 and had an aggregate fair value of approximately \$11,783 as of December 31, 2015. 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 \$22,190 and the Single-Family component had \$0 of Surety Bonds outstanding as of December 31, 2015.

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, 2015 is:

	2015
Interest income on investments	\$ 9,516
Unrealized gain (loss) on investments	(914)
Total	<u>\$ 8,602</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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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 are as follows:

	2015
Mortgage loans receivable	\$ 978,465
Allowance for loan losses	(13,838)
Mortgage receivable - net	964,627
Less current portion	(27,685)
Long term portion	<u>\$ 936,942</u>

Multi-Family Housing Component

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

	2015
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	\$ 97,470
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	120,960
Unsubsidized mortgage loans	739,527
Subtotal	957,957
Allowance for loan losses	(13,685)
Undisbursed mortgage loans	(40,430)
Mortgage receivable - net	903,842
Less current portion	(69,271)
Long term portion	<u>\$ 834,571</u>

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 4 MORTGAGE LOANS RECEIVABLE (CONTINUED)

General Fund Component

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

	2015
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	\$ 12,080
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	19,247
Unsubsidized mortgage loans	250,483
Subtotal	281,810
Allowance for loan losses	(81,740)
Advanced (undisbursed) mortgage proceeds	(21,972)
Mortgage receivable - net	178,098
Less current portion	(9,344)
Long term portion	\$ 168,754

NOTE 5 DEBT SERVICE ARREARS RECEIVABLE

Debt service arrears consist of mortgage principal, interest payments and fees in arrears on permanently financed loans, net of the allowance for loan losses as described in Note 4. The debt service arrears receivable was \$57,515 at December 31, 2015. The debt service allowance for loan losses was \$46,369 as of December 31, 2015. A subsidy payment receivable of \$120 was due at December 31, 2015.

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

For the Multi-Family Housing Component, the Agency's policy is to provide an allowance for substantially all interest receivable on first mortgage loans when interest payments become past due, except for Section 8 program loans for which no allowance is recorded due to the nature of those specific loans. An allowance of approximately \$13,452 against interest receivable was recorded at December 31, 2015. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to \$242,423 as of December 31, 2015.

NOTE 6 SUPPLEMENTAL MORTGAGES AND OTHER LOANS

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

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NOTE 6 SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

General Fund Component

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

	<u>2015</u>
Mortgage loans subject to subsidy contracts under Section 8 of the National Housing Act	\$ 844
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	3,608
Agency supplemental mortgages	237,786
Special Needs Housing Trust Fund mortgages	154,107
HUD supplemental mortgages	881
Loans to projects	10,778
State of New Jersey supplemental mortgages	9,269
Other	<u>5,741</u>
Subtotal	423,014
Allowance for loan losses	(158,370)
Undisbursed supplemental mortgage proceeds	<u>(6,633)</u>
Supplemental mortgages and other loans receivable, net	258,011
Less current portion	<u>(315)</u>
Long term portion	<u>\$ 257,696</u>

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

Multi-Family Housing Component

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

	<u>2015</u>
Supplemental mortgages	\$ 18,717
Allowance for loan losses	<u>(895)</u>
Long term portion	<u>\$ 17,822</u>

Single-Family Housing Component

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

	<u>2015</u>
Supplemental mortgages	\$ 5,995
Allowance for loan losses	<u>(5,756)</u>
Long term portion	<u>\$ 239</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 7 CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
Non-depreciable capital assets:				
Land	\$ 1,225	\$ -	\$ -	\$ 1,225
Depreciable capital assets:				
Building and building improvements	17,062	2	-	17,064
Motor vehicles	537	69	(53)	553
Machinery and equipment	6,883	275	-	7,158
Furniture and fixtures	583	38	-	621
Total	25,065	384	(53)	25,396
Less accumulated depreciation:				
Building and building improvements	(10,454)	(682)	-	(11,136)
Motor vehicles	(427)	(56)	53	(430)
Machinery and equipment	(5,921)	(334)	-	(6,255)
Furniture and fixtures	(460)	(40)	-	(500)
Total	(17,262)	(1,112)	53	(18,321)
Total capital assets, net	\$ 9,028	\$ (728)	\$ -	\$ 8,300

Depreciation expense was \$1,112 for the year ended December 31, 2015.

NOTE 8 BONDS AND OBLIGATIONS

The Agency obtains funds to finance its various mortgage programs through the sale of bonds and other obligations. Interest on Agency bonds and obligations is generally payable monthly, quarterly or semiannually. Generally, bond principal is due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of December 31, 2015 the following bonds and obligations:

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2014	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2015	Amount Due Within One Year
Single Family Housing Revenue Bonds:					
2004 Series I, variable rate, due 2025 to 2034	\$ 16,175	\$ -	\$ 3,310	\$ 12,865	\$ 1,090
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	4,190	-	1,355	2,835	1,390
2005 Series M, 4.87% to 5.00%, due 2026 to 2036	180	-	180	-	-
2005 Series N., variable rate, due 2017	12,315	-	3,440	8,875	3,845
2005 Series O, variable rate, due 2026 to 2031	39,025	-	4,395	34,630	-
2005 Series P, variable rate, due 2008 to 2025	10,080	-	2,045	8,035	2,130
2005 Series Q, variable rate, due 2010 to 2032	4,760	-	3,180	1,580	50
2005 Series R, variable rate, due 2031 to 2038	24,565	-	-	24,565	-
2007 Series S, 3.60% to 4.05%, due 2008 to 2017	17,825	-	5,540	12,285	5,760
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	89,130	-	15,745	73,385	-
2007 Series U, 3.60% to 5%, due 2008 to 2037	40,600	-	16,035	24,565	470
2007 Series V, variable rate, due 2037	90,075	-	12,380	77,695	-
2008 Series X, 3.25% to 5.375%, due 2030	5,685	-	5,685	-	-
2008 Series Y, variable rate, due 2039	74,925	-	-	74,925	-
2008 Series Z, variable rate, due 2034	36,475	-	10,570	25,905	885
2008 Series AA, 3.00% to 6.50%, due 2038	52,965	-	22,135	30,830	1,200
2008 Series BB, variable rate, due 2039	79,085	-	-	79,085	-
2009 Series CC, .88% to 5.25%, due 2038	46,010	-	4,265	41,745	425
2009 Series DD, .75% to 3.50%, due 2017	10,225	-	4,150	6,075	3,225
2009 Series EE, 2.00% to 5.20%, due 2025	27,015	-	2,575	24,440	-
2009 Series FF, 4.00% to 5.05%, due 2039	9,180	-	1,450	7,730	-
2009 Series GG, 1.00% to 5.00%, due 2039	19,150	-	1,835	17,315	415
Total housing revenue bonds	709,635	-	120,270	589,365	20,885
Single Family Home Mortgage Bonds:					
2009 Series A1, 3.63%, due 10/01/2041	100,750	-	7,100	93,650	-
2009 Series A2, 3.63%, due 10/01/2029	43,200	-	3,100	40,100	-
2011 Series A, .50% to 4.65%, due 10/01/2029	77,785	-	12,040	65,745	6,820
2009 Series B1, 2.64%, due 10/01/2041	87,620	-	2,350	85,270	-
2009 Series B2, 2.64%, due 10/01/2025	53,710	-	1,410	52,300	-
2011 Series B, 4.00% to 4.50%, due 10/01/2032	64,590	-	2,135	62,455	5,600
2011 Series C, .3% to 2.25%, due 04/01/2017	3,065	-	1,670	1,395	-
2011 Series D, 1.2% to 3.25%, due 04/01/2018	14,330	-	3,720	10,610	-
Total single family home mortgage bonds	445,050	-	33,525	411,525	12,420
Total single family bonds program	1,154,685	-	153,795	1,000,890	33,305
Net premium on bonds payable	2,868	-	456	2,412	-
Total single family bonds payable (net)	1,157,553	-	154,251	1,003,302	33,305
Multi Family General Housing Loan Bonds:					
1970 Series A, 4.50%, due 2004 to 2019	1,125	-	205	920	215
1971 Series A, 5.35% to 5.40%, due 2004 to 2019	4,980	-	3,235	1,745	1,745
1972 Series B, 5.20% to 5.25%, due 2004 to 2021	4,525	-	4,525	-	-
Total general housing loan bonds	10,630	-	7,965	2,665	1,960
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	98,195	-	3,865	94,330	4,140
Multi-Family Housing Revenue Bonds 1995 Resolution:					
2000 Series C2, variable rate, due 2004 to 2032	4,920	-	135	4,785	150
2000 Series F, 7.93%, due 2004 to 2031	100	-	100	-	-
2002 Series B, variable rate, due 2004 to 2023	1,270	-	1,270	-	-
2002 Series G, variable rate, due 2004 to 2025	3,880	-	275	3,605	295
2004 Series D, 1.70% to 5.20%, due 2006 to 2046	17,475	-	17,475	-	-
2008 Series 1, 5.75%, due 2038	3,260	-	-	3,260	-
2008 Series 2, 4.375%, due 2046	6,370	-	-	6,370	-
2013 Series 1, 0.20% to 4.25%, due 2013 to 2039	41,365	-	8,930	32,435	1,905
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	85,355	-	8,475	76,880	2,485
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	42,480	-	28,430	14,050	260
2013 Series 4, 0.90%, due 2015	9,435	-	9,435	-	-
2013 Series 5, variable rate, due 2046	123,445	-	4,180	119,265	4,345
2013 Series 6, variable rate, due 2037	16,620	-	450	16,170	475
Total 1995 Resolution	355,975	-	79,155	276,820	9,915

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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Bonds Outstanding December 31, 2014	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2015	Amount Due Within One Year
Multi-Family Revenue Bonds 2005 Resolution:					
2005 Series A1, 2.20% to 4.95%, due 2005 to 2046	\$ 20,775	\$ -	\$ 20,775	\$ -	\$ -
2005 Series A2, 4.95%, due 2040 to 2046	4,365	-	4,365	-	-
2005 Series D, 2.00% to 4.70%, due 2005 to 2030	17,320	-	17,320	-	-
2005 Series F, variable rate, due 2005 to 2040	10,515	-	495	10,020	525
2005 Series G, variable rate, due 2007 to 2047	4,390	-	75	4,315	85
2006 Series A, variable rate, due 2006 to 2028	17,670	-	1,030	16,640	1,075
2006 Series B, variable rate, due 2006 to 2028	5,175	-	525	4,650	555
2006 Series C, 4.90% to 5.00%, due 2007 to 2026	2,620	-	65	2,555	70
2006 Series E, 4.65% to 4.80%, due 2007 to 2036	4,605	-	115	4,490	115
2007 Series A, 3.75% to 4.95%, due 2008 to 2048	23,780	-	-	23,780	-
2007 Series B, 5.39% to 6.13%, due 2017 to 2037	4,275	-	90	4,185	90
2007 Series G, variable rate, due 2008 to 2034	12,375	-	1,175	11,200	530
2007 Series I, variable rate, due 2008 to 2029	6,430	-	315	6,115	335
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,455	-	150	9,305	110
2008 Series B, variable rate, due 2008 to 2048	54,625	-	610	54,015	645
2008 Series C, variable rate, due 2009 to 2039	9,850	-	180	9,670	200
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	2,945	-	595	2,350	655
2008 Series E, 2.00% to 5.63%, due 2008 to 2029	12,090	-	8,320	3,770	200
2008 Series F, variable rate, due 2019 to 2048	96,025	-	43,180	52,845	-
2008 Series G, variable rate, due 2008 to 2039	14,185	-	9,085	5,100	90
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	29,285	-	970	28,315	1,085
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,840	-	60	3,780	70
2009 Series D, variable rate, due 2010 to 2048	17,770	-	340	17,430	355
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	6,140	-	335	5,805	345
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	41,820	-	10,830	30,990	850
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	21,610	-	330	21,280	350
2012 Series B, .9% to 1.75%, due 2013 to 2016	6,220	-	4,265	1,955	1,955
2012 Series C, 4.38%, due 2013 to 2025	3,115	-	40	3,075	45
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	9,055	-	135	8,920	145
2012 Series F, 4.83%, due 2014 to 2025	350	-	5	345	5
2014 Series A, 0.5% to 4.55%, due 2016 to 2045	2,430	-	-	2,430	50
2014 Series B, 0.45% to 5.25%, due 2014 to 2046	25,280	-	280	25,000	505
2014 Series C, variable rate, due 2016	12,298	10,176	-	22,474	22,474
2014 Series D, variable rate, due 2016	14,170	14,622	8,895	19,897	19,897
2015 Series A, 0.55% to 4.00%, due 2016 to 2045	-	10,985	-	10,985	100
2015 Series B, 0.55% to 1.00%, due 2016-2017	-	27,970	-	27,970	6,145
2015 Series C, 3.80%, due 2047	-	200	-	200	120
2015 Series D, 0.70%, due 2017	-	17,905	-	17,905	9,820
2015 Series E, 0.813% to 4.671%, due 2015 to 2045	-	138,945	2,710	136,235	5,460
2015 Series F, 1.113%, due 2016	-	4,710	-	4,710	4,710
Total 2005 bond resolution	<u>526,853</u>	<u>225,513</u>	<u>137,660</u>	<u>614,706</u>	<u>79,766</u>
Total multi-family bonds program	991,653	225,513	228,645	988,521	95,781
Net discount on bonds payable	<u>(156)</u>	<u>4</u>	<u>-</u>	<u>(152)</u>	<u>-</u>
Total multi-family bonds payable (net)	<u>991,497</u>	<u>\$ 225,517</u>	<u>\$ 228,645</u>	<u>988,369</u>	<u>95,781</u>
Total bonds payable	<u>\$ 2,149,050</u>			<u>\$ 1,991,671</u>	<u>\$ 129,086</u>

On March 26, 2015, the Agency issued \$69.6 million of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds, and \$31.8 million of tax-exempt direct purchase Multi-Family Revenue Bond draw down bonds to finance 26 new rental housing developments containing a total of 1,637 multifamily units. In addition, this financing included a \$109.8 million taxable fixed rate refunding component which refunded \$57.6 million of fixed rate bonds and \$52.1 million of hedged variable rate bond ("VRDN's"). The VRDN related interest rate swaps were fully callable at PAR and were terminated at no cost to the Agency on May 1, 2015. The refunding is expected to generate approximately \$8.1 million in net present value savings to the Resolution.

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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

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

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

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

As of December 31, 2015, there was \$36.3 million of undisbursed proceeds of construction loans and \$23.7 million 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.

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:

Agency Component	Fixed and Unhedged Variable Rate		Hedged Variable Rate			Total Principal	Related Interest and Rate Swaps, Net
	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net		
Single Family							
2016	\$ 27,280	\$ 26,014	\$ 6,025	\$ 42	\$ 9,197	\$ 33,305	35,253
2017	26,345	25,163	7,610	38	8,934	33,955	34,135
2018	23,055	24,297	3,455	37	8,648	26,510	32,982
2019	25,730	23,453	3,345	36	8,491	29,075	31,980
2020	26,050	22,520	3,480	36	8,326	29,530	30,882
2021-2025	150,050	97,222	19,590	173	39,037	169,640	136,432
2026-2030	194,945	64,090	27,235	161	34,207	222,180	98,458
2031-2035	128,910	34,323	116,695	114	23,429	245,605	57,866
2036-2040	107,415	11,911	87,325	27	5,589	194,740	17,527
2041	16,350	338	-	-	-	16,350	338
Total	\$ 726,130	\$ 329,331	\$ 274,760	\$ 664	\$ 145,858	\$ 1,000,890	

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 8 BONDS AND OBLIGATIONS (CONTINUED)

Future Principal and Interest Requirements (Continued)

Agency Component	Variable Rate		Hedged Variable Rate			Total Principal	Interest Rate Swaps, Net
	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net		
Multi-Family							
2016	\$ 86,271	\$ 26,577	\$ 9,510	\$ 283	\$ 14,591	\$ 95,781	41,451
2017	51,475	25,260	9,930	276	14,251	61,405	39,787
2018	22,670	24,380	10,310	265	13,892	32,980	38,537
2019	23,790	23,561	11,290	255	13,538	35,080	37,354
2020	24,065	22,674	12,765	245	13,081	36,830	36,000
2021-2025	126,600	97,282	67,940	1,036	55,098	194,540	153,416
2026-2030	125,055	65,936	64,380	716	34,460	189,435	101,112
2031-2035	81,425	39,715	53,200	439	21,941	134,625	62,095
2036-2040	63,990	21,482	41,620	168	11,819	105,610	33,469
2041-2045	43,435	7,352	35,400	56	6,126	78,835	13,534
2046-2050	8,705	1,007	14,695	7	1,093	23,400	2,107
Total	<u>\$ 657,481</u>	<u>\$ 355,226</u>	<u>\$ 331,040</u>	<u>\$ 3,746</u>	<u>\$ 199,890</u>	<u>\$ 988,521</u>	

NOTE 9 CONDUIT DEBT OBLIGATIONS

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

At December 31, 2015, conduit debt outstanding aggregated \$550,959.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 9 CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Agency's MF Conduit Bonds Outstanding as of December 31, 2015 are as follows:

Conduit Project	Series	Closing Date	Balance At Closing	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
^ Capital Funds Program Revenue Bonds	2004-A	12/23/2004	\$ 79,860	\$ 50,105	\$ -	\$ (4,935)	\$ 45,170
^ Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	13,820	-	(780)	13,040
* 2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,815	-	(100)	6,715
* Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,510	-	(25)	4,485
* Asbury Park Gardens	2012-A	7/1/2012	14,310	13,965	-	(185)	13,780
* Washington Dodd	2012-F	12/12/2012	19,755	18,205	-	(245)	17,960
* Carl Miller Homes	2012-C	12/28/2012	31,656	31,656	-	(29,006)	2,650
* Hampshire House	2012-D	1/11/2013	6,400	6,400	-	(70)	6,330
* Alexander Hamilton III	2013-B	2/20/2013	11,762	11,507	-	-	11,507
* McIver Homes	2013-C	5/23/2013	5,200	5,050	-	(135)	4,915
* Somerset Mews ⁽¹⁾	2013-A	8/23/2013	2,984	48,553	1,382	-	49,935
* Penny Point Apartments	2013-L	10/10/2013	9,200	9,200	-	(9,200)	-
* Chestnut Homes Apartments	2013-K	11/19/2013	6,900	6,900	-	(6,900)	-
* Salem Lafayette Apartments	2013-J	12/16/2013	61,680	61,680	-	(61,680)	-
* Great Falls	2013-M	1/9/2014	15,400	11,415	-	(120)	11,295
* Brigantine Apts.	2014-G	1/30/2014	11,510	15,400	-	(47)	15,353
* Sycamore Ridge	2014-A	3/3/2014	26,000	26,000	-	(26,000)	-
* Broadway Townhouses	2014-E	6/4/2014	27,500	27,500	-	-	27,500
* Catherine Todd ⁽¹⁾	2014-N	10/24/2014	-	-	4,310	-	4,310
* South Village I and II	2014-B	11/10/2014	30,000	30,000	-	(30,000)	-
* Atlantic City Townhouses	2014-P	12/23/2014	17,800	6,243	-	-	6,243
* Glennview Townhouses II	2014-R	12/30/2014	6,243	17,800	-	-	17,800
* Paragon	2015-Q	2/27/2015	13,700	-	13,700	-	13,700
* Fairview Homes	2015-L	5/7/2015	13,200	-	13,200	(92)	13,108
* 609 Broad ⁽¹⁾	2015-D	5/12/2015	66,800	-	35,168	-	35,168
* Lexington	2015-B	6/29/2015	11,750	-	11,750	(75)	11,675
* NCC Manor	2015-K	7/16/2015	34,970	-	34,970	-	34,970
* Trent Center East	2015-J	8/7/2015	13,500	-	13,500	(9,124)	4,376
* Heritage Village - Whalepond	2015-G	8/11/2015	5,895	-	5,895	-	5,895
* Doddtown Plaza Apartments	2015-M	8/28/2015	6,450	-	6,450	-	6,450
* Lincoln Towers	2015-E	9/3/2015	34,000	-	34,000	-	34,000
* Prospect Park	2015-R	9/10/2015	16,145	-	16,145	-	16,145
* Hollybush I & II	2015-S	10/14/2015	14,500	-	14,500	-	14,500
* Oakwood Towers	2015-U	10/23/2015	23,755	-	23,755	-	23,755
* Riverside Arms ⁽¹⁾	2015-H	11/20/2015	17,550	-	55	-	55
* Edward Sisco	2015-O	12/4/2015	18,232	-	18,232	-	18,232
* Toms River Senior ⁽¹⁾	2015-X	12/7/2015	14,597	-	2	-	2
* North 25	2015-F	12/15/2015	14,850	-	14,850	-	14,850
* Brunswick Estates ⁽¹⁾	2015-AA	12/17/2015	27,000	-	12,656	-	12,656
* Carver	2015-CC	12/18/2015	18,425	-	18,425	-	18,425
* Trent Center West	2015-FF	12/18/2015	12,325	-	12,325	-	12,325
* Barnegat Senior ⁽¹⁾	2015-W	12/22/2015	9,100	-	55	-	55
* Egg Harbor ⁽¹⁾	2015-BB	12/30/2015	10,790	-	1,581	-	1,581
* Hampton Valley Apartments ⁽¹⁾	2015-P	12/30/2015	10,090	-	48	-	48
Total conduit debt			<u>\$ 823,269</u>	<u>\$ 422,724</u>	<u>\$ 306,954</u>	<u>\$ (178,719)</u>	<u>\$ 550,959</u>

^ Capital Fund bonds to finance certain capital renovations

* Fixed rate bonds to finance a single Multifamily project

¹ These projects were funded by drawdown bonds. Bond proceeds are drawn down periodically as needed by the borrower. Bonds are not considered outstanding until drawn by the borrower.

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NOTE 10 FUNDS HELD IN TRUST FOR MORTGAGORS

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

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

	2015
Multi-family housing component	\$ 11,049
General fund:	
Community development escrows	1,466
Development cost escrows	3,060
Other funds held in trust	330,081
Total general fund	334,607
Total	\$ 345,656

NOTE 11 MORTGAGOR ESCROW DEPOSITS

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

	2015
Multi-family housing component	\$ 1,107
General fund:	
Reserve for repairs and replacements	183,048
Tax and insurance escrows	46,920
Total general fund	229,968
Total	\$ 231,075

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NOTE 12 CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Bonds and obligations, net	\$ 2,149,050	\$ 225,517	\$ 382,896	\$ 1,991,671	\$ 129,086
Minimum escrow requirement	8,151	1,312	1,894	7,569	-
Funds held in trust for mortgagor	334,327	560,840	549,511	345,656	-
Other non-current liabilities	7,893	1,762	2,013	7,642	-
OPEB liability	63,107	11,397	-	74,504	-
Net pension liability	-	62,473	-	62,473	-
Derivative instrument	91,340	-	10,584	80,756	-
Unearned revenues	47,607	30,375	32,617	45,365	-
Total	<u>\$ 2,701,475</u>	<u>\$ 893,676</u>	<u>\$ 979,515</u>	<u>\$ 2,615,636</u>	<u>\$ 129,086</u>

NOTE 13 NET POSITION

Restricted Under Bond and Obligation Resolutions

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

Restricted

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

Appropriated General Fund Net Position

Appropriated General Fund net position is unrestricted net position that has been designated by the Agency's members for the following purposes at December 31, 2015. The appropriated general fund net position makes up part, but not all, of the unrestricted net position reported on the statement of net position.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 13 NET POSITION (CONTINUED)

Appropriated General Fund Net Position (Continued)

	2015
ABC Corporation	\$ 14
Affordable Rental Housing Subsidy Loan Program	2
Agency CIAP	866
Aging Out of Foster Care	1,135
At Home Downtown	154
Bond Refunding Proceeds	1,687
Camden Initiative	24
Cash Flow Swap Advisory	604
CDBG Advance Funding	5,000
CHOICE	29,423
CIAP Loan Program	3,578
Developmental Disabilities Partnership	5,852
Energy Benchmarking	50
Ex-Offenders Re-Entry Housing Program	68
Homeless Management Information System	100
HOPE	500
Information Technology	2,157
Kuzuri Kijiji	50
Life Safety Rehabilitation	62
Live Where You Work	682
MBS Mortgage Backed Security Start Up	798
MONI HIF	90
Mortgage Assistance PILOT	750
NJHMFPA Portion of Undisbursed Mtg. Proceeds	808
Non-Bond Multi-Family Program	37,122
Paragon Village #1316	500
PLAN Fund	3,240
Policy and Community Initiatives	58
Portfolio Reserve Balance	1,611
Preservation Initiatives	10
Public Outreach Initiatives	207
Sandy Home Buyer Assistance Advance Fund	4,600
Shore Easy	80
Single Family Counseling	94
Small Rental Project Preservation Loan Program	2,523
Smart Start	4,853
SSBG Rental Program	2,309
Strategic Zone Lending Pool	11,695
Transitional Housing Loans	193
UHORP HIF	151
UHORP Mortgage Commitment	19,475
Welcome Home Program	1,493
Whitlock Mills	226
Total	\$ 144,894

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NOTE 13 NET POSITION (CONTINUED)

Changes in net position are summarized as follows:

	Net Investment in			
	Capital Assets	Restricted	Unrestricted	Total
Net position at December 31, 2014, as previously stated	\$ 9,028	\$ 380,883	\$ 481,978	\$ 871,889
GASB 68 and 71 restatement	-	-	(47,643)	(47,643)
Net position at December 31, 2014, restated	9,028	380,883	434,335	824,246
Income	-	23,903	(13,344)	10,559
Acquisition of capital assets	384	-	(384)	-
Transfer	-	2,912	(2,912)	-
Depreciation on capital assets	(1,112)	-	1,112	-
Net position at December 31, 2015	<u>\$ 8,300</u>	<u>\$ 407,698</u>	<u>\$ 418,807</u>	<u>\$ 834,805</u>

NOTE 14 PENSION PLAN

Plan Description

The Agency contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability, and medical benefits to qualified members. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B. The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Plan Benefits and Membership

The following represents the membership tiers for PERS:

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

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

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NOTE 14 PENSION PLAN (CONTINUED)

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount.

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

The Agency's contributions to the plan for fiscal years ending December 31, 2015, 2014 and 2013 were \$2,098, \$1,857 and \$1,885 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, 2014, using updated actuarial assumptions applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The proportionate share for the Agency is 0.2783%. At December 31, 2015 the Authority reported a NPL of \$62,473 for its proportionate share of the NPL.

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

For the year ended December 31, 2015, the Agency recognized pension expense of \$4,947. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 14 PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows or Resources
Net difference between expected and actual experience	\$ 1,490	\$ -
Changes of assumptions	6,709	-
Changes in proportion	4,811	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,004
Total	<u>\$ 13,010</u>	<u>\$ 1,004</u>

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
2016	\$ 2,073
2017	2,073
2018	2,074
2019	2,074
2020	2,074
2021	1,638
Total	<u>\$ 12,006</u>

The total pension liability (TPL) for the year ended June 30, 2015 was determined as part of the June 30, 2014 actuarial valuation, which was rolled forward to June 30, 2015 using the entry age normal cost method. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. Significant actuarial assumptions used in the valuation included:

Inflation	3.04%
Salary increases	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 combined healthy male and female mortality tables (setback 1 year for males and females) for service retirement and beneficiaries of former member with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 disabled mortality tables (setback 3 years for males and 1 year for females) are used to value disabled retirees.

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NOTE 14 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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NOTE 14 PENSION PLAN (CONTINUED)

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

The following presents the collective net pension liability of the participating employers as of June 30, 2015, 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 (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Total State PERS	\$ 55,702,236	\$ 46,170,132	\$ 38,191,750
Agency's Proportionate Share	75,365	62,473	51,673

NOTE 15 POSTEMPLOYMENT BENEFITS

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

The Plan

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

Funding Policy

On June 28, 2011 the State of New Jersey Legislature passed Pension and Health Benefits Reform. This legislation requires all employees to contribute a certain percentage of their health benefit premiums towards the cost of their coverage. The percentage is tiered based on coverage type and salary. The percentages will be phased in over 4 years with the full amount becoming effective July 1, 2014. The percentages for 2011 range from 1% - 8.75% of the insurance premium based on salary, with a minimum of 1.5% of salary to be contributed. The Agency implemented this plan in October 2011, and prior to that as of July 1, 2008 current employees contributed 1.5% of their salary toward medical benefits. During the year ended December 31, 2015, the Agency paid \$4,650 in health insurance premiums for current employees. The Agency also paid \$1,356 for the year ended December 31, 2015 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.

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NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. The Agency has elected to amortize the UAAL over one year. The Agency's annual OPEB cost for the year ended December 31, 2015 and the related information for the plan are as follows (dollar amounts in thousands):

	2015
Annual required contribution	\$ 75,937
Interest on net OPEB obligation	2,047
Adjustment to ARC	(65,036)
Annual OPEB cost	12,948
Contributions made	(1,551)
Increase in net OPEB obligation	11,397
Net OPEB obligation, beginning of year	63,107
Net OPEB obligation, end of year	\$ 74,504

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 were as follows:

(dollar amounts in thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	\$ 12,948	12.0%	\$ 74,504
December 31, 2014	5,009	22.3%	63,107
December 31, 2013	8,464	11.5%	59,215

The actuarial accrued liability for benefits was \$71,352 at January 1, 2015, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$19,482 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 366.2%.

The actuarial valuation date is January 1, 2015. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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NOTE 15 POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

Actuarial Methods and Assumptions

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

For the January 1, 2015 actuarial valuation, the projected unit credit cost method was used with the unfunded liability immediately recognized. The actuarial assumptions included a 3.25% discount rate and an annual healthcare cost trend rate based on the Society of Actuaries – Getzen Model version 2014 with some adjustments to the baseline assumptions and for administrative costs and reflective of the Excise Tax (Cadillac Tax) beginning in 2018 due to healthcare reform. The trend rates for pre and post age 65 participants are 7.2% and 4.2% respectively, for 2015 grading to 5.4% and 6.1% by 2052, respectively.

NOTE 16 DEFERRED COMPENSATION ACCOUNT

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

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

NOTE 17 RESERVE FOR INTEREST REBATE

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

The Agency has various issues of bonds outstanding (see Note 8), which also had various settlement dates. Rebate calculations on these bonds are required to be made at least once every five years. However, the Agency prepares annual rebate calculations for purposes of determining any contingent liability for rebate.

The Agency has elected to establish a reserve account in the amount of \$3 for the year ended December 31, 2015 for the Multi-Family Bond Resolution Fund and \$0 at December 31, 2015 for the Single-Family Bond Resolution Fund in case a rebate may be required as the result of the occurrence of future events.

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NOTE 18 DERIVATIVE INSTRUMENTS

The Agency has several variable rate bond series currently outstanding. In order to protect against the potential of rising interest rates, the Agency entered into various pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what the Agency would have paid to issue fixed-rate debt. In some cases, the notional principal of the swap initially increases as the borrowed funds are anticipated to be loaned out. For footnote purposes, the fair values of the Agency's derivatives have been presented.

For each of the interest rate swaps, the Agency used one of the following methods to evaluate the hedge effectiveness of the potential hedging derivative instrument: consistent critical terms method, synthetic instrument method or regression analysis method. The consistent critical terms method evaluates effectiveness by qualitative consideration of the uniformity of the significant terms of the hedgeable item with the terms of the potential hedging derivative instrument. If the relevant terms match, or in certain instances are similar, the potential hedging derivative instrument is determined to be effective. The synthetic instrument method evaluates effectiveness by combining the cash flows on the derivative with the cash flows on the hedged item to create a new instrument. The synthetic rate on the cash flows is calculated based on the combination of all the cash flows and is compared against the fixed rate on the derivative. A potential hedging derivative instrument is effective if the actual synthetic rate is within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed. The regression analysis method examines the statistical relationship between changes in the fair values or cash flows of a hedged item and its associated potential hedging derivative. For a potential hedging derivative instrument evaluated using regression analysis to be considered effective for financial reporting purposes, the analysis should produce an R-squared of at least 0.80, an F-statistic that indicates statistical significance at the 95 percent confidence level, and a regression coefficient for the slope between -1.25 and -0.80.

Terms, Fair Values, and Credit Risk

As of December 31, 2015, the Agency determined that a portion of the MRB 2007-G Multi-Family Bond Component Swap listed as an investment derivative instrument in the chart below no longer met the criteria for effectiveness. Accordingly, the fair value of the swap of \$(494) is reported within the investment revenue classification for the year ended December 31, 2015.

At December 31, 2015, all single family derivatives and all multi-family derivatives, except MRB 2007-G, met the criteria for effectiveness.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE18 DERIVATIVE INSTRUMENTS (CONTINUED)

The terms and fair values of the outstanding swaps as of December 31, 2015, are summarized in the table below. The swaps are utilized to hedge the risk from the associated variable rate debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category. The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. The Agency receives either 1-month LIBOR times the notional amount for the taxable borrowings, or a percentage of 1-month LIBOR plus a fixed spread or The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Index times the notional amount for the tax-exempt borrowings from the counterparty, plus a fixed spread as applicable, as listed below. Where possible, only the net difference will be exchanged with the counterparty and the Agency continues to pay interest to the certificate-holders at the variable rate provided on the bonds. The purpose of the swap is to mitigate interest rate risk. The Agency will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated.

The following tables present both the hedging derivative value and the off market loan balances for Single Family and Multi-Family Bond Component Swaps at December 31, 2015. This presentation has no effect on the net position of the Agency.

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NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Single Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
SHRB* 2005 N	\$ 8,875	\$ 8,875	10/1/2006	10/1/2017	4.055%	68% of 1-Mo LIBOR or SIFMA + 1bp	\$ (485)	\$ (5)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
SHRB* 2005 P/Q/R	34,180	18,855	11/1/2006	4/1/2038	4.797%	USD-SIFMA Municipal Swap Index	(917)	(59)	The Bank of New York Mellon Goldman Sachs Mitsui Marine	Aa2 / AA- / AA
SHRB* 2005 P/Q/R	-	15,364	4/1/2007	4/1/2038	3.927%	68% of 1-Mo LIBOR + 18bp	(664)	(44)	Derivative Products, L.P.	Aa2 / AA+ / NR
SHRB* 2007 V	77,695	69,475	11/8/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	(3,825)	(256)	Royal Bank of Canada, New York	Aa3 / AA- / AA
SHRB* 2008 BB	79,085	79,085	3/1/2009	10/1/2039	3.504%	68% of 1-Mo LIBOR	(5,698)	(296)	The Bank of New York Mellon	Aa2 / AA- / AA
SHRB* 2008 Y	<u>74,925</u>	<u>63,905</u>	5/1/2008	10/1/2039	3.757%	69% of 1-Mo LIBOR	<u>(3,292)</u>	<u>(324)</u>	The Bank of New York Mellon	Aa2 / AA- / AA
	<u>\$ 274,760</u>	<u>\$ 255,559</u>					<u>\$ (14,881)</u>	<u>\$ (984)</u>		
							<u>1</u>	<u>1</u>		

* Single-Family Housing Revenue Bonds

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

Derivative instrument Σ 1 = (15,865)

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NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Multi-Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
Cash Flow Hedges:										
MHRB* 2002-G	\$ 3,605	\$ 3,605	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	\$ (842)	\$ (3)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa1 / NR / A
MHRB 2013-5	119,265	39,825	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	(865)	(8,689)	Merrill Lynch Capital Services, Inc. (MLCS)	Baa1 / NR / A
MHRB 2013-5	-	23,450	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	(760)	(4,614)	Goldman Sachs Mitsui Marine Derivative Products	Aa2 / AA+ / NR
MHRB 2013-5	-	58,160	5/1/2005	11/1/2046	4.0010%	67% of 1-Mo LIBOR + 18bp	(485)	(8,926)	Bank of America, N.A.	A1 / A / A+
MHRB 2013-6	16,170	7,525	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	(272)	(1,512)	Bank of America, N.A.	A1 / A / A+
MHRB 2013-6	-	8,490	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	(1,613)	(2,115)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
MRB** 2005-F	10,020	9,545	8/10/2005	5/1/2040	4.2190%	USD-SIFMA Municipal Swap Index + 5bp	(59)	(29)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2005-G	4,315	4,505	11/1/2006	11/1/2047	5.4830%	1-Mo LIBOR	(168)	(17)	Bank of America, N.A.	A1 / A / A+
MRB 2006-A	16,640	16,640	3/15/2006	5/1/2028	3.7150%	63% of 1-Mo LIBOR + 20.5 bp	(271)	(35)	Royal Bank of Canada, New York	Aa3 / AA- / AA
MRB 2006-B	4,650	4,650	3/15/2006	5/1/2028	5.4220%	1-Mo LIBOR	(124)	(9)	Bank of America, N.A.	A1 / A / A+
MRB 2007-G	11,200	11,200	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(737)	(47)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2007-I	6,115	6,115	11/1/2007	5/1/2029	5.9100%	1-Mo LIBOR	(570)	(12)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-B	54,015	66,815	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(14,874)	(386)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-B-HMFA #1426 - Heritage Village at Manalapan	-	2,715	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(587)	-	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-B-HMFA #2190 - Royal Crescent	-	3,280	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(728)	-	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-C	9,670	7,170	11/1/2008	5/1/2040	5.7120%	1-Mo LIBOR	(713)	(27)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-C- HMFA #2265 - Sharp Road	-	2,475	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(789)	-	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2008-F	52,845	5,650	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(1,245)	(312)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
MRB 2008-F	-	29,650	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(3,488)	(1,976)	Bank of America, N.A.	A1 / A / A+
MRB 2008-G	5,100	1,925	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(702)	-	JPMorgan Chase Bank, N.A.	Aa3 / A+ / AA-
MRB 2008-G	-	3,180	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(761)	(217)	Bank of America, N.A.	A1 / A / A+
MRB 2009D HMFA 2101	17,430	1,440	5/1/2009	5/1/2039	5.8757%	1-Mo LIBOR + 40bp	(210)	(268)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 1352	-	7,530	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(1,060)	(1,286)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 1437	-	1,360	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(187)	(236)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 2171	-	1,405	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(229)	(273)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
MRB 2009D HMFA 2272	-	3,675	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(551)	(518)	Wells Fargo Bank, N.A.	Aa2 / AA- / AA
	<u>\$ 331,040</u>	<u>\$ 331,980</u>					<u>\$ (32,890)</u>	<u>\$ (31,507)</u>		
							1, 2	1, 2		
Investment Derivatives:										
MRB 2007-G	-	8,715	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(494)		Wells Fargo Bank, N.A.	Aa2 / AA- / AA
		<u>\$ 8,715</u>					<u>\$ (494)</u>			
							1			

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

Σ 1 = Derivative instrument (64,891)
Σ 2 = Accumulated decrease in fair value of hedging derivative (64,397)

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 18 DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2015 was \$587,539. This portfolio of derivative instruments is used to hedge \$605,800 of variable rate debt as of December 31, 2015.

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

Basis Risk

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

Interest Rate Risk

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

The Agency is invested in a pay-fixed, receive-variable interest rate swap with a notional amount of \$8,715 at December 31, 2015. The Agency makes semiannual fixed payments to the counterparty of 4.01 percent and receives variable payments based on 63 percent of LIBOR, plus 20.5 basis points. This interest rate swap was executed in November 2007 and matures in May 2034. At December 31, 2015, this interest rate swap had a fair value of \$(494).

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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 19 INTERFUND ALLOCATION

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

Interfund receivable	
General Fund	\$ <u>2,798</u>
Interfund payable	
Multi-Family Housing Component	\$ <u>2,798</u>

NOTE 20 CHANGES IN ACCOUNTING PRINCIPLES

In accordance with GASB Nos. 68 and 71, which were adopted effective January 1, 2015, the Agency restated the January 1, 2015 net position as follows:

Net position, January 1, 2015, as previously stated	\$ 871,889
Cumulative effect of application of GASB 68, net pension liability	<u>(47,643)</u>
Net position, January 1, 2015, as restated	<u>\$ 824,246</u>

NOTE 21 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, 2015, the available line of credit was \$5,150 and had \$5,745 aggregate amount outstanding which was comprised of four (4) separate fixed rate amortizing advances. Repayments on the advances vary with remaining periods amortizing over 1 year to 25 years, payable monthly at rates ranging from 4.88% to 6.57%. The Agency has pledged mortgages receivable totaling \$7,795, 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.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 21 COMMITMENTS AND CONTINGENCIES (COINTINUED)

All loans pooled under the Ginnie Mae MBS program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration. The Agency assesses the overall risk of loss on loans that it may be required to repurchase and establishes reserves for them. At December 31, 2015, a reserve for potential losses on repurchased loans had not yet been established as the program did not begin until September 2015 with a limited number of loans. The Agency has, however, set aside \$200 in their budget for potential payments due under this program.

NOTE 22 SUBSEQUENT EVENTS

The U.S. Department of Treasury announced on February 19, 2016 that it would obligate up to \$2 billion in additional Troubled Asset Relief Program (TARP) funds to the HHF program. The fifth round of HHF funding was allocated among participating HHF states in two phases of \$1 billion each. The Agency was advised by U.S. Treasury that New Jersey's allocation is \$69.2 million for the first phase and \$45.4 million for the second phase, for a total of \$114.6 million from the fifth round of HHF funding. The Hardest Hit Fund program has also been extended to December 31, 2020. The original program deadline was December 31, 2017.

The Agency executed a settlement agreement effective March 18, 2016 in which all parties to the litigation regarding Whitlock Mills, which is currently Real Estate Owned (REO) held partially in the MFHRB Resolution and the General Fund, agreed to full and final disposition of the case. Under a January 10, 2012 agreement between Whitlock Mills, L.P. and the Agency, a waterfall clause established the distribution of settlement proceeds between them. Accordingly, the Agency received \$7.5 million which was deposited into the MFHRB Resolution and applied to the outstanding balance of the REO. The funds will be used to call bonds in the MFHRB Series 2013-5. In addition, the Agency will receive up to \$2 million toward litigation costs and attorney fees. This will remain in escrow with counsel for Whitlock Mills, L.P. pending an agreement or arbitration award on fees and costs. These funds will be deposited in the Agency's General Fund.

As of March 29, 2016, the NJHMFA and NJDHS have signed a new agreement to continue the Supportive Housing Connection (SHC) operations for the next three years. The SHC currently administers rental subsidies for approximately 3,000 tenants.

On May 2, 2016, all bonds under the General Housing Loan Bond Resolution were retired. The remaining assets will be transferred to the Agency's General Fund.

On May 12, 2016, the Agency issued \$126.945 million of publicly-offered taxable and tax-exempt Multi-Family Revenue Bonds ("MFRB"), and \$53.35 million of tax-exempt direct purchase MFRB draw down bonds to finance 19 new money rental housing developments containing a total of 1,339 multifamily units. In addition, this financing included a \$6.9 million tax-exempt fixed rate refunding component. The refunding is expected to generate approximately \$884 in net present value (PV) savings (12.7% of the bonds) to the Agency.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(IN THOUSANDS)

NOTE 23 PENDING GASB PRONOUNCEMENTS

The Agency will be required to implement GASB Statement No. 72, Fair Value Measurement and Application for the period ending December 31, 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value, establishing principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. The Agency is currently evaluating the effect of the implementation of this Statement on the Resolution.

The Agency will be required to implement GASB Statement No. 73 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans for the period ending December 31, 2017. The objective of this Statement is to establish requirements for defined benefit pensions and defined contribution pensions that are not within the scope of Statement No. 68 Accounting and Financial Reporting for Pensions. The Agency is currently evaluating the effect of the implementation of this Statement on the Resolution.

The Agency will be required to implement GASB Statement No. 79, Certain External Investment Pools and Pool Participants for the period ending December 31, 2016. The objective of this Statement is to enhance comparability of financial statements by providing qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The Agency is currently evaluating the effect of the implementation of this Statement on the Resolution.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF FUNDING PROGRESS – OPEB
AS OF DECEMBER 31, 2015
(IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Ratio (b-a)	Funded Payroll (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2009	\$ -	\$ 29,199	\$ 29,199	0.00%	\$ 18,466	158.10%
January 1, 2011	-	45,393	45,393	0.00%	18,209	249.30%
January 1, 2013	-	56,411	56,411	0.00%	16,625	339.30%
January 1, 2015	-	71,352	71,352	0.00%	19,482	366.20%

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AS OF DECEMBER 31, 2015
(IN THOUSANDS)

Agency's proportion of net pension liability		0.2783%
Agency's proportionate share of net pension liability	\$	62,473
Agency's covered-employee payroll	\$	21,083
Agency's proportionate share of net pension liability as a percentage of its covered-employee payroll		296%
Plan fiduciary net position as a percentage of total pension liability		38.21%

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF AGENCY'S CONTRIBUTIONS
AS OF DECEMBER 31, 2015
(IN THOUSANDS)

Actuarial determined contributions	\$	2,098
Contributions in relation to the actuarial determined contribution	\$	2,098
Contribution deficiency (excess)	\$	-
Agency's covered employee payroll	\$	21,083
Contributions as a percentage of covered employee payroll		9.95%

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

Notes to Schedule

Valuation Date:

Actuarially determined contribution amounts were calculated as of June 30, 2014

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:	3.04%
Salary increases:	2.15% - 5.40%
Investment rate of return:	7.90%
Retirement age:	Rates vary by participant age
Mortality:	RP-2000, generational approach based on Projection Scale AA

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
DECEMBER 31, 2015
(IN THOUSANDS)

	FY 2015			
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2014 Total
ASSETS				
CURRENT ASSETS				
Restricted cash and cash equivalents	\$ 50,231	\$ 28,939	\$ 79,170	\$ 89,354
Accrued interest receivable on investments	269	-	269	414
Mortgage loans receivable, net	18,097	9,588	27,685	29,283
Due from loan servicers and insurers	1,863	878	2,741	3,092
Other current assets	28,089	6,384	34,473	44,824
Total current assets	98,549	45,789	144,338	166,967
NONCURRENT ASSETS				
Restricted investments	29,428	-	29,428	46,567
Mortgage loans receivable, net	569,871	367,071	936,942	1,067,397
Debt service arrearages receivable, net	7,366	3,671	11,037	11,438
Supplemental mortgages and other loans, net	133	106	239	345
Real estate owned	5,038	1,090	6,128	6,748
Total noncurrent assets	611,836	371,938	983,774	1,132,495
Total Assets	710,385	417,727	1,128,112	1,299,462
DEFERRED OUTFLOW OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	15,865	-	15,865	22,757
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Bonds and obligations, net	\$ 20,885	\$ 12,420	\$ 33,305	\$ 34,050
Accrued interest payable on bonds and obligations	5,389	3,553	8,942	10,552
Other current liabilities	857	434	1,291	1,411
Total current liabilities	27,131	16,407	43,538	46,013
NONCURRENT LIABILITIES				
Bonds and obligations, net	569,563	400,434	969,997	1,123,503
Derivative instrument	15,865	-	15,865	22,757
Total non-current liabilities	585,428	400,434	985,862	1,146,260
Total liabilities	612,559	416,841	1,029,400	1,192,273
DEFERRED INFLOWS OF RESOURCES				
Commitment fees	701	102	803	932
NET POSITION				
Restricted under bond and obligation resolutions	112,990	784	113,774	129,014
Total Net Position	\$ 112,990	\$ 784	\$ 113,774	\$ 129,014

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, 2015
(IN THOUSANDS)

	FY 2015			
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2014 Total
OPERATING REVENUES				
Interest income on mortgages loans	\$ 32,073	\$ 17,104	\$ 49,177	\$ 62,413
Recovery of bad debt	-	-	-	6,704
Other income, net	34	2	36	115
Total operating revenues	<u>32,107</u>	<u>17,106</u>	<u>49,213</u>	<u>69,232</u>
OPERATING EXPENSES				
Interest and amortization of bond prem/disc	26,493	14,613	41,106	48,573
Servicing fees and other	1,941	1,382	3,323	3,568
Professional services and financing costs	478	37	515	446
General and administrative expenses	-	-	-	32
Provision for loan losses	<u>6,739</u>	<u>2,242</u>	<u>8,981</u>	<u>11,929</u>
Total operating expenses	<u>35,651</u>	<u>18,274</u>	<u>53,925</u>	<u>64,548</u>
Operating income (loss)	<u>(3,544)</u>	<u>(1,168)</u>	<u>(4,712)</u>	<u>4,684</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,421	30	1,451	2,184
Gain (loss) on sale of real estate owned	<u>(9,697)</u>	<u>(2,172)</u>	<u>(11,869)</u>	<u>(3,685)</u>
Total nonoperating revenues (expenses), net	<u>(8,276)</u>	<u>(2,142)</u>	<u>(10,418)</u>	<u>(1,501)</u>
Income (loss) before transfers	(11,820)	(3,310)	(15,130)	3,183
Transfers	<u>(543)</u>	<u>433</u>	<u>(110)</u>	<u>25,000</u>
INCREASE (DECREASE) IN NET POSITION	<u>(12,363)</u>	<u>(2,877)</u>	<u>(15,240)</u>	<u>28,183</u>
NET POSITION, BEGINNING OF YEAR	<u>125,353</u>	<u>3,661</u>	<u>129,014</u>	<u>100,831</u>
NET POSITION, END OF YEAR	<u>\$ 112,990</u>	<u>\$ 784</u>	<u>\$ 113,774</u>	<u>\$ 129,014</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM
DECEMBER 31, 2015
(IN THOUSANDS)

	FY 2015					
	General					
	Housing Loan					2014
	Bond Funds	1991-I	1995	2005	Total	Total
ASSETS						
CURRENT ASSETS						
Restricted cash and cash equivalents	\$ 7,962	\$ 57	\$ 118,936	\$ 158,596	\$ 285,551	\$ 205,886
Restricted investments	8,134	-	-	-	8,134	12,699
Accrued interest receivable on investments	-	66	162	180	408	770
Mortgage loans receivable, net	1,111	4,186	15,952	48,022	69,271	37,848
Other current assets	-	-	3	233	236	60
Total current assets	17,207	4,309	135,053	207,031	363,600	257,263
NONCURRENT ASSETS						
Restricted investments	-	6,551	19,508	23,450	49,509	95,612
Mortgage loans receivable, net	3,787	83,802	264,365	482,617	834,571	856,876
Debt service arrears receivable, net	2	-	-	125	127	127
Supplemental mortgages and other loans, net	-	-	17,822	-	17,822	48,288
Real estate owned	3,181	-	18,000	-	21,181	49,635
Other noncurrent assets	-	-	-	-	-	90
Total noncurrent assets	6,970	90,353	319,695	506,192	923,210	1,050,628
Total Assets	24,177	94,662	454,748	713,223	1,286,810	1,307,891
DEFERRED OUTFLOW OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	-	-	30,696	33,701	64,397	67,866
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Bonds and obligations, net	\$ 1,960	\$ 4,140	\$ 9,915	\$ 79,766	\$ 95,781	\$ 44,570
Accrued interest payable on bonds and obligations	23	1,101	1,787	3,988	6,899	7,399
Mortgagor escrow deposits	1,107	-	-	-	1,107	1,124
Interfund allocation	-	-	1,240	1,558	2,798	2,924
Other current liabilities	-	-	34	29	63	74
Total current liabilities	3,090	5,241	12,976	85,341	106,648	56,091
NONCURRENT LIABILITIES						
Bonds and obligations, net	705	90,190	266,895	534,798	892,588	946,927
Minimum escrow requirement	160	-	3,007	3,764	6,931	7,245
Funds held in trust for mortgagor	7,958	-	3,091	-	11,049	53,839
Other noncurrent liabilities	-	3	7	2,035	2,045	2,148
Derivative instrument	-	-	30,696	34,195	64,891	68,583
Total noncurrent liabilities	8,823	90,193	303,696	574,792	977,504	1,078,742
Total liabilities	11,913	95,434	316,672	660,133	1,084,152	1,134,833
NET POSITION (DEFICIT)						
Restricted under bond and obligation resolutions	12,264	(772)	168,772	86,791	267,055	240,924
TOTAL NET POSITION	\$ 12,264	\$ (772)	\$ 168,772	\$ 86,791	\$ 267,055	\$ 240,924

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, 2015
(IN THOUSANDS)

	FY 2015					2014 Total
	General Housing Loan Bond Funds	1991-I	1995	2005	Total	
OPERATING REVENUES						
Interest income on mortgages loans	\$ 391	\$ 6,299	\$ 21,889	\$ 29,986	\$ 58,565	\$ 58,759
Fees and charges	242	135	2,478	4,189	7,044	6,547
Recovery of bad debt	2,109	-	20,415	11,010	33,534	23,654
Gain on derivative	-	-	-	223	223	553
Other income - net	164	-	1,236	593	1,993	1,026
Total operating revenues	2,906	6,434	46,018	46,001	101,359	90,539
OPERATING EXPENSES						
Interest and amortization of bond premium/discounts	374	6,762	13,946	25,791	46,873	50,822
Insurance costs	-	-	16	267	283	184
Servicing fees and other	-	270	-	-	270	270
Salaries and related benefits	-	-	1,885	2,413	4,298	3,450
Professional services and financing costs	35	7	178	1,507	1,727	942
General and administrative expenses	-	-	478	612	1,090	1,482
Loss on derivative	-	-	-	-	-	-
Provision for loan losses	166	-	24,446	3,206	27,818	16,690
Total operating expenses	575	7,039	40,949	33,796	82,359	73,840
Operating income (loss)	2,331	(605)	5,069	12,205	19,000	16,699
NONOPERATING REVENUES (EXPENSES)						
Investment income	2	265	2,634	1,208	4,109	4,949
Loss on early extinguishment of old debt	-	-	-	-	-	-
Total nonoperating revenues (expenses), net	2	265	2,634	1,208	4,109	4,949
Income (loss) before transfers	2,333	(340)	7,703	13,413	23,109	21,648
TRANSFERS	-	-	1,871	1,151	3,022	(316)
INCREASE (DECREASE) IN NET POSITION	2,333	(340)	9,574	14,564	26,131	21,332
NET POSITION, BEGINNING OF YEAR	9,931	(432)	159,198	72,227	240,924	219,592
NET POSITION, END OF YEAR	\$ 12,264	\$ (772)	\$ 168,772	\$ 86,791	\$ 267,055	\$ 240,924