State of New York Mortgage Agency

SONYMA

Financial Statments

Fiscal Year

2012

State of New York Mortgage Agency

Financial Statements

Fiscal Year Ended October 31, 2012 and 2011

Contents

RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the State of New York Mortgage Agency (the "Agency"), for the fiscal years ended October 31, 2012 and 2011, are the responsibility of management. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The Agency maintains a system of internal control. The objectives of an internal control system are to provide reasonable assurance as to the protection of, and accountability for, assets, compliance with applicable laws and regulations, proper authorization and recording of transactions, and the reliability of financial records for preparing financial statements. The system of internal control is subject to periodic review by management and the internal audit staff.

The Agency's annual financial statements have been audited by Ernst & Young LLP, independent auditors appointed by the Directors of the Agency. Management has made available to Ernst & Young LLP all the financial records and related data of the Agency as well as having provided access to all the minutes of the meetings of the Directors of the Agency. The independent auditors periodically meet with the Directors of the Agency.

The independent auditors conducted their audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. The audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, the independent auditors do not express an opinion on the effectiveness of the Agency's internal control over financial reporting. The audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditors' unqualified report attests that the financial statements are presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Darryl C. Towns
President/Chief Executive Officer

Sheila Robinson
Sheila Robinson
Senior Vice President/Chief Financial Officer

January 29, 2013

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Report of Independent Auditors

To the Directors of the
State of New York Mortgage Agency
New York, New York

We have audited the accompanying statements of net position of the State of New York Mortgage Agency (the "Agency"), a component unit of the State of New York, as of October 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of October 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with US generally accepted accounting principles.

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis and the schedule of funding progress, as listed in the table of contents, 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, 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.

Our audits were conducted for the purpose of forming an opinion on the Agency's financial statements. The Supplementary Section is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the Agency's basic financial statements. The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ernst + Young LLP

January 29, 2013

STATE OF NEW YORK MORTGAGE AGENCY
(a component unit of the State of New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended October 31, 2012 and October 31, 2011

Overview of the Financial Statements

The following is a narrative overview of the financial performance of the State of New York Mortgage Agency (the "Agency" or "SONYMA") for the fiscal years ended October 31, 2012 and 2011 with selected comparative information for the fiscal year ended October 31, 2010. This analysis must be read in conjunction with the financial statements.

The annual financial statements consist of five parts: (1) management's discussion and analysis (this section); (2) the financial statements; (3) the notes to the financial statements; (4) the required supplementary information and (5) the supplementary schedules that report programs of the Agency individually.

The Agency's financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Management's Discussion and Analysis

- This section of the Agency's financial statements, Management's Discussion and Analysis (the "MD&A"), presents an overview of the Agency's financial performance during the fiscal year ended October 31, 2012 compared with the fiscal year ended October 31, 2011 and fiscal year ended October 31, 2010. It provides a discussion of financial highlights and an assessment of how the Agency's financial position has changed from the past years. It identifies the factors that, in management's view, significantly affected the Agency's overall financial position. It may contain opinions, assumptions or conclusions by the Agency's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements and other information described below.

The Financial Statements

- The "Statement of Net Position" provides information about the liquidity and solvency of the Agency by indicating the nature and the amount of resources (assets), the obligations to Agency creditors (liabilities) and the Agency's net position.
- The "Statement of Revenues, Expenses and Changes in Net Position" accounts for all of the current year's revenues and expenses in order to measure the success of the Agency's operations over the past year. It can be used to determine how the Agency has funded its costs. By presenting the financial performance of the Agency, the change in net position is similar to net profit or loss for a business.
- The "Statement of Cash Flows" is presented on the direct method of reporting. It provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. Cash collections and payments are presented in this statement to arrive at the net increases or decreases in cash for each year.

The Notes to the Financial Statements

- The notes provide information that is essential to understanding the financial statements, such as the Agency's accounting methods and policies providing information about the content of the financial statements.
- Details are included of contractual obligations, future commitments and contingencies of the Agency.
- Information is given regarding any other events or developing situations that could materially affect the Agency's financial position.

Required Supplementary Information ("RSI")

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

Supplementary Information

- Presentations of the Agency's financial information are listed by program.

Overview of the Agency's Financial Performance

Background

The Agency is a corporate governmental Agency, constituting a public benefit corporation and a component unit of the State of New York ("State"). The Agency and its corporate existence shall continue until terminated by law; provided, however, that no such law shall take effect so long as the Agency has bonds, notes or other obligations outstanding.

The Agency has two primary lines of operations: Single Family Operations and Mortgage Insurance Fund Operations.

Single Family Operations are dedicated to providing affordable mortgage financing to New York State home purchasers with low and moderate incomes. It provides such financing through a network of participating lenders for the purchase of newly constructed and existing homes; homes in need of renovation; permanently affixed manufactured homes and financing for cooperatives and condominiums.

Mortgage Insurance Fund Operations are dedicated to providing mortgage insurance and credit support for multi-family affordable residential projects and special care facilities, as well as providing pool and primary mortgage insurance on single family mortgages purchased by the Agency.

In April, 2009, the Agency's statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation ("HESC") in developing a program to offer education loans to eligible students attending colleges and universities in the State.

Mortgage and Financial Markets

The Agency's operations continued to be impacted in fiscal 2012 by the slow path to recovery from the housing collapse and recession that ended in fiscal 2009. On the positive side in fiscal 2012, the U.S economy did exhibit signs of recovery as home values bottomed out and employment began to slowly improve; the European debt crisis also showed signs of stability. To support the economic recovery, the Federal Reserve expanded its stimulus programs to buy both U.S. Treasuries and mortgage-backed securities which continued to keep interest rates and conventional mortgage rates at historic lows. The municipal market followed, with tax-exempt rates trending lower in line with other fixed income markets.

This low rate environment provided the Agency with the opportunity to refund certain bonds, discussed in more detail below. However, it did not provide the rate advantage that SONYMA typically enjoys in comparison to conventional rates. Without its typical rate advantage or the support enjoyed through the NIBP program and generally lower demand from first time buyers, SONYMA experienced a significant decrease in new mortgage originations. The demand for Agency-financed mortgages was down to 38.7% of our 10-year average; total mortgage reservations were $124.8 million, down 60% from fiscal year 2011.

However, the low interest rate environment provided significant opportunities which the Agency pursued aggressively, refunding outstanding SONYMA bonds to lower the Agency's cost of borrowing, and improve the Agency's flexibility and financial condition. During the fiscal year, SONYMA issued approximately $646 million of bonds, of which approximately two-thirds were refunding bonds, issued to generate savings for the Agency, by redeeming higher yielding bonds. The Agency also took advantage of favorable pricing opportunities in the taxable bond market; roughly half of the bonds issued during the fiscal year were sold on a taxable basis. Taxable bonds, at various times during the fiscal year, provided cheaper sources of funds than tax-exempt borrowings; they also provide the advantage of allowing the Agency to maximize its earnings without the limits imposed by tax-exempt borrowing. During the fiscal year, the Agency issued approximately $100 million in bonds to finance new mortgage purchases.

In an effort to continue to meet the needs of the State's low and moderate income borrowers, the Agency prepared to launch a conventional program that will be financed through the sale of loans as mortgage-backed securities to the market. This program will offer the benefits of a combination of features that will result in a lower monthly mortgage payment than most mortgages. This program, which is described below in further detail, will allow the Agency to continue its mission to help home-buyers and home-owners, generate fee income, and incur little financial risk.

The Agency's earnings were also impacted by the prolonged period of low interest rates and fell accordingly. The Agency continued its practice of increasing earnings through the temporary warehousing of Agency mortgages until it raised permanent funds through the issuance of bonds. In addition, by increasing the amount of mortgages warehoused, the Agency incurred minimum amounts of negative arbitrage.

Single Family Operations Highlights

General

As stated above, continued economic turmoil coupled with Federal Reserve's policy to keep interest rates low impacts SONYMA's ability to maintain its traditional interest rate advantage. During fiscal year 2012, SONYMA assisted 746 low and moderate-income households by purchasing $124.8 million in mortgages. Most of the bond financed loans were purchased under SONYMA's two primary programs:

The Low Interest Rate Program, which provided financing to 258 households, and the Achieving the Dream Program, which assists lower-income homebuyers (70% of area median income or less), provided financing for 373 households. In fiscal year 2012, the Agency purchased almost 60% less in mortgages than last fiscal year ($124.8 million in 2012 compared to $309.8 million in 2011). Of the loans purchased, 316 borrowers received either down payment or closing cost assistance totaling $1.9 million in fiscal 2012, compared to 489 loans, totaling $2.6 million in fiscal 2011.

SONYMA has stepped up its efforts to provide financing in underserved communities. As a result, target area lending in fiscal year 2012 was 26% of all loans (compared to 18.7% in fiscal year 2011) and minority lending has increased 27%. In fiscal 2012, 44% of all SONYMA loans were made to minorities.

During fiscal 2012, SONYMA continued to better serve its borrowers and industry partners by:

- Focusing its efforts on Low-Income and Minority Homebuyers: During fiscal year 2012, the Agency focused its mission on providing mortgage loans to those individuals and families for whom low interest rate mortgages make the difference in achieving sustainable homeownership. This was accomplished by targeting mortgage financing activities on the Achieving the Dream Program, which assists lower-income homebuyers (70% of area median income or less). In fiscal year 2012, 51.3% of the Agency's mortgages were originated under this program. Overall, 64.5% of the mortgages purchased were made to low-income homebuyers (80% of area median income or less) and more than 27% of the 746 loans SONYMA purchased statewide were made to low-income, minority households.
- During fiscal 2012, SONYMA developed the Conventional Plus Program which was launched in November 2012. The Conventional Plus Program complements to SONYMA's existing tax-exempt bond financed programs. The product is designed to take advantage of certain pricing and underwriting benefits afforded to SONYMA by Fannie Mae. The features of Conventional Plus are as follows:
  - No loan level price adjustments;
  - Lower mortgage insurance coverage requirements;
  - The availability of mortgage insurance provided by Genworth Mortgage Insurance (or SONYMA's MIF, in the event that Genworth is unwilling to insure the loan);
  - Down payment and/or closing cost assistance up to 3% of the home purchase price [SONYMA will allow its Down Payment Assistance Loan to be used to pay a one-time upfront mortgage insurance premium, thus eliminating the monthly mortgage insurance premium and significantly lowering the monthly payment]; and
  - The availability of SONYMA Mortgage Credit Certificates (MCC) for: all first-time homebuyers with a household income of 80% of area median income or less; military veterans and first-time buyers who: i) are active military, or ii) are purchasing a home in specific geographic areas impacted by last year's devastating flooding. Maximum income for military veterans, active military, and flood impacted areas will be set higher at the standard SONYMA income limits.

The product will be available for home purchases and for limited cash-out refinances. (MCCs are not available for refinances.)

- Completion of the development of the SONYMA *Express* automated system that will assist participating lenders by providing expedited decisions on SONYMA loan eligibility. The system is expected to: (a) streamline the Agency's loan origination process and dramatically reduce the time it takes participating lenders to originate SONYMA loans; (b) eliminate uncertainty of a borrower's eligibility early in the mortgage application process; (c) lower overall lender costs; and (d) provide lenders with the capacity to submit electronic loan files to the Agency, thus eliminating the need to submit paper files. The system is expected to be launched in the first quarter of 2013 and will improve SONYMA's relationships with lenders, other industry partners and potential borrowers. Ultimately, the system is expected to increase loan production and improve profitability.

- Also in collaboration with recommendations made by SONYMA's Advisory Council, SONYMA:

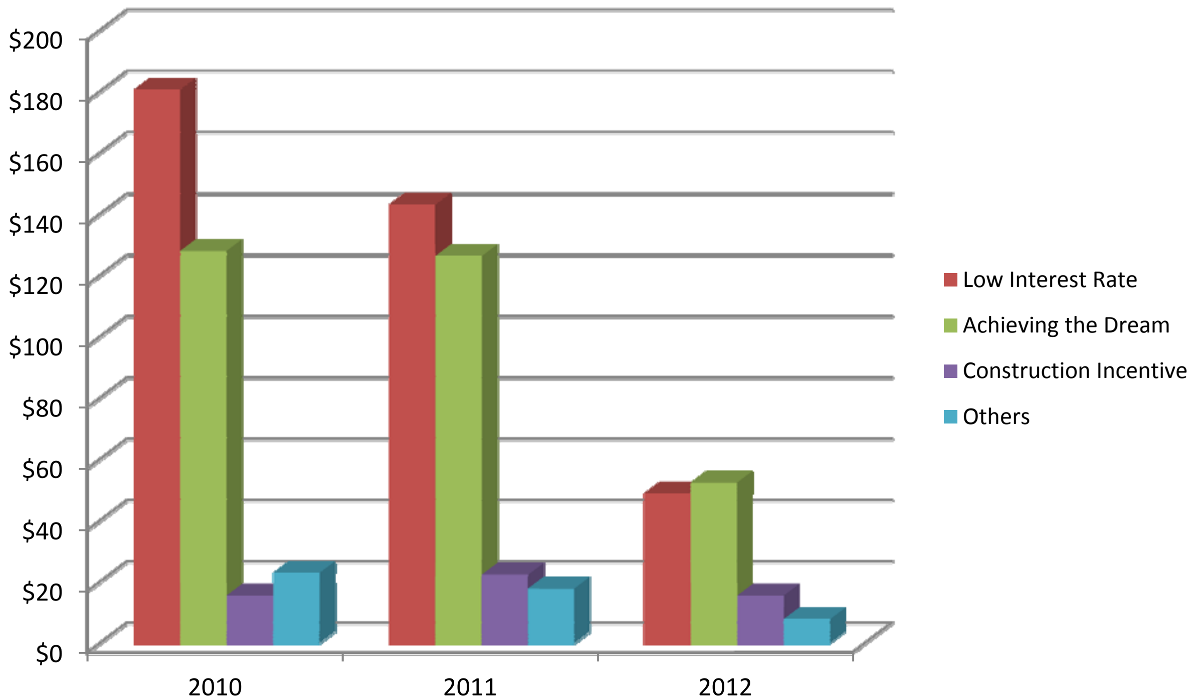
  - Introduced a loan officer recognition program which recognizes the top producing SONYMA loan officers statewide and each region of the state. Each recognized loan officer will receive a congratulatory letter from Commissioner Towns, and their names and contact information will also appear on SONYMA's website.
  - Developed a lender scorecard that will be sent to all participating lenders on an annual basis. The scorecard is designed to give lenders a snapshot of their relationship with SONYMA that extends beyond comparative production numbers such as median processing times, fallout rates, delinquency rates, comparison to competitors in the same markets, etc.;
  - Successfully coordinated Welcome Home, Rochester! SONYMA Homeownership Event with industry professionals and a local radio station, in September 2012; and
  - Created and implemented a homebuyer survey in an attempt to get feedback on the SONYMA loan process.

  The SONYMA Advisory Council was created in 2010 as a way to get input and recommendations from industry professionals to help SONYMA maximize its role as an important provider of affordable and sustainable mortgages to low- and moderate-income first-time homebuyers across New York State. The Agency held two meetings with the Advisory Council in fiscal 2012.

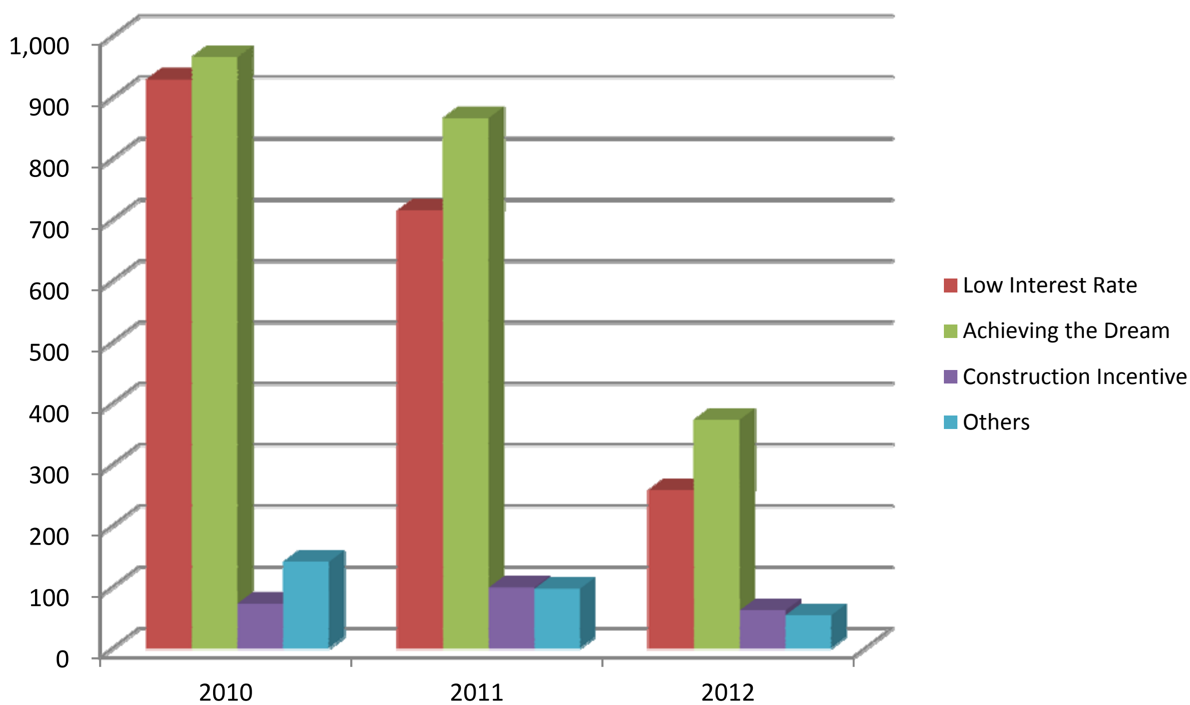
- Continued Outreach to Industry Partners: SONYMA continues to cultivate its relationship with industry partners by participating in many events with realtors, lenders, not-for profits, community groups and others. The partnerships have deepened relationships with our partners in the housing community and have given us additional opportunities to promote our products.

The following table compares SONYMA's loan purchases (based on dollars purchased) by fiscal year and program:

(In millions)



The following table compares SONYMA's loan purchases (based on number of loans purchased) by fiscal year and program:



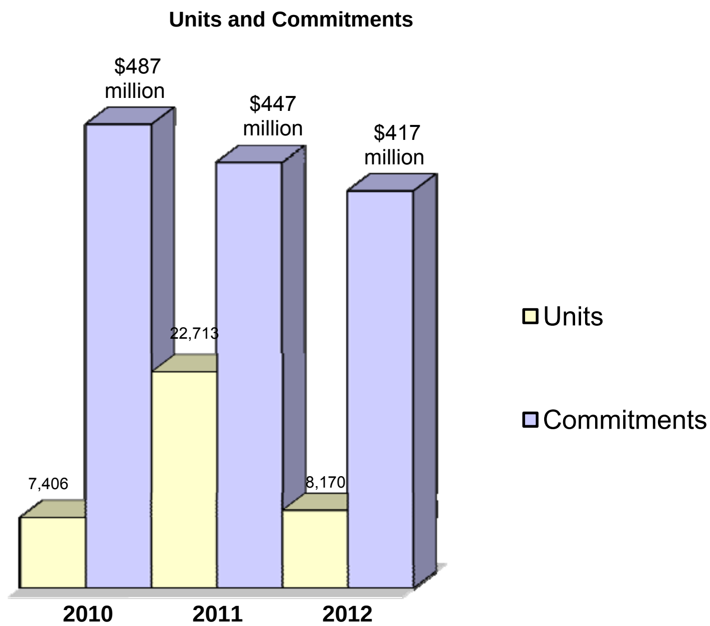
Performance of Mortgage Portfolio

Despite the continued turbulent economy and real estate market, SONYMA's mortgage portfolio has performed consistently well. At the end of fiscal 2012, SONYMA's 60 days or more delinquencies were 3.80% (based on the number of loans). This compares very favorably to the New York State and national averages of 10.90% and 8.28%, respectively.

Mortgage Insurance Fund Operations

The Mortgage Insurance Fund (the "MIF") has two lines of business. It provides insurance on mortgages for multi-family housing and special needs facilities and on other mortgage loans made by government entities and commercial lenders. It also provides both pool and primary insurance on single family mortgages purchased by SONYMA.

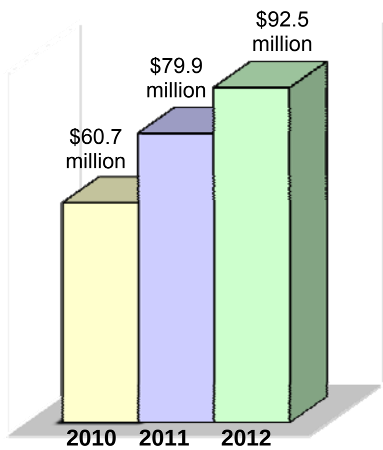
The following graph highlights the MIF's project insurance commitments for the fiscal years indicated.



The substantial decrease in the numbers of units whose mortgages will be insured by the MIF during fiscal 2012 was due to a single $23.6 million transaction with the New York City Housing Development Corporation in 2011 for the rehabilitation of 14,476 units owned by the New York City Housing Authority.

Substantially all of the MIF's revenues are derived from a New York State mortgage recording surtax which had been declining but increased in fiscal 2012 and fiscal 2011 as indicated in the chart below:

New York State Mortgage Recording Surtax Receipts



The increase in New York State Mortgage Recording Surtax Receipts from fiscal 2011 to fiscal 2012 is due to an increase in real estate transactions in the State, particularly in New York City, resulting in an increase in mortgage recordings. The MIF also received $16.7 million in application and insurance premiums during fiscal 2012 compared with $16.4 million during fiscal 2011 and $14.3 million during fiscal 2010. Interest earned by the MIF during fiscal years 2012, 2011 and 2010 was $21.8 million, $30.4 million and $30.2 million, respectively.

The claims-paying ability of the Single Family Pool Insurance Account and the Project Pool Insurance Account of the MIF are rated "AA+" and "AA-", respectively by Fitch Inc. ("Fitch"). Fitch affirmed its rating on the Single Family Pool Insurance Account with a stable outlook and the Project Pool Insurance Account, with a negative outlook on April 27, 2012.

On July 18, 2011, Moody's affirmed the "Aa1" rating on the Project Pool Insurance Account with a stable outlook. On October 8, 2011, Moody's affirmed its "Aa1" rating on the Single Family Pool Insurance Account and changed its outlook from stable to negative.

Higher Education Finance Authority Operations

The New York Higher Education Loan Program ("NYHELPs Program" or "Program") is a program under which fixed rate credit based education loans are made available for eligible New York State borrowers attending participating colleges and universities across the State. The New York State Higher Education Services Corporation ("HESC"), an educational corporation of the State, administers the Program, acts as the Servicer for the Program and is responsible for such things as credit underwriting, marketing the Program to prospective borrowers and remedying defaults. HESC engaged Firstmark, a subsidiary of Nelnet, Inc., to perform certain other servicing and reporting functions.

SONYMA, doing business as The State of New York Higher Education Finance Authority ("HEFA") finances the Program. SONYMA: (1) issues bonds based on demand estimates provided by HESC and (2) controls and manages the various accounts and funds held both inside and outside of the bond indenture. On December 15, 2009, HEFA issued its 2009 Series A Bonds (the "Bonds") in the amount of $97.8 million to finance the NYHELPs Program.

Due to lower than expected demand for loans and upon satisfaction of certain rating agency conditions, on April 26, 2010 the initial origination period was extended from April 28, 2010 to March 1, 2011. In order to satisfy rating agency requirements for the extension, an additional $4 million was made available through a state appropriation, and was deposited into the Capitalized Interest Account.

HESC advised SONYMA in February 2011 that demand for the loans under the Program continued to be substantially less than anticipated, and informed the Agency that, as a result, the available proceeds from the Bond issue would exceed the amount necessary for funding the loans. HESC proposed that the origination period be extended again. In order to extend the origination period without additional funds from the State and to satisfy a rating agency requirement, $75,010,000 par amount of the original Bond issue were redeemed on April 15, 2011.

After the bond redemption, the amount of $16.4 million was left in the Loan Account, which, in order to maintain the bond ratings, were required to have been originated by May 1, 2012. The funds left in the Loan Account after May 1, 2012 were used to redeem additional Bonds on August 1, 2012 in the par amount of $7,655,000.

As of October 31, 2012, there were no funds on deposit in the Loan Account and the program is on hiatus with no additional loans being purchased.

Bonds payable as of October 31, 2012 and October 31, 2011 were $13.7 million and $22.8 million.

Condensed Financial Information

STATE OF NEW YORK MORTGAGE AGENCY

Net Position Summary Schedules
(In thousands)

	October 31,			% Change	
				2012-	2011-
	2012	2011	2010	2011	2010
Assets					
Cash	$ 18,422	$ 11,073	$ 10,835	66%	2%
Investments	2,288,101	2,191,326	2,377,150	4%	(8%)
Mortgage and Student loans receivable	2,963,604	3,213,499	3,212,178	(8%)	—
Other assets	110,115	121,619	129,258	(9%)	(6%)
Total Assets	5,380,242	5,537,517	5,729,421		
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	58,292	60,533	57,433	(4%)	5%
Liabilities					
Bonds payable	3,030,184	3,213,228	3,515,586	(6%)	(9%)
Derivative instruments - interest rate swaps	64,992	60,533	57,433	7%	5%
Interest payable	8,374	11,169	12,548	(25%)	(11%)
Allowance for anticipated claims	33,204	37,584	33,534	(12%)	12%
Unearned income, accounts payable and other liabilities	30,338	21,496	19,904	41%	8%
Postemployment retirement benefits	34,656	30,375	28,052	14%	8%
Total liabilities	3,201,748	3,374,385	3,667,057		
Net Position	$ 2,236,786	$ 2,223,665	$ 2,119,797		

"— " Indicates a percentage less than 1%.

Assets

Investments

Investments held by the Agency increased from $2.19 billion at October 31, 2011 to $2.29 billion at October 31, 2012, an increase of approximately $97 million or 4%. The increase was primarily due to the receipt of mortgage prepayments in excess of mortgage purchases by approximately $150 million. This compares with a decrease of approximately $186 million, from $2.38 billion at October 31, 2010 to $2.19 billion at October 31, 2011. The decrease from fiscal 2010 to fiscal 2011 was primarily due to the Agency utilizing the $239.1 million in NIBP funds that remained on deposit at October 31, 2010 to purchase mortgage loans in fiscal 2011.

Mortgage and Student Loans Receivable

Mortgage loans receivable are the primary assets of the Agency's Single Family operation constituting 55% of the total assets at October 31, 2012 and 58% at October 31, 2011.

Mortgage loans receivable decreased from $3.21 billion at October 31, 2011 to $2.96 billion at October 31, 2012, a decrease of approximately $250 million or 8%. This compares with mortgages loans receivable remaining relatively unchanged at $3.2 billion at October 31, 2011 and October 31, 2010. The decrease was primarily due to the receipt of loan prepayments and amortizations totaling approximately $375 million compared with loan purchases of approximately $125 million.

The student loans receivable balance as of October 31, 2012 totaled $12.6 million. This includes $7 million of additional student loans purchased during fiscal year ended October 31, 2012 in addition to $6.1 million of loans purchased in the fiscal year ended October 31, 2011.

Other Assets

The balance in other assets consists primarily of the unamortized cost of issuance charges related to bond issuances and unamortized closing cost assistance payments relating to mortgage closings. Therefore, at the end of each fiscal year the balance is directly related to the number of bonds issuances which closed during the fiscal year and the number of mortgage closings during the fiscal year less amortization.

Other assets declined $11.5 million from $121.6 million at October 31, 2011 to $110.1 million at October 31, 2012 or 9%. This compares with a decline of $7.6 million from $129.2 million at October 31, 2010 to $121.6 at October 31, 2011 or 6%. The declines are a result of year to year fluctuations in the number of bond issuances and mortgage closings as a result of the market conditions discussed earlier in this MD&A.

Derivative Instruments - Interest Rate Swaps

In June 2008, the Governmental Accounting Standards Board ("GASB") issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). The Statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments ("interest rate swaps") entered into by governmental entities. GASB No. 53 requires that most derivative instruments be reported at fair value, and requires governmental entities to determine if derivatives are effective hedges of risks associated with related hedgeable items. Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for ineffective hedges, the changes in fair value are recognized in the current period. For fiscal 2012, 2011 and 2010, all of the Agency's interest rate swaps were determined to be effective. Therefore, the Agency recorded the amount of the fair values of these interest rate swaps along with a corresponding deferred outflow of resources.

Due to a decline in interest rate relating to interest swaps, the market values of the interest rate swaps declined from approximately ($60.5) million in fiscal 2011 to ($65) million in fiscal 2012, a decrease of $4.5 million, or 7%. During fiscal 2011, there was a decline in market value from approximately ($57.4) million in fiscal 2010 to ($60.5) million in fiscal 2011, a decline of $3.1 million, or 5%.

Liabilities

Bonds Payable

At approximately 95% of total liabilities, bonds payable comprises the largest component of liabilities as of October 31, 2012 and 2011. Funds generated by the sale of bonds are used to purchase mortgage loans and to a lesser extent student loan operations or to redeem bonds outstanding. The payments due on such loans, together with interest earnings, are used to fund the debt service payments due on bonds payable.

Bonds payable declined by $183 million from $3.21 billion at October 31, 2011, to $3.03 billion at October 31, 2012. This decline is compared to a decline of $302 million from $3.52 billion at October 31, 2010 to $3.21 billion at October 31, 2011. The decline in bonds outstanding during fiscal year 2012 was primarily a result of principal payments of $823.2 million on bonds and compared with bond issuance in the amount of $646 million. The decline during fiscal 2011 was due to the Agency's participation in NIBP which left funds available to purchase mortgage loans during fiscal 2011 without requiring the issuance of additional bonds.

Allowance for Anticipated Claims

Allowance for anticipated claims decreased by $4.4 million from $37.6 million at October 31, 2011 to $33.2 million at October 31, 2012, as compared to an increase of $4.1 million from $33.5 million at October 31, 2010 to $37.6 million at October 31, 2011 or 12%. The MIF establishes provisions for potential insurance claims on its policies that are non-performing. The balance fluctuates as projects are moved to and from performing status or as periodic claims are paid.

During fiscal 2012, 2011 and 2010 the MIF had made claim payments in the amounts of $11.5 million, $12.5 million and $12 million respectively.

Unearned Income, Accounts Payable and Other Liabilities

Unearned Income, Accounts Payable and Other Liabilities increased by $8.8 million from $21.5 million at October 31, 2011 to $30.3 million at October 31, 2012, as compared to an increase of $1.6 million from $19.9 million at October 31, 2010 to $21.5 million at October 31, 2011 or 8%. The increase was primarily due to an increase of $2.5 million in unearned income on mortgages and an increase in excess tax receipts of $5.3 million.

Postemployment Retirement Benefits

The Agency provides certain group health care benefits to eligible retirees (and for eligible dependents and survivors of such retirees). Postemployment retirement benefits represent the accumulated unfunded actuarial liability required to pay these costs to retirees over their lives. The accumulated amount of post employment retirement benefits increased by $4.3 million from $30.4 million at October 31, 2011 to $34.7 million at October 31, 2012 or 14%. This compares with an increase of $2.3 million from $28.1 million at October 31, 2010 to $30.4 million at October 31, 2011 or 8%. The current year's increase of 14% was primarily due to the reduction in the discount rate used in the actuarial calculation from 4% to 3.5%. The valuation was also impacted by the anticipation of increased costs related to the passage of the Patient Protection and Affordable Care Act (see note 8).

STATE OF NEW YORK MORTGAGE AGENCY

Summary of Revenues, Expenses and Changes in Net Position
(In thousands)

	Fiscal Year Ended October 31, 2012	2011	2010	% Change 2012-2011	% Change 2011-2010
Operating Revenues					
Interest on mortgages	$ 162,588	$ 172,947	$ 174,028	(6%)	(1%)
Investment Income	30,548	38,081	38,237	(20%)	—
Recoveries	10,546	6,184	40,214	71%	(85%)
Net change in fair market value of investments	(7,380)	(6,536)	8,797	13%	(174%)
Other operating revenues	14,338	13,460	12,465	7%	8%
Total operating revenues	210,640	224,136	273,741		
Operating Expenses					
Interest expense	124,918	142,360	139,905	(12%)	2%
Provision for estimated claims	8,628	11,530	13,761	(25%)	(16%)
Pool insurance	1,031	949	981	9%	(3%)
Expenditures related to federal grants	828	951	1,150	(13%)	(17%)
Other operating expenses	45,083	39,988	49,057	13%	(18%)
Total operating expenses	180,488	195,778	204,854		
Net operating revenue	30,152	28,358	68,887	6%	(59%)
Non-operating revenues (expenses)					
Mortgage insurance reserves retained	87,256	79,722	67,163	9%	19%
Federal grants	828	951	1,150	(13%)	(17%)
Payments (to) from New York State	(100,000)	—	23,800	(100%)	100%
Loss on early extinguishment of debt	(5,115)	(5,163)	(1,398)	(1%)	269%
Total non-operating expenses (revenues)	(17,031)	75,510	90,715		
Increase in net position	13,121	103,868	159,602		
Total net position - beginning of fiscal year	2,223,665	2,119,797	1,960,195		
Total net position- end of fiscal year	$ 2,236,786	$ 2,223,665	$ 2,119,797		

"— " Indicates a percentage less than 1%.

Operating Revenues

Interest on Mortgages

Interest on mortgage loans from Single Family operations represents the primary source of funds available for the Agency to pay interest expense due on bonds payable. Interest on mortgage loans decreased $10.4 million from $173 million in fiscal 2011 to $162.6 million in fiscal 2012 or 6%. This compared with a decrease of $1 million from $174 million in fiscal 2010 to $173 million in fiscal 2011 or 1%. The continued decline in fiscal years 2012, 2011 and 2010 was a result of historic low interest rates on new loans purchased by the Agency.

Investment Income

Investment income declined by $7.5 million from $38.1 million at October 31, 2011 to $30.6 million at October 31, 2012 or 20%, as compared to fiscal years 2011 and 2010 where earnings remained relatively constant at approximately $38 million. The reduction in investment earnings is attributable to the continued drop in investment rates applicable to all eligible investments of the Agency, particularly short term rates on U.S. government securities. The Federal Reserve's continued policy to reduce short-term benchmark interest rates has further reduced yields on short term securities. The Agency is limited by statute and bond resolutions in the types of investments it can purchase.

Recoveries

Recoveries result from the reclassification of certain loans insured by the MIF from non-performing status to performing status. Recoveries also include payments made to the MIF after a final claim payment was made. Recoveries increased from $6.2 million in fiscal year 2011 to $10.5 million in fiscal year 2012, an increase of approximately $4.3 million, or 71%, as compared with a decrease from $40.2 million in fiscal year 2010 to $6.2 million in fiscal year 2011, a decrease of approximately $34 million, or 85%.

During fiscal 2012, the Agency received $4 million in cash recoveries and had $6.5 million in non cash adjustments which includes three projects that were re-classified from non-performing to performing status totaling $3.8 million. This compares with the receipt of cash recoveries in the amount of $4.7 million and $1.5 million in non cash adjustments with no reclassifications during fiscal 2011. During fiscal 2010, the MIF re-classified four projects totaling $27.6 million from non-performing to performing status also recognized additional non cash recoveries of $9.3 million and cash recoveries of $3.3 million.

During fiscal 2012, 2011 and 2010 the MIF recorded recoveries of approximately $3.3 million annually relating to an Ulster County IDA mortgage on a nursing home in Kingston, New York. The mortgage was assigned to the Agency as a result of a final claim paid by the MIF in July, 2003.

Net Change in Fair Market Value of Investments

Net change in fair market value of investments reflects changes in unrealized market valuations on investments held. During the fiscal year ended October 31, 2012, net change in fair market value on investments declined from $(6.5) million in fiscal year 2011 to $(7.4) million in fiscal year 2012, a decrease of approximately $900 thousand or 13%. This compares with decrease from $8.8 million in fiscal year 2010 to $(6.5) million in fiscal year 2011, a decrease of approximately $15.3 million or 174% as a result of market price fluctuations.

Expenses

Interest Expense

The increase from fiscal 2010 to fiscal 2011 was primarily due to the downgrade to A3 of Dexia Credit Locale, the liquidity provider on $555 million of SONYMA's HMB and MRB variable rate bonds. The weakening of Dexia made it difficult to remarket the bonds without significantly raising the interest rate and those bonds that could not be remarketed even with higher rates were tendered back to Dexia to become bank bonds.

Interest expense decreased from $142.4 million in fiscal 2011 to $124.9 million in fiscal 2012, a decrease of approximately $17.5 million or 12%. This compares with an increase from $139.9 million in fiscal 2010 to $142.4 in fiscal 2011 or 2%. The decrease was due to a decrease in bonds, the continued decline in interest rates, and the replacement of Dexia Credit Locale, whose rating had declined to A3, as the liquidity provider of $555 million of variable rate bonds. Three series of Dexia backed variable rate bonds in the amount of $95 million were redeemed and the remaining $460 million in Dexia liquidity facilities were replaced with ones from higher rated financial institutions, thereby permitting the bonds to be remarketed at lower rates and eliminating all bank bonds.

Provision for Estimated Claims

The MIF sets aside provisions for potential insurance claims on the MIF insured multi-family projects and the special needs facilities that are non-performing. This account fluctuates as projects are moved to and from performing status or as periodic claims are paid. The provision for estimated claims decreased from approximately $11.5 million in fiscal year 2011 to $8.6 million in fiscal year 2012, a decrease of $2.9 million, or 25%, as compared with the decrease from approximately $13.8 million in fiscal year 2010 to $11.5 million in fiscal year 2011, a decrease of $2.3 million, or 16%. In fiscal 2012 and 2011, provisions were set aside for multi-family projects insured by the MIF. For the MIF's claim activity, including provisions for estimated claims established and the balance of total reserves for the fiscal years ended 2012 and 2011, see Note 7 to the financial statements.

Non-Operating Revenues

Mortgage Insurance Reserves Retained

As discussed in the MIF operations section of this report, mortgage insurance reserves retained totaled $87.3 million during fiscal 2012 compared to $79.7 million during fiscal 2011 and $67.2 million during fiscal 2010. The increase in reserves retained during fiscal 2011 was due to an increase in mortgage surtax receipts. Mortgage surtax receipts received for fiscal years 2012, 2011 and 2010 were $92.5 million, $79.9 million and $60.7 million, respectively.

Payments (to) from New York State

During fiscal 2012, the Agency paid $100 million to the State from the Project Insurance Account pursuant to the provision of the State 2012-2013 Fiscal Year Executive Budget which provided for the transfer of up to $100 million from the Project Pool Insurance Account to the State Treasury no later than January 1, 2013 provided that the reserves remaining are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Insurance Account (as determined by the Agency).

During fiscal 2010, the State provided a net amount of $23.8 million. Such funds were used to fund certain accounts required for Student Loan Program.

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State of New York Mortgage Agency

(a component unit of the State of New York)

Statements of Net Position

(Amounts in Thousands)

	October 31, 2012	October 31, 2011
Assets		
Current Assets:		
Cash-demand deposits unrestricted	$ 10,847	$ 3,085
Cash-demand deposits restricted	5,489	2,919
Cash-custodian deposits	2,086	5,069
Investments unrestricted	17,348	11,990
Investments restricted	1,076,861	1,139,879
Total cash and investments	1,112,631	1,162,942
Mortgage loans receivable	166,965	157,357
Accrued interest receivable:		
Mortgage and student loans	17,930	15,481
Investments	10,462	12,906
Other	4,933	4,631
Total current assets	**1,312,921**	**1,353,317**
Non-current Assets:		
Investments restricted	1,193,892	1,039,457
Mortgage loans receivable-net of unearned discount and unamortized commitment fees	2,784,087	3,049,919
Student loans receivable	12,552	6,223
Unamortized cost of issuance	76,790	88,601
Total non-current assets	**4,067,321**	**4,184,200**
Total Assets	**5,380,242**	**5,537,517**
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	**58,292**	**60,533**
Liabilities		
Current Liabilities:		
Bonds payable, net	217,635	232,315
Interest payable	8,374	11,169
Allowance for anticipated claims	33,204	37,584
Unearned income, accounts payable and other liabilities	30,338	21,496
Total current liabilities	**289,551**	**302,564**
Non-current Liabilities:		
Bonds payable, net	2,812,549	2,980,913
Derivative instruments - interest rate swaps	64,992	60,533
Postemployment retirement benefits payable	34,656	30,375
Total non-current liabilities	**2,912,197**	**3,071,821**
Total Liabilities	**3,201,748**	**3,374,385**
Net Position		
Restricted for bond obligations	648,133	648,690
Restricted for insurance requirements	1,606,967	1,593,967
Unrestricted (deficit)	(18,314)	(18,992)
Total Net Position	**$ 2,236,786**	**$ 2,223,665**

See notes to financial statements.

State of New York Mortgage Agency

(a component unit of the State of New York)

Statements of Revenues, Expenses and Changes in Net Position

(Amounts in Thousands)

	Fiscal Year Ended October 31,	
	2012	**2011**
Operating revenues		
Interest earned on loans	$ 162,588	$ 172,947
Recoveries	10,546	6,184
Investment Income	30,548	38,081
Net change in fair market value of investments	(7,380)	(6,536)
Insurance premiums and application fees earned	13,171	12,239
Other income	1,167	1,221
Total operating revenues	**210,640**	**224,136**
Operating expenses		
Interest and amortization of discount on debt	124,918	142,360
Amortization of bond issuance costs	2,768	2,592
Postemployment retirement benefits expense	4,281	2,323
General expenses	20,577	18,665
Overhead assessment by State of New York	4,410	3,927
Pool insurance	1,031	949
Provision for estimated claims	8,628	11,530
Expenses related to federal and state grants	828	951
Other	13,047	12,481
Total operating expenses	**180,488**	**195,778**
Operating income	**30,152**	**28,358**
Non-operating (expenses) revenues		
Loss on early extinguishment of debt	(5,115)	(5,163)
Mortgage insurance reserves retained	87,256	79,722
Federal grants	828	951
Payments to New York State	(100,000)	—
Total non-operating expenses (revenue)	**(17,031)**	**75,510**
Increase in net position	**13,121**	**103,868**
Total Net Position, Beginning of Fiscal Year	**2,223,665**	**2,119,797**
Total Net Position, End of Fiscal Year	**$ 2,236,786**	**$ 2,223,665**

See notes to financial statements.

State of New York Mortgage Agency
(a component unit of the State of New York)
Statements of Cash Flows

(Amounts in Thousands)

	Fiscal Year Ended October 31, 2012	Fiscal Year Ended October 31, 2011
Cash flows from operating activities		
Interest received on loans	$ 162,644	$ 172,632
Principal payment on loans	381,786	314,632
Purchase of loans	(131,729)	(315,868)
Commitment fees, premium and other	16,736	17,838
General expenses	(21,885)	(22,194)
Expenditures related to federal and state grants	(828)	(951)
Other	(16,650)	(13,590)
Net cash provided by operating activities	**390,074**	**152,499**
Cash flows from non-capital financing activities		
Interest paid on bonds	(127,758)	(143,789)
Mortgage recording surtax receipts	92,521	79,872
Payments to New York State	(100,000)	—
Federal grants	828	951
Bond proceeds	646,005	310,600
Retirement and redemption of bonds	(823,160)	(617,461)
Net cash used in non-capital financing activities	**(311,564)**	**(369,827)**
Cash flows from investing activities		
Earnings on investments	52,528	57,592
Proceeds from the sale or maturities of investments	4,281,787	7,544,862
Purchase of investments	(4,405,476)	(7,384,888)
Net cash provided by investing activities	**(71,161)**	**217,566**
Net increase in cash	7,349	238
Cash at beginning of fiscal year	11,073	10,835
Cash at end of fiscal year	**$ 18,422**	**$ 11,073**
Reconciliation of operating revenues to net cash provided by operating activities:		
Operating income	$ 30,152	$ 28,358
Adjustment to reconcile operating income to net cash provided by operating activities:		
Amortization and accretions of investment earnings	21,980	19,511
Amortization of loss on early extinguishment debt	(5,115)	(5,163)
Net cash provided by (used in) non-operating activities	327,402	91,348
Changes in assets and liabilities:		
Interest, fees and other receivables	12,336	6,790
Accounts and other payables	3,319	11,655
Net cash provided by operating activities	**$ 390,074**	**$ 152,499**
Non-cash investing activities		
(Decrease) increase in fair value of investments	**$ (7,380)**	**$ (6,536)**

See notes to financial statements.

1. Organization and Basis of Presentation

The State of New York Mortgage Agency (the"Agency") is a public benefit corporation of the State of New York (the"State") created by statute in 1970 and for financial reporting purposes is a component unit of the State. The purpose of the Agency is to make mortgages available to low and moderate income first-time homebuyers and to other qualifying homebuyers through its various mortgage programs. The Agency provides mortgage insurance for qualifying real property loans and to provide credit support for obligations of the Convention Center Development Corporation through its Mortgage Insurance Program. Under State statutes, the Agency's operating provisions are subject to periodic legislative renewal. Also, as of January 1, 1991, certain participants in the Low Interest Rate Program may be subject to Federal recapture provisions enacted under federal law. The Agency is exempt from Federal, State and local income taxes. The financial statements of the Agency include the accounts of the respective bondholder funds as well as the Mortgage Insurance Fund and the General Operating Fund.

Pursuant to the general resolutions for the Agency's bond issues and in accordance with the Mortgage Insurance Program legislation, separate funds have been established to record all transactions relating to each of the bond resolutions and for the Mortgage Insurance Program. Generally, the Mortgage Insurance Fund and each bond fund's assets are available only for the purposes specified under the respective bond resolutions and/or pursuant to the Agency's enabling legislation.

In April 2009, the Agency's statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation ("HESC") in developing a new program to offer education loans to eligible students attending colleges and universities in New York State ("Student Loan Program").

a. Bondholder Funds

Prior to 1983, the Agency issued tax-exempt mortgage revenue bonds and applied the proceeds to the purchase of existing residential mortgage loans from financial institutions operating in the State, on the condition that the purchase proceeds be made available for new residential mortgage loans within the State. In 1982, the enabling legislation was amended to permit application of bond proceeds for direct issuance of forward commitments for new mortgage loans through participating originators. The newly originated loans are approved and acquired by the Agency and are serviced by eligible servicers doing business in the State. Mortgages originated through the Agency's mortgage programs are subject to certain Federal and/or State regulations and limitations. The Agency is authorized, however, and has issued obligations, the interest on which is federally taxable.

All acquired mortgage loans are collateralized by first liens. If required, the mortgages are insured with primary mortgage insurance. In addition, pool insurance coverage is provided in amounts ranging from 4%-10% of the original mortgage pool amount of a bond series. The assets of the Agency's bondholder funds are restricted as to purpose under the respective bond resolutions.

Mortgage escrow balances are maintained by each financial institution servicing the mortgages for the credit of the mortgagors. The servicers are responsible for the collections and disbursements made to and from the mortgagors' escrow accounts. Mortgage servicers annually receive a credit equal to 2.93% of actual mortgage payments collected less prepayments and curtailments which they apply as a credit to their applicable New York State tax liability.

1. Organization and Basis of Presentation (continued)

b. Mortgage Insurance Fund

The Agency operates its Mortgage Insurance Fund (the "Program" or the "MIF") pursuant to a statute enacted in 1978 to encourage the investment by approved lenders in communities where mortgage capital is found to be insufficient for the preservation and rehabilitation of affordable housing. Under the Program, qualifying mortgages granted by approved lenders within the State may be insured, up to 50% of the principal balance, but up to 75% with respect to rehabilitation loans under certain conditions, and 100% of the principal balance for loans made by public pension funds and specified public benefit corporations of the State. The net assets of the program are restricted by statutory provisions (see Note 2g).

In 1989, the MIF was enhanced by State legislation that expanded the Program's authority to issue mortgage insurance for loans in specified economic development zones and to projects providing affordable housing or are financed by government entities. In addition, the Program was granted authorization to underwrite mortgage pool insurance for the Agency's mortgage programs. The 1989 enhancements to the statute are subject to periodic renewal by the legislature.

Moody's Investors Service rates the claims paying ability of the MIF's Project Pool Insurance Account and the Single Family Pool Insurance Account "Aa1" and "Aa1", respectively; Fitch Ratings rates the claims paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account "AA-" and "AA+", respectively.

As of October 31, 2012 and 2011, the MIF has outstanding mortgage insurance policies of approximately $2.8 billion and $2.6 billion respectively, of which at least 20% has been provided and reported as part of the restricted net position. Insurance reserves for performing mortgage loans are established at 20% of the original principal amount except for special needs facilities where the insurance reserve is established at 40% of the original principal amount. When an insured mortgage is in default, the insured amount is immediately reserved as a liability reserve at 100% of the original principal amount of the insured mortgage loan.

Legislation adopted in 2004 added an account to the Agency's MIF, the Development Corporation Credit Support Account, and expanded the powers of the MIF to permit the Agency to provide credit support for the bonds and ancillary bond facilities of the Convention Center Development Corporation, a subsidiary of the New York State Urban Development Corporation. The legislation further limits the aggregate annual amount to be transferred from the Special Account to the Development Corporation Credit Support Account within the MIF during any twelve month period ending on March 31st to the lesser of $50 million or the aggregate of the amounts required under such contracts. The Agency set aside $34.4 million for this purpose. Such funds remain on deposit for this purpose as of October 31, 2012 and 2011.

c. General Operating Fund

The expenses of administrative services provided for the Agency are accounted for within the General Operating Fund. Services provided for the Mortgage Insurance Fund are accounted for separately within the Mortgage Insurance Fund.

2. Significant Accounting Policies

a. Basis of Accounting

The Agency utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The financial statements are prepared in accordance with generally accepted accounting principles as prescribed by GASB.

b. Cash

Cash demand deposit accounts are used for the collection of funds received from the servicing banks throughout the month. These amounts are remitted to the Agency during the month following the financial statement date and applied to the mortgage loan and interest accrual balances.

Cash custodian deposits represent mortgage payments in-transit held by the servicing financial institutions and not yet remitted to the Agency.

c. Investments

Investments other than investment agreements are recorded at their fair values, which are based on quoted market prices and matrix pricing for securities that do not trade actively. Investment agreements are reported at amortized cost. For the purpose of financial statement presentation, the Agency does not consider any of its investments to be cash equivalents.

d. Mortgage Loans Receivable

Mortgage loans on real estate are stated at their unpaid principal balance, less unamortized commitment fees, where appropriate.

The Agency does not provide a reserve against uninsured mortgages receivable because all loans had at least 20 percent equity at origination. Further, most of these loans are well-seasoned (70% were originated in 2004 or earlier) and all mortgages are covered by a pool insurance policy.

Unearned commitment fees remitted to the Agency by participating financial institutions or mortgage applicants are amortized over the life of the respective mortgage portfolio as an adjustment to yield, using the sum-of-the-years digits method which approximates the interest method.

Mortgage acquisition costs consist primarily of inspection and initial processing fees incurred either directly by the Agency or by servicing financial institutions relative to the purchase of mortgages that have been reimbursed by the Agency. The acquisition costs are amortized over the average life of the respective mortgage portfolio, using the sum-of-the-years digits method which approximates the interest method.

2. Significant Accounting Policies (continued)

e. Bonds Payable

Serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond discount, premium and unamortized loss deferrals, where applicable. Serial and term bonds are maintained at their accreted values for purposes of financial reporting to the date of the respective balance sheet.

In accordance with the respective bond resolutions, funds are available to the trustee to pay debt service on bonds when due, principally April 1 and October 1.

f. Unamortized Bond Issuance Cost and Unamortized Bond Discount and Premium

Bond issuance costs, bond discount and premium are amortized using the bonds-outstanding method which yields a level rate of expense over the respective lives of each bond series. The remaining unamortized portions of such costs relating to bonds which are retired prior to maturity by the Agency in the open market are included as a deduction in the computation of gain or loss on early extinguishment of debt. The Agency's redemptions using proceeds of refunding bonds resulted in losses that were deferred and amortized over the original life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

g. Mortgage Insurance

By statute, all costs of providing mortgage insurance, including claims, are chargeable against a State mortgage recording tax surcharge. The State mortgage recording tax surcharge is a dedicated tax revenue stream received directly by the Agency and recorded in the MIF's Special Account (the "Special Account"). Surcharge tax receipts and application fees in excess of expenses and reserve requirements are held in the Special Account. Annually, if the amount on deposit in the Special Account is determined to be in excess of the required amount as of March 31, the excess is remitted to the State by May 31 of that year.

h. Interest and Discount Earnings on Mortgages

Interest revenue is accrued and recognized as revenue when earned. Discount on mortgage loans are deferred and amortized over the average life of the mortgage loans outstanding, which is estimated at ten years.

i. Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the amounts and disclosures included in the Agency's financial statements during the reporting periods. Actual amounts could differ from these estimates.

j. Derivative Instruments

The Agency enters into various interest rate swaps in order to manage risks associated with interest on its variable rate bond portfolio. The Agency recognizes the fair value of all derivative instruments as either an asset or liability on its statements of net position with the offsetting gains or losses recognized in earnings or as either deferred inflows or outflows if deemed an effective hedge.

2. Significant Accounting Policies (continued)

k. Recently Adopted Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB No. 63"). The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts that are required to be reported as deferred outflows should be reported in a statement of financial position in a separate section following assets. Similarly, amounts required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011; however the Agency elected to early-adopt this Statement in the 2011 fiscal year. GASB No. 63 was implemented retroactively.

The adoption of this statement resulted in a change in the presentation of the Balance Sheets to what is now referred to as the Statements of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

l. Upcoming Accounting Pronouncements

In June 2011, GASB issued Statement No. 64, *Derivative Instruments; Application of Hedge Accounting Termination Provisions*. The objective of this Statement is to clarify the termination provisions in GASB No. 53, when a counterparty of an interest rate or commodity swap is replaced. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The Agency does not anticipate the implementation of this standard will have an impact on its financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Agency is in the process of assessing the impact of GASB No. 65 on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Agency is in the process of assessing the impact of GASB No. 68 on its financial statements.

2. Significant Accounting Policies (continued)

m. Federal Grants

Grants received from Federal, State and local governments are recognized as non-operating revenue as the related expenditures are incurred.

n. Reclassifications

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

o. Revenue and Expense Classification

Operating revenue consists primarily of interest on loans, earnings on investments, recoveries and insurance premiums and application fees. Revenue is accrued and recognized as revenue when earned. Operating expenses include interest expense on bonds, general expenses and certain insurance claims activity. All other revenue and expenses are considered non-operating.

p. Use of Net Position

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

3. Investments

The Agency's investments at October 31, 2012 and October 31, 2011, consisted of the following:

October 31, 2012: Category	Time Deposits, Money Market and Savings Accounts	U.S. Treasury Obligations	U.S. Government Agencies	Total Fair Value
		($ in 000s)		
Invested revenues	$ 2,662	$ 300,027	$ 367	$ 303,056
Mortgage insurance reserves	—	1,537,990	105,678	1,643,668
Mortgage acquisition and other bond proceeds	—	138,437	—	138,437
Bondholder reserves	48,973	153,967	—	202,940
Total	$ 51,635	$ 2,130,421	$ 106,045	$ 2,288,101

October 31, 2011: Category	Time Deposits, Money Market and Savings Accounts	U.S. Treasury Obligations	U.S. Government Agencies	Total Fair Value
		($ in 000s)		
Invested revenues	$ 1,756	$ 314,081	$ 346	$ 316,183
Mortgage insurance reserves	—	1,438,879	192,740	1,631,619
Mortgage acquisition and other bond proceeds	—	35,489	—	35,489
Bondholder reserves	48,973	152,575	6,487	208,035
Total	$ 50,729	$ 1,941,024	$ 199,573	$ 2,191,326

Agency funds are invested in accordance with the investment guidelines approved annually by the Agency's board, which are in compliance with the New York State Comptroller's Investment Guidelines.

All of the above investments that are securities are in registered form, and are held by agents of the Agency or by the trustee under the applicable bond resolution, in the Agency's name. The agents or their custodians take possession of the securities.

3. Investments (continued)

Permitted Investments

All bond proceeds and revenues can only be invested in Securities [defined as (i) obligations the principal of and interest on which are guaranteed by the United States of America; (ii) obligations of the United States of America; (iii) obligations the principal of and interest on which are guaranteed by the State; (iv) obligations of the State; (v) obligations of any agency of the United States of America; (vi) obligations of any agency of the State; (vii) obligations the principal of and interest on which are guaranteed by an agency or instrumentally of the United States of America; (viii) obligations of FNMA], Time Deposits and Certificates of Deposit. Securities are only purchased from Primary Dealers, and Securities are delivered to the applicable Custodian/Trustee who records the investment.

Collateralized Time Deposit Agreements and Certificates of Deposit may only be entered into with banks or trustees rated at least within the second highest rating category without regard to gradations within such category by Moody's Investors Service or Standard & Poor's. Collateralized Time Deposit Agreements and certificates of deposit are collateralized at a minimum of 103% of the principal amount of the agreement and marked to market weekly.

The collateral consists of United States government obligations, other securities the principal of and interest on which are guaranteed by the United States, Government National Mortgage Association obligations and obligations of agencies and instrumentalities of the Congress of the United States and obligations of FNMA. The collateral is delivered to the Custodian and held for the benefit of the Agency.

Investment Maturities in Years at October 31, 2012 is as follows:

	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
			($ in 000s)		
Time Deposits	$ 43,339	$ —	$ —	$ —	$ 43,339
Trust Savings Accounts/ CDs	2,662	2,662	—	—	—
Municipal Bonds	368	—	—	—	368
U.S. Treasury Bills	479,397	479,397	—	—	—
U.S. Treasury Notes & Bonds	1,651,024	521,587	772,652	356,785	—
U.S. Government Agencies	111,311	56,017	49,770	5,524	—
Total	$ 2,288,101	$ 1,059,663	$ 822,422	$ 362,309	$ 43,707

Interest Rate Risk

The Agency's exposure to fair value losses arising from rising interest rates is limited by the short term duration of 46% and 51% of the Agency's investments for fiscal years ended 2012 and 2011, respectively.

4. Mortgage Loans Receivable

The principal balances of mortgage loans receivables for the years ended October 31, 2012 and October 31, 2011 were as follows:

October 31, 2012:

	Balance at October 31, 2011	Amortization	Prepayments, Transfers and Other Credits	Purchase of New Loans	Balance at October 31, 2012
			($ in 000s)		
Homeowner Mortgage Revenue	$ 2,324,924	$ (81,401)	$ (228,645)	$ 124,759	$ 2,139,637
Mortgage Revenue	879,501	(25,252)	(45,718)	—	808,531
Homeownership Program	4,281	(229)	(354)	—	3,698
		$ (106,882)	$ (274,717)	$ 124,759	
Less unearned discount and unearned commitment fees	(1,430)				(814)
Total Mortgage Receivable	$ 3,207,276				$ 2,951,052

October 31, 2011:

	Balance at October 31, 2010	Amortization	Prepayments, Transfers and Other Credits	Purchase of New Loans	Balance at October 31, 2011
			($ in 000s)		
Homeowner Mortgage Revenue	$ 2,659,682	$ (83,416)	$ (409,449)	$ 158,107	$ 2,324,924
Mortgage Revenue	549,049	(23,096)	201,848	151,700	879,501
Homeownership Program	4,769	(223)	(265)	—	4,281
		$ (106,735)	$ (207,866)	$ 309,807	
Less unearned discount and unearned commitment fees	(1,645)				(1,430)
Total Mortgage Receivable	$ 3,211,855				$ 3,207,276

4. Mortgage Loans Receivable (continued)

Mortgage loans outstanding were as follows at October 31, 2012 and October 31, 2011:

October 31, 2012:

	Number of Mortgage Loans	Outstanding Principal Balance ($ in 000s)
Homeowner Mortgage Revenue:		
Uninsured	8,339	$ 662,557
F.H.A. (insured)	1	21
Private mortgage insurance (at time of purchase)	18,474	1,480,847
Unearned income	—	(638)
	26,814	2,142,787
Mortgage Revenue:		
Uninsured	2,682	300,956
F.H.A. (insured)	12	160
Private mortgage insurance (at time of purchase)	4,985	503,627
Unearned income	—	(176)
	7,679	804,567
Homeownership Program:		
Uninsured	5	272
Private mortgage insurance (at time of purchase)	70	3,426
	75	3,698
Total	34,568	$ 2,951,052

October 31, 2011:

	Number of Mortgage Loans	Outstanding Principal Balance ($ in 000s)
Homeowner Mortgage Revenue:		
Uninsured	8,919	$ 704,017
F.H.A. (insured)	1	28
Private mortgage insurance (at time of purchase)	20,147	1,625,385
Unearned income	—	(1,162)
	29,067	2,328,268
Mortgage Revenue:		
Uninsured	2,864	325,572
F.H.A. (insured)	14	202
Private mortgage insurance (at time of purchase)	5,478	549,221
Unearned income	—	(268)
	8,356	874,727
Homeownership Program:		
Uninsured	5	296
Private mortgage insurance (at time of purchase)	75	3,985
	80	4,281
Total	37,503	$ 3,207,276

4. Mortgage Loans Receivable

The principal balances of mortgage loans receivables for the years ended October 31, 2012 and October 31, 2011 were as follows:

October 31, 2012:

Days in Arrears	Number of Loans in Arrears		Principal ($ in 000's)	Percent of Principal Outstanding of Loans in Arrears to Total Loans
Homeowner Mortgage Revenue:				
60	259	$	21,656	1.01%
90 plus	824		86,577	4.04%
	1,083		108,233	5.05%
Mortgage Revenue:				
60	64		6,235	0.77%
90 plus	157		14,388	1.79%
	221		20,623	2.56%
Homeownership Program:				
60	3		183	4.96%
90 plus	6		419	11.32%
	9		602	16.28%
Combined:				
60	326		28,074	0.95%
90 plus	987		101,384	3.44%
	1,313	$	129,458	4.39%

October 31, 2011:

Days in Arrears	Number of Loans in Arrears		Principal ($ in 000's)	Percent of Principal Outstanding of Loans in Arrears to Total Loans
Homeowner Mortgage Revenue:				
60	293	$	24,372	1.05%
90 plus	620		63,121	2.71%
	913		87,493	3.76%
Mortgage Revenue:				
60	65		4,595	0.53%
90 plus	117		10,424	1.19%
	182		15,019	1.72%
Homeownership Program:				
60	2		140	3.27%
90 plus	6		522	12.19%
	8		662	15.46%
Combined:				
60	360		29,107	0.91%
90 plus	743		74,067	2.31%
	1,103	$	103,174	3.22%

5. Bonds Payable

Changes in bonds payable, net for the year ended October 31, 2012 and October 31, 2011 were as follows:

October 31, 2012:

	Bonds Outstanding at October 31, 2011	Matured/ Called/ Redeemed	Issued	Amortization of/or Bond Premium and Deferred Loss Amounts	Bonds Outstanding at October 31, 2012
			($ in 000s)		
Homeowner Mortgage Revenue	$ 2,318,281	$ (742,945)	$ 646,005	$ (5,265)	$ 2,216,076
Mortgage Revenue	871,530	(71,100)	—	(167)	800,263
NYHELPs (Student Loan program)	23,417	(9,115)	—	(457)	13,845
Total Bonds Outstanding	$ 3,213,228	$ (823,160)	$ 646,005	$ (5,889)	$ 3,030,184

October 31, 2011:

	Bonds Outstanding at October 31, 2010	Matured/ Called/ Redeemed	Issued	Amortization of/or Bond Premium and Deferred Loss Amounts	Bonds Outstanding at October 31, 2011
			($ in 000s)		
Homeowner Mortgage Revenue	$ 2,580,077	$ (413,800)	$ 151,190	$ 814	$ 2,318,281
Mortgage Revenue	833,433	(125,045)	159,410	3,732	871,530
Homeownership Program	2,074	(2,074)	—	—	—
NYHELPs (Student Loan program)	100,002	(75,010)	—	(1,575)	23,417
Total Bonds Outstanding	$ 3,515,586	$ (615,929)	$ 310,600	$ 2,971	$ 3,213,228

5. Bonds Payable (continued)

Homeowner Mortgage Revenue Bonds

One hundred seventy-five Homeowner Mortgage Revenue Bond series have been issued between 1988 and 2012 in a total original amount of $9,665,913,000. At October 31, 2012, the interest rates for the fixed rate bonds outstanding ranged from .19% to 6% and the interest on the variable rate debt ranged from .21% to .28%.

The schedule of Total Annual Maturities as of October 31, 2012 was as follows:

Fiscal Year Ending Oct 31,		Serial Bonds	Term Bonds	Total Bonds Payable	Interest Payable	Total Debt Service
				($ in 000s)		
2013	$	192,010 [1]	6,240	198,250	63,617	261,867
2014		76,965	3,935	80,900	61,225	142,125
2015		76,670	15,810	92,480	58,624	151,104
2016		70,035	19,675	89,710	55,955	145,665
2017		67,540	21,975	89,515	53,044	142,559
2018-2022		189,375	218,130	407,505	223,300	630,805
2023-2027		31,830	430,160	461,990	143,423	605,413
2028-2032		—	391,710	391,710	67,590	459,300
2033-2037		—	366,310	366,310	21,270	387,580
2038-2042		—	43,305	43,305	3,575	46,880
2043-2047		—	1,190	1,190	7	1,197
Total Debt Service Requirement		704,425	1,518,440	2,222,865	751,630	2,974,495
Unamortized bond premium		—	—	623	—	—
Deferred Loss		—	—	(7,412)	—	—
Total	$	704,425	1,518,440	2,216,076	751,630	2,974,495

[1] $120 million of the 2013 maturities are the Series 173A&B and the Series 174 A&B bonds, which are Convertible Option Bonds, issued in on July 26, 2012 with mandatory tender dated during fiscal year 2013.

5. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds

At October 31, 2012, the interest rate for fixed rate Homeowner Mortgage Revenue Bonds outstanding ranged from .19% to 6%.

The schedule of Homeowner Mortgage Revenue Bonds outstanding by series as of October 31, 2012 was as follows:

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
		($ in 000s)		
69	$ 89,180	$ 7,245	5.50%	2028
70	38,240	8,035	5.375%	2017
71	133,330	3,320	5.40%	2029
77A	69,495	6,300	5.15%	2029
78A	10,505	1,185	5.00%	2014
79	114,040	1,655	5.30%	2027
82	105,565	4,915	5.65%	2029
87	77,085	3,480	5.15%	2017
97	48,175	12,175	5.50%	2031
98	75,605	5,055	5.05%	2017
99	16,995	395	4.50%	2023
100	9,390	150	4.95%	2015
102	9,950	1,175	4.45%	2014
104	31,785	435	4.80%	2022
105	23,215	5,315	4.25%	2015
106	75,000	23,885	5.25%	2034
107	1,640	360	4.15%-4.25%	2014
109	125,000	89,430	4.4%-4.95%	2034
110	99,650	28,425	3.85%-4.4%	2017
111	114,760	64,645	3.9%-4.55%	2023
112	10,240	4,100	3.45%-4%	2017
113	90,000	40,385	4.7%-5.25%	2034
115	35,000	35,000	Reset Weekly	2034
116	125,000	98,280	3.9%-4.80%	2034
117	44,280	26,875	3.9%-4.65%	2025
120	35,000	25,915	4%-4.75%	2025
121	400	120	4.00%	2017
122	40,000	40,000	Reset Weekly	2035
123	28,760	23,595	4.6%-4.75%	2029
124	36,240	7,280	3.7%-4%	2017
125	35,000	35,000	Reset Weekly	2036
127	20,605	16,930	4.7%-4.95%	2036
128	45,395	8,335	4.0%-4.25%	2027
129	34,000	34,000	Reset Weekly	2035
130	48,055	37,660	4.4%-4.8%	2037
131	28,725	11,470	3.8%-4.05%	2017

5. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
		($ in 000s)		
132	$ 34,000	$ 34,000	Reset Daily	2037
133	73,970	36,195	4.6%-6%	2032
135	34,000	34,000	Reset Daily	2037
137	75,205	64,445	4.55%-4.7%	2031
138	15,795	11,920	3.7%-3.9%	2017
139	34,000	34,000	Reset Daily	2037
140	40,435	28,550	4.6%-4.75%	2037
141	15,565	8,290	3.8%-4%	2017
142	34,000	34,000	Reset Daily	2037
143	60,000	47,685	4.2%-4.9%	2037
144	30,000	30,000	Reset Daily	2037
145	22,980	19,305	4.95%-5.125%	2037
146	37,020	18,895	3.7%-4.1%	2017
147	50,000	50,000	Reset Weekly	2037
148	53,905	34,050	4.5%-5.2%	2032
149	21,095	13,285	3.5%-3.95%	2017
150	50,000	50,000	Reset Daily	2037
152	29,765	14,550	3.5%-4.125%	2017
153	50,000	50,000	Reset Weekly	2047
155	32,145	19,070	3.65%-4.375%	2018
158	50,000	5,855	4.5%-5.5%	2018
159	60,000	60,000	Reset Weekly	2038
160	11,560	7,705	2.9%-4%	2018
162	25,000	25,000	Reset Weekly	2039
163	66,825	62,860	1.85%-4.45%	2031
164	84,365	84,365	.6%-3.4%	2022
165	50,000	49,545	4%-4.75%	2042
166	107,585	95,295	1.226%-3.999%	2021
167	10,695	10,695	3.1%-4.1%	2022
168	50,065	50,065	.3%-4.125%	2040
169	43,060	42,115	.3%-2.6%	2021
170	19,940	19,940	2.4%-3.9%	2027
171	12,000	12,000	3.40%	2022
172	150,000	150,000	.5%-4.203%	2027
173A	26,800	26,800	0.19%	2013
173B	26,835	26,835	0.23%	2013
174A	33,200	33,200	0.19%	2013
174B	33,165	33,165	0.23%	2013
175	82,660	82,660	.473%-4.116%	2028
Unamortized bond premium	—	623		
Deferred loss	—	(7,412)		
Total	$ 3,662,940	$ 2,216,076		

5. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

As of October 31, 2012, the additional debt service requirements of the Agency's hedged variable rate debt on associated derivative instruments for the period hedged are as follows. These amounts assume that current interest rates on October 31, 2012 and the variable-rate offset the fixed rates of hedging derivative instruments will remain the same for the term of the respective swaps.

The table below represents the additional debt service payments resulting from the Homeowner Mortgage Revenue Bond hedged derivative instruments

Fiscal Year Ending Oct 31,		Swap Nominal Amount	Fixed Interest Payments	Swap Offset Payments	Net Swap Interest
			($ in 000s)		
2013	$	30,525	14,939	1,623	13,316
2014		505	14,522	1,563	12,959
2015		480	14,510	1,561	12,949
2016		34,465	13,843	1,497	12,346
2017		128,440	10,086	1,061	9,025
2018-2022		200,330	16,723	1,831	14,892
2023-2027		9,325	10,799	1,236	9,563
2028-2032		31,435	7,808	888	6,920
2033-2037		27,020	2,031	241	1,790
2038-2042		830	17	3	14
Total	$	463,355	105,278	11,504	93,774

5. Bonds Payable (continued)

Mortgage Revenue Bonds

Forty-eight Mortgage Revenue Bond series have been issued between 1984 and 2012 in a total original amount of $4,180,724,000. At October 31, 2012, the interest rates for the fixed rate bonds outstanding ranged from 1.0% to 5.45%.

The Schedule of Total Annual Maturities at October 31, 2012 was as follows:

Fiscal Year Ending Oct 31,		Serial Bonds	Term Bonds	Bonds Payable	Interest Payable	Debt Service
				($ in 000s)		
2013	$	17,165	—	17,165	30,503	47,668
2014		18,965	—	18,965	29,604	48,569
2015		16,185	—	16,185	28,479	44,664
2016		14,510	1,080	15,590	28,073	43,663
2017		15,705	720	16,425	27,624	44,049
2018-2022		72,990	65,965	138,955	134,967	273,922
2023-2027		14,945	124,235	139,180	98,947	238,127
2028-2032		—	144,345	144,345	67,012	211,357
2033-2037		—	135,840	135,840	40,964	176,804
2038-2041		—	153,090	153,090	14,018	167,108
Total Debt Service Requirement		170,465	625,275	795,740	500,191	1,295,931
Unamortized bond premium		—	—	4,523	—	—
Total	$	170,465	625,275	800,263	500,191	1,295,931

5. Bonds Payable (continued)

Outstanding Mortgage Revenue Bonds

At October 31, 2012, the interest rate for fixed rate Mortgage Revenue Bonds outstanding ranged from 1.0% to 5.45%.

The schedule of Mortgage Revenue Bonds outstanding by series as of October 31, 2012 was as follows:

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
		($ in 000s)		
29	$ 101,280	$ 6,320	5.45%	2031
31A	55,780	44,365	5.2%-5.3%	2032
32	26,045	4,545	4.4%-4.55%	2014
33A	44,505	20,235	3.95%-4.85%	2032
35	62,760	54,925	4.5%-4.8%	2030
36	27,240	2,210	3.8%-4.1%	2016
38A	120,000	117,000	4.090%	2041
39	57,385	52,810	3.25%-5%	2028
40	22,615	18,485	1.5%-3.125%	2017
38B	30,000	29,790	3.070%	2041
41	14,820	14,335	1%-4%	2028
42	5,180	4,145	1%-2.5%	2018
43	14,330	8,225	1%-2.3%	2017
44	38,555	35,040	1.8%-4.35%	2024
38C	66,000	64,450	3.010%	2041
45	44,000	40,310	1.1%-4.5%	2029
38D	138,110	136,520	3.550%	2041
38E	35,000	34,590	3.550%	2035
46	97,855	96,020	2.1%-5%	2029
47	17,555	11,420	1.1%-2.1%	2015
Unamortized bond premium	—	4,523		
Total	$ 1,019,015	$ 800,263		

Homeownership Mortgage Program

Seven series of Homeownership Mortgage Revenue Bonds were issued and privately placed between 1992 and 1999 totaling $118,306,000. The mortgages acquired under the resolution collateralized the bonds and scheduled amortization and other repayments of such mortgages were passed through to the bondholders. The Agency retired the outstanding Homeownership Mortgage Revenue Bonds on June 1, 2011. As a result, the remaining eighty mortgages that were pledged to the Homeownership Mortgage Revenue Bonds resolution are unpledged assets of the Agency under the Homeownership Program.

5. Bonds Payable (continued)

Student Loan Program

The Agency, doing business as The State of New York Higher Education Finance Authority issued the NYHELPs Educational Loan Revenue Bond, 2009 Series A in a total original amount of $97,795,000. At October 31, 2012, the amount of $13,670,000 remained outstanding with the interest rates ranging from 3.25% to 5.25%.

The schedule of Total Annual Maturities as of October 31, 2012 was as follows:

Fiscal Year Ending Oct 31,		Interest Payable	Bonds Payable	Total Debt Sevice
			($ in 000s)	
2013	$	628	225	853
2014		615	445	1,060
2015		590	775	1,365
2016		552	1,045	1,597
2017		492	1,540	2,032
2018-2022		1,533	5,345	6,878
2023-2027		584	4,295	4,879
Total Debt Service Requirement		4,994	13,670	18,664
Unamortized bond premium		—	175	—
Total	$	4,994	13,845	18,664

6. Other Assets

At October 31, 2012 and October 31, 2011 other assets consisted primarily of Owned Real Estate for which the balances were as follows:

October 31, 2012:

Bondholder Funds	Number of Loans	Book Value	Appraised Value
		($ in 000s)	
Homeowner Mortgage Revenue	30	$ 2,302	$ 3,102
Mortgage Revenue	8	659	1,228
Other Assets	—	1,972	—
	38	$ 4,933	$ 4,330

October 31, 2011:

Bondholder Funds	Number of Loans	Book Value	Appraised Value
		($ in 000s)	
Homeowner Mortgage Revenue	34	$ 2,581	$ 3,695
Mortgage Revenue	8	726	919
Other Assets	—	1,324	—
	42	$ 4,631	$ 4,614

7. Allowance for Anticipated Claims

The Mortgage Insurance Fund claim activity for the fiscal years ended October 31, 2012 and October 31, 2011 was as follows:

October 31, 2012:

	Project Insurance	Pool Insurance	Primary Insurance	Total Insurance
		($ in 000s)		
Reconciliation of Allowance for Claims				
Allowance, beginning of year	$ 37,584	$ —	$ —	$ 37,584
Current year provision for estimated claims	7,035	1,489	104	8,628
Current year adjustment to claims status	(10,546)	—	—	(10,546)
Claims paid, net	(869)	(1,489)	(104)	(2,462)
Allowance, end of year	$ 33,204	$ —	$ —	$ 33,204

October 31, 2011:

	Project Insurance	Pool Insurance	Primary Insurance	Total Insurance
		($ in 000s)		
Reconciliation of Allowance for Claims				
Allowance, beginning of year	$ 33,534	$ —	$ —	$ 33,534
Current year provision for estimated claims	9,982	1,490	58	11,530
Current year adjustment to claims status	(6,183)	—	—	(6,183)
Claims paid, net	251	(1,490)	(58)	(1,297)
Allowance, end of year	$ 37,584	$ —	$ —	$ 37,584

8. Retirement Benefits

State Employees' Retirement System

The Agency participates in the New York State and Local Employees' Retirement System (the "System") which is a cost sharing multiple employer public employee retirement system offering a wide range of plans and benefits which are related to years of service and final average salary, and provide for death and disability benefits and for optional methods of benefit payments. All benefits vest after five years of credited service. Obligations of participating employers and employees to contribute, and benefits payable to employees, are governed by the System and social security laws. The laws provide that all participating employers in the System are jointly and severally liable for any actuarial unfunded amounts. The Agency is billed annually for contributions.

The financial report of the system can be obtained from:

Office of the State Comptroller
New York State and Local Retirement System
110 State Street
Albany, NY 12244

Generally, all employees, except certain part-time and temporary employees, participate in the System. The System is contributory for the first ten years for employees who joined after July 1976 at the rate of 3% of their salary. Employee contributions are deducted from employees' compensation for remittance to the System.

The State Court of Appeals has ruled that the 1990 enactment of the projected unit credit actuarial method for calculating retirement plan funding was unconstitutional. On December 6, 1993, the State announced a return to the aggregate method for funding the plan.

The covered payrolls for the fiscal years ended October 31, 2012, 2011 and 2010 were $7.4 million, $7.9 million and $8.6 million, respectively.

Based upon the actuarially determined contribution requirements, the Agency contributed 100% of their required portion in the amounts of $1,627,858 in fiscal 2012, $991,928 in fiscal 2011 and $609,952 in fiscal 2010. Agency employees were required to contribute .80% of the current year's covered payroll ($52,850 in 2012, $63,565 in 2011 and $82,802 in 2010).

Changes in benefit provisions and actuarial assumptions did not have a material effect on contributions during fiscal 2012, 2011 and 2010.

Deferred Compensation

Some employees of the Agency have elected to participate in the State's deferred compensation plan in accordance with Internal Revenue Code Section 457. Agency employees contributed $471,249 during fiscal 2012 ($515,771 in fiscal 2011).

Other Postemployment Benefits

The Agency is a participating employer in the New York State Health Insurance Program ("NYSHIP"), which is administered by the State of New York as a multiple employer agent defined benefit plan. Under the plan as participated in by the Agency, eligible retired employees receive heath care benefits with employees paying 25% of dependent coverage costs and 10% of individual employee costs. The Agency's plan complies with the NYSHIP benefit provisions. In addition, as provided for in Civil Service Law Section 167, the Agency applies the value of accrued sick leave of employees who retire out of service to the retiree's share of costs for health benefits.

The Agency provides certain group health care and reimbursement of Medicare Part B premium for retirees (and for eligible dependents and survivors of retirees). Contributions towards part of the costs of these benefits are required of the retirees.

Retiree contributions towards the cost of the benefit are calculated depending on a number of factors, including hire date, years of service, and/or retirement date. An actuarially determined valuation of these benefits was performed by a consultant to calculate the impact of GASB accounting rules applicable to the retiree medical benefits for retired employees and their eligible dependents. GASB Statement No. 45 requires the valuation must be performed at least biennially. The most recent biennial valuation was performed with a valuation date of November 1, 2011 and was used as a basis for the determination of costs for the year ended October 31, 2012. Prior biennial valuation was performed with a valuation date of November 1, 2009 and was used as a basis for fiscal year ended October 31, 2010 and fiscal year ended October 31, 2011. The total number of plan participants receiving OPEB from the Agency as of October 31, 2010 was 45.

The Agency elected to record the entire amount of the net OPEB obligation in the fiscal year ended October 31, 2006. The Agency also elected not to fund the net OPEB obligation more rapidly than on a pay-as-you-go basis. The net OPEB obligation relating to postemployment benefits is in the approximate amounts of $34.7 million and $30.4 million as of October 31, 2012 and 2011, respectively.

Upon the adoption of GASB 45, the Agency is not required by law or contractual agreement to provide funding for other postemployment benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. During the fiscal years ended October 31, 2012 and 2011, the Agency paid $473,000 and $458,000, respectively.

Annual OPEB Cost and Net OPEB Obligation. The Agency's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount that was actuarially determined by using the Projected Unit Credit Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45).

The Agency is a participating employer in NYSHIP and does not issue a separate stand-alone financial report regarding other postemployment benefits. The NYSHIP financial report can be obtained from:

NYS Department of Civil Service
Employee Benefits Division
Alfred E. Smith Office Building
Albany, NY 12239

8. Retirement Benefits (continued)

The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective. The Agency uses a level dollar amount on an amortization period of ten years on an open basis. The following table shows the elements of the Agency's annual OPEB cost for the year, the amount actually paid, and changes in the Agency's net OPEB obligation to the plan for the years ended October 31, 2012 and 2011:

	2012	2011
	(in thousands)	
Annual Required Contribution (ARC)	$ 7,343	$ 5,118
Interest on the net OPEB obligation	1,063	1,122
Adjustment to ARC	(3,652)	(3,459)
Annual OPEB cost	4,754	2,781
Payments made	(473)	(458)
Increase in net OPEB obligation	4,281	2,323
Net OPEB obligation — Beginning of fiscal year	30,375	28,052
Net OPEB obligation — End of fiscal year	$ 34,656	$ 30,375

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended October 31, 2012, 2011 and 2010 are as follow:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
		($ in thousands)	
10/31/2012	$ 4,754	9.9%	$ 34,656
10/31/2011	$ 2,781	16.5%	$ 30,375
10/31/2010	$ 2,450	13.2%	$ 28,052

Actuarial Methods and Assumptions: Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The OPEB-specific actuarial assumptions used in the Agency's November 1, 2011 OPEB actuarial valuations were the projected unit credit method as its actuarial cost method, a 3.5% per annum discount rate and that retiree contributions are assumed to increase at the same rates as incurred claims. The valuation dated as of November 1, 2009 used a per annum discount rate of 4%.

8. Retirement Benefits (continued)

The premium rate is used for all non-Medicare eligible retirees and dependents with basic medical coverage. Initial monthly premium rates are shown in the following table:

	Monthly Rate Effective July 1, 2012
Eligible-Medicare	
Single	$ 612.26
Family	$ 1,423.94

2009 Medicare Part B premiums are assumed to increase by Part B trend rates. No retiree is assumed to have income in excess of the threshold which would result in increasing Part B premiums above 25% of Medicare Part B costs.

Health Care Cost Trend Rate (HCCTR): Covered medical expenses are assumed to increase by the following percentages:

Year Ending	Rate
2012	7.70%
2013	8.0
2014	7.0
2015	6.4
2016	6.3
2021	6.5
2026	7.2
2031	6.9
2036	6.5
2041	6.1
2046	5.8
2086	4.7

Mortality. Mortality rates are those recommended by the actuary:

Age	Male	Female
60	0.69%	0.59%
65	1.149	0.981
70	1.880	1.584
75	3.240	2573
80	5.763	4.247
85	10.252	7.249

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. Synthetic Fixed Rate Swaps

As of October 31, 2012, the Agency has entered into fifteen negotiated swaps as part of its risk management program, serving to increase financial flexibility and reduce interest costs. These swaps were entered into with seven financial institutions (the Counterparties) for a current total notional principal of $463,355,000. These synthetic fixed-rate swaps correspond to the State of New York Mortgage Agency Homeowner Mortgage Revenue ("HMB") variable-rate bond series listed below.

The fair value balances and notional amounts of derivative instruments outstanding at October 31, 2012, classified by type, and the changes in fair value of such derivative instruments from the year then ended as reported in the 2011 financial statements are as follows:

	Changes in fair value		Fair value at October 31, 2012		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedge	Deferred outflow	($4,458,658)	Debt	($64,991,660)	$463,355,000

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Objective and Terms of Hedging Derivative Instruments
The following table displays terms of the Agency's hedging derivative instruments outstanding at October 31, 2012, along with the credit rating of the associated counterparty. The objective of all of the swaps entered into was to hedge changes in cash flows in the associated bond series:

Synthetic Fixed Rate Swaps

	Terms					
Associated Bond Series	**Notional Amount (000s)**	**Effective Date**	**Maturity Date**	**Fixed rate paid**	**Fair Value**	**Counterparty**
HMB Series 129*	$34,000	11/17/05	10/01/35	3.5870%	($9,075,011)	Citibank NA
HMB Series 132*	$34,000	03/09/06	04/01/37	3.4783%	($9,586,440)	JPMorgan Chase Bank NA
HMB Series 135(1)*	$34,000	07/13/06	04/01/16	3.8570%	($3,918,370)	The Bank of New York Mellon
HMB Series 139*	$34,000	09/23/08	10/01/16	2.9720%	($3,212,315)	Goldman Sachs Cap. Markets LP
HMB Series 142*	$34,000	02/01/07	04/01/17	3.5650%	($4,412,951)	Citibank NA
HMB Series 144(1)*	$30,000	06/07/07	04/01/17	3.6540%	($4,012,415)	The Bank of New York Mellon
HMB Series 147*	$30,000	09/20/07	10/01/17	3.4250%	($4,019,008)	JPMorgan Chase Bank NA
HMB Series 150*	$10,000	12/14/07	04/01/13	2.9810%	($ 129,466)	Goldman Sachs Cap. Markets LP
HMB Series 150*	$40,000	12/14/07	04/01/18	3.2170%	($5,277,318)	Goldman Sachs Cap. Markets LP
HMB Series 153*	$20,000	03/27/08	04/01/13	2.5580%	($ 216,690)	Merrill Lynch Der. Products AG
HMB Series 153*	$30,000	03/27/08	04/01/18	2.9900%	($3,590,731)	Merrill Lynch Der. Products AG
HMB Sr.122/125(2)*	$30,000	08/14/08	10/01/16	3.0860%	($4,109,909)	Royal Bank of Canada
HMB Sr.122/125(2)*	$30,000	08/14/08	10/01/18	3.1760%	($2,969,783)	Royal Bank of Canada
HMB Series 159**	$60,000	10/30/08	10/01/18	3.5400%	($9,664,326)	Royal Bank of Canada
HMB Series 162 (3)***	$13,355	01/22/09	04/01/39	2.3825%	($ 796,927)	Barclays Bank PLC

* Variable rate payment received from counterparties is 63% of 1 month LIBOR plus 0.25%.
** Variable rate payment received from counterparties is SIFMA.
*** Variable rate payment received from counterparties is 63% of 3 month LIBOR plus 0.25%

9. Synthetic Fixed Rate Swaps (Continued)

(1) On August 2, 2012, the UBS swaps were transferred to The Bank of New York Mellon
(2) These two $30,000,000 swaps were originally associated with the Series 154 and 157 bonds. With the refunding of the Series 157 bonds on 10/24/11 and the Series 154 bonds on 12/1/11, Series 122 was allocated $20,000,000 of each swap and Series 125 was allocated $10,000,000 of each swap with terms consistent with the initial series.
(3) The Series 162 swap has multiple par cancelation options whereby SONYMA has the right to cancel increasing percentages of the outstanding notional amount beginning 4/1/11.

COUNTERPARTY RATINGS

Counterparty Name	Moody's/S&P/Fitch
The Bank of New York Mellon	Aa1/AA-/AA-
Barclays Bank PLC	A2/A+/A
Citibank N.A.	A3/A/A
Goldman Sachs Capital Markets L.P. (Guarantor Goldman Sachs Group)	A3/A-/A
JPMorgan Chase Bank N.A.	Aa3/A+/A+
Merrill Lynch Derivative Products AG	Aa3/AAA/NR
Royal Bank of Canada	Aa3/AA-/AA

Risks

Credit risk. The Agency is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Agency's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating not be within the two highest investment grade categories by at least one nationally recognized statistical rating agency or the rating by any nationally recognized statistical rating agency fall below the three highest investment grade rating categories. The Agency has never been required to access collateral.

It is the Agency's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Interest rate risk. The Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swap, as LIBOR or SIFMA decreases, the Agency's net payment on the swap increases.

Basis risk. The Agency is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received by the Agency on these hedging derivative instruments are based on a rate other than interest rates the Agency pays on its hedged variable-rate debt, which is remarketed on either weekly or daily basis. As of October 31, 2012, the weighted-average interest rate on the Agency's hedged variable-rate debt is 0.235%, while the applicable 63% of one month LIBOR plus 0.25%, 63% of three month LIBOR plus 0.25%, and SIFMA were 0.212%, 0.313% and 0.210%, respectively.

Termination risk. The Agency or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Agency would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover risk. The Agency is exposed to rollover risk on hedging derivative instruments should a termination event occur prior to the maturity of the hedged debt.

9. Synthetic Fixed Rate Swaps (Continued)

Contingencies

Five of the Agency's counterparties have derivative instruments that include provisions that require the Agency to post collateral in the event its credit rating falls below certain levels. The collateral posted is to be in the form of U.S. Treasury securities in the amount of the fair value of the hedging derivative in a liability position net of the effect of applicable netting arrangements. If the Agency does not post collateral, the hedging derivative instrument may be terminated by the counterparty.

Two of the five counterparties requiring collateral posting have collateral posting provisions if the Agency's rating falls to Baa1 or below or not rated by Moody's or BBB+ or below or not rated by Standard & Poor's. If the collateral posting requirements were triggered at October 31, 2012, the Agency would be required to post $22,224,547 in collateral to these counterparties ($29,499,798 at October 31, 2011).

Three of the five counterparties requiring collateral posting have collateral posting thresholds relating to various rating levels.

- The threshold amount is $10,000,000 if the Agency's rating falls to Baa1 as rated by Moody's and BBB+ as rated by Standard and Poor's. At these ratings, if collateral posting requirements were triggered at October 31, 2012, the Agency would be required to post $6,744,018 in collateral to these counterparties.
- The threshold amount is $5,000,000 if the Agency's rating falls to Baa2 as rated by Moody's and BBB as rated by Standard and Poor's. At these ratings, if collateral posting requirements were triggered at October 31, 2012, the Agency would be required to post $14,674,803 in collateral to these counterparties.
- The threshold amount is $1,000,000 if the Agency's rating falls to Baa3 as rated by Moody's and BBB- as rated by Standard and Poor's. At these ratings, if collateral posting requirements were triggered at October 31, 2012, the Agency would be required to post $22,674,803 in collateral to these counterparties.
- The threshold amount is zero if the Agency's ratings fall to below Baa3 as rated by Moody's and below BBB- as rated by Standard and Poor's. At those ratings, if collateral posting requirements were triggered at October 31, 2012, the Agency would be required to post $25,471,730 in collateral to these counterparties.

10. Commitments and Contingencies

Operating Leases

The Agency is obligated under leases for office locations in the City of New York, Albany and Buffalo.

The Agency and the New York State Housing Finance Agency ("HFA") entered into an operating lease for office space which commenced in fiscal year 1994 for a term of fifteen years. The lease was renewed on January 1, 2009 for a term of ten years.

The leases obligate the Agency to pay for escalations in excess of the minimum annual rental (ranging from $2,434,266 to $4,731,836) based on operating expenses and real estate taxes. The Agency bears approximately 50% of the minimum annual lease payments under this lease with the balance assumed by HFA, with whom the Agency shares the leased space.

Rental expense for the fiscal years ended October 31, 2012 and 2011 was $2,455,974 and $2,440,780 respectively. As of October 31, 2012, the future minimum lease payment, which includes the Agency's pro rata share of the annual payment for the office space leases, under the non-cancelable operating leases are as follows:

	Amount ($ in 000s)
Fiscal year ending October 31:	
2013	$ 2,475
2014	2,650
2015	2,729
2016	2,778
2017	2,817
Thereafter	6,235
Total minimum payments required	$ 19,684

Litigation

In the course of business, the Agency is party to various administrative and legal proceedings. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial position, changes in financial position or cash flows of the State of New York Mortgage Agency as set forth in the Financial Statements.

11. Net Position

The Agency's Net Position represents the excess of assets and deferred outflows over liabilities and largely consists of mortgage loans and investments. The Agency's net position is categorized as follows:

a. Restricted for bond obligations

Such amount represents earned commitment fees and net investment earnings accumulated to date. These amounts are invested in mortgage receivables and reserve investments. The revenues from the investments are necessary to meet scheduled payments of interest and principal on bonds, amortization of bond issuance costs and, if available, used to redeem bonds in advance of scheduled maturities as provided under the various bond resolutions.

11. Net Position (continued)

b. Restricted for insurance requirements

As of October 31, 2012 and 2011, the Mortgage Insurance Fund's net position represent the required reserve for policies in force of $2.8 billion and $2.6 billion, respectively. Included within policies in force are single family mortgage primary and pool policies (total aggregate loss limit) totaling $489 million and $486 million in 2012 and 2011, respectively. Commitments outstanding as of fiscal years ended 2012 and 2011 were $898 million and $829 million, respectively. The Agency provided $9 million and $12 million during fiscal 2012 and 2011 respectively, for potential claims on mortgages insured by the Mortgage Insurance Fund.

The Agency recorded recovery income in the amount of approximately $3.5 million during fiscal 2012 and 2011 related to an Ulster County IDA mortgage relating to a nursing home in Kingston, New York. The mortgage was assigned to the Agency as a result of a claim paid by the Mortgage Insurance Fund in July, 2003.

The Agency has not remitted to the State any excess tax collections during fiscal 2012 and 2011, respectively. However, during fiscal 2012, the Agency transferred $100 million to the State from the Project Insurance Account.

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Required Supplementary Information

State of New York Mortgage Agency
(a component unit of the State of New York)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - POSTRETIREMENT HEALTHCARE PLAN
October 31, 2012 and 2011

(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
	(A)	(B)	(C=B-A)	(A/C)	(D)	(C/D)
November 1, 2011	—	$42,682	$42,682	—	$7,382	578%
November 1, 2009	—	$25,461	$25,461	—	$8,630	295%
November 1, 2007	—	$18,005	$18,005	—	$8,500	212%

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Supplementary Section

State of New York Mortgage Agency

(a component unit of the State of New York)

Schedules of Net Position
October 31, 2012
with comparative totals for 2011

(Amounts in Thousands)

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
Assets			
Current Assets:			
Cash-demand deposits unrestricted	$ 1,785	$ 4,786	$ —
Cash-demand deposits restricted	—	—	5,489
Cash-custodian deposits	—	1,740	346
Investments unrestricted	17,348	—	—
Investments restricted	—	376,933	117,194
Total cash and investments	19,133	383,459	123,029
Mortgage loans receivable	—	93,015	73,950
Accrued interest receivable:			
Mortgage and student loans	—	13,799	3,404
Investments	2	1,447	695
Other	—	2,755	802
Total current assets	**19,135**	**494,475**	**201,880**
Non-current Assets:			
Investments restricted	—	90,786	25,956
Mortgage loans receivable-net of unearned discount and unamortized commitment fees	—	2,045,984	734,405
Student loan receivable	—	—	—
Unamortized cost of issuance	—	54,531	21,886
Total non-current assets	**—**	**2,191,301**	**782,247**
Total Assets	**19,135**	**2,685,776**	**984,127**
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	—	58,292	—
Liabilities			
Current Liabilities:			
Bonds payable, net	—	200,245	17,165
Interest payable	—	5,487	2,571
Allowance for anticipated claims	—	—	—
Unearned income, accounts payable and other liabilities	5,943	7,670	1,067
Interfund payables	(3,150)	1,087	104
Total current liabilities	**2,793**	**214,489**	**20,907**
Non-current Liabilities:			
Bonds payable, net	—	2,015,831	783,098
Derivative instruments - interest rate swaps	—	64,992	—
Postemployment retirement benefits payable	34,656	—	—
Total non-current liabilities	**34,656**	**2,080,823**	**783,098**
Total Liabilities	**37,449**	**2,295,312**	**804,005**
Net Position			
Restricted for bond obligations	—	448,756	180,122
Restricted for insurance requirements	—	—	—
Unrestricted (deficit)	(18,314)	—	—
Total Net Position	**$ (18,314)**	**$ 448,756**	**$ 180,122**

Homeownership Program	Total	Student Loan Program	Mortgage Insurance Fund	Total All Funds October 31, 2012	Total All Funds October 31, 2011
$ 18	$ 6,589	$ 1,241	$ 3,017	$ **10,847**	$ **3,085**
—	5,489	—	—	**5,489**	**2,919**
—	2,086	—	—	**2,086**	**5,069**
—	17,348	—	—	**17,348**	**11,990**
1,139	495,266	15,077	566,518	**1,076,861**	**1,139,879**
1,157	526,778	16,318	569,535	**1,112,631**	**1,162,942**
—	166,965	—	—	**166,965**	**157,357**
74	17,277	653	—	**17,930**	**15,481**
—	2,144	7	8,311	**10,462**	**12,906**
3	3,560	—	1,373	**4,933**	**4,631**
1,234	**716,724**	**16,978**	**579,219**	**1,312,921**	**1,353,317**
—	116,742	—	1,077,150	**1,193,892**	**1,039,457**
3,698	2,784,087	—	—	**2,784,087**	**3,049,919**
—	—	12,552	—	**12,552**	**6,223**
—	76,417	373	—	**76,790**	**88,601**
3,698	**2,977,246**	**12,925**	**1,077,150**	**4,067,321**	**4,184,200**
4,932	**3,693,970**	**29,903**	**1,656,369**	**5,380,242**	**5,537,517**
—	58,292	—	—	**58,292**	**60,533**
—	217,410	225	—	**217,635**	**232,315**
—	8,058	316	—	**8,374**	**11,169**
—	—	—	33,204	**33,204**	**37,584**
53	14,733	70	15,535	**30,338**	**21,496**
1,272	(687)	24	663	**—**	**—**
1,325	**239,514**	**635**	**49,402**	**289,551**	**302,564**
—	2,798,929	13,620	—	**2,812,549**	**2,980,913**
—	64,992	—	—	**64,992**	**60,533**
—	34,656	—	—	**34,656**	**30,375**
—	**2,898,577**	**13,620**	**—**	**2,912,197**	**3,071,821**
1,325	**3,138,091**	**14,255**	**49,402**	**3,201,748**	**3,374,385**
3,607	632,485	15,648	—	**648,133**	**648,690**
—	—	—	1,606,967	**1,606,967**	**1,593,967**
—	(18,314)	—	—	**(18,314)**	**(18,992)**
$ **3,607**	$ **614,171**	$ **15,648**	$ **1,606,967**	$ **2,236,786**	$ **2,223,665**

State of New York Mortgage Agency

(a component unit of the State of New York)

Schedules of Revenues, Expenses and Changes in Net Position Fiscal Year Ended October 31, 2012 with comparative totals for 2011

(Amounts in Thousands)

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
Operating revenues			
Interest earned on loans	$ 17	$ 120,162	$ 41,226
Recoveries	—	—	—
Investment Income	15	6,713	2,028
Net change in fair market value			
of investments	—	(1,097)	(834)
Insurance premiums and application fees earned	—	—	—
Other income	502	598	66
Total operating revenues	**534**	**126,376**	**42,486**
Operating expenses			
Interest and amortization of discount on debt	—	92,444	31,842
Amortization of bond issuance costs	—	2,251	222
Postemployment retirement benefits expense	4,281	—	—
General expenses	10,300	5,737	159
Overhead assessment by State of New York	3,307	—	—
Pool insurance	—	719	107
Provision for estimated claims	—	—	—
Expenditures related to federal and state grants	828	—	—
Other	886	9,484	2,506
Total operating expenses	**19,602**	**110,635**	**34,836**
Operating (loss) income	**$ (19,068)**	**$ 15,741**	**$ 7,650**
Non-operating (expenses) revenues			
Loss on early extinguishment of debt	—	(4,756)	(359)
Mortgage insurance reserves retained	—	—	—
Federal grants	828	—	—
Payments from New York State	—	—	—
Interfund transfers	18,918	(18,918)	—
Total non-operating revenues (expenses)	**19,746**	**(23,674)**	**(359)**
(Decrease) increase in net position	**678**	**(7,933)**	**7,291**
Net Positon, Beginning of Fiscal Year	**(18,992)**	**456,689**	**172,831**
Total Net Position, End of Fiscal Year	**$ (18,314)**	**$ 448,756**	**$ 180,122**

Homeownership Program	Total	Student Loan Program	Mortgage Insurance Fund	Total All Funds Fiscal year ended October 31, 2012	Total All Funds Fiscal year ended October 31, 2011
$ 293	$ 161,698	$ 890	$ —	$ **162,588**	$ **172,947**
—	—	—	10,546	**10,546**	**6,184**
2	8,758	13	21,777	**30,548**	**38,081**
(1)	(1,932)	2	(5,450)	**(7,380)**	**(6,536)**
—	—	246	12,925	**13,171**	**12,239**
—	1,166	1	—	**1,167**	**1,221**
294	**169,690**	**1,152**	**39,798**	**210,640**	**224,136**
—	124,286	632	—	**124,918**	**142,360**
—	2,473	295	—	**2,768**	**2,592**
—	4,281	—	—	**4,281**	**2,323**
2	16,198	255	4,124	**20,577**	**18,665**
—	3,307	—	1,103	**4,410**	**3,927**
8	834	—	197	**1,031**	**949**
—	—	—	8,628	**8,628**	**11,530**
—	828	—	—	**828**	**951**
169	13,045	—	2	**13,047**	**12,481**
179	**165,252**	**1,182**	**14,054**	**180,488**	**195,778**
$ 115	**$ 4,438**	**$ (30)**	**$ 25,744**	**$ 30,152**	**$ 28,358**
—	(5,115)	—	—	**(5,115)**	**(5,163)**
—	—	—	87,256	**87,256**	**79,722**
—	828	—	—	**828**	**951**
—	—	—	(100,000)	**(100,000)**	**—**
—	—	—	—	—	—
—	**(4,287)**	—	**(12,744)**	**(17,031)**	**75,510**
115	**151**	**(30)**	**13,000**	**13,121**	**103,868**
3,492	**614,020**	**15,678**	**1,593,967**	**2,223,665**	**2,119,797**
$ 3,607	**$ 614,171**	**$ 15,648**	**$ 1,606,967**	**$ 2,236,786**	**$ 2,223,665**

State of New York Mortgage Agency
(a component unit of the State of New York)
Schedules of Cash Flows
Fiscal Year Ended October 31, 2012 with comparative totals for 2011

(Amounts in Thousands)

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
Cash flows from operating activities			
Interest received on loans	$ —	$ 120,773	$ 41,265
Principal payment on mortgages	—	309,522	70,878
Purchase of mortgage loans	—	(124,759)	—
Commitment fees, premium and other	1,323	—	—
Operating expenses	(21,554)	—	—
Expenditures related to federal grants	(828)	—	—
Transfers	18,918	(18,918)	—
Other	7,626	(12,627)	(262)
Net cash (used in) provided by operating activities	**5,485**	**273,991**	**111,881**
Cash flows from non-capital financing activities			
Interest paid on bonds	—	(94,795)	(31,937)
Mortgage recording surtax receipts	—	—	—
Payments to New York State	—	—	—
Federal grants	828	—	—
Bond proceeds	—	646,005	—
Retirement and redemption of bonds	—	(742,945)	(71,100)
Net cash provided by (used in) non-capital financing activities	**828**	**(191,735)**	**(103,037)**
Cash flows from investing activities			
Earnings on investments	96	12,164	3,631
Proceeds from the sale or maturities of investments	63,700	2,161,374	375,899
Purchase of investments	(69,135)	(2,254,597)	(384,514)
Net cash provided by (used in) investing activities	**(5,339)**	**(81,059)**	**(4,984)**
Net increase (decrease) in cash	974	1,197	3,860
Cash, beginning of fiscal year	811	5,329	1,975
Cash, end of fiscal year	**$ 1,785**	**$ 6,526**	**$ 5,835**
Reconciliation of operating revenues (expenses) to net cash (used in) provided by operating activities:			
Net operating revenues (expenses)	$ (19,068)	$ 15,741	$ 7,650
Adjustment to reconcile operating income to net cash provided (used in) by operating activities:			
Amortization and accretions of investment earnings	81	5,452	1,603
Amortization of loss on early extinguishment debt	—	(4,756)	(359)
Net cash provided by (used in) non-operating activities	18,822	249,573	100,018
Changes in assets and liabilities			
Interest, fees and other receivables	3,438	7,543	3,013
Accounts payable and other liabilities	2,212	438	(44)
Net cash (used in) provided by operating activities	**$ 5,485**	**$ 273,991**	**$ 111,881**
Non-cash investing activities			
(Decrease) increase in fair value of investments	$ —	$ (1,097)	$ (834)

Homeownership Program	Total	Student Loan Program	Mortgage Insurance Fund	Total All Funds Fiscal year ended October 31, 2012	2011
$ 297	$ 162,335	$ 309	$ —	$ **162,644**	$ **172,632**
584	380,984	802	—	**381,786**	**314,632**
—	(124,759)	(6,970)	—	**(131,729)**	**(315,868)**
—	1,323	56	15,357	**16,736**	**17,838**
(72)	(21,626)	(259)	—	**(21,885)**	**(22,194)**
—	(828)	—	—	**(828)**	**(951)**
—	—	—	—	**—**	**—**
(105)	(5,368)	(39)	(11,243)	**(16,650)**	**(13,590)**
704	**392,061**	**(6,101)**	**4,114**	**390,074**	**152,499**
—	(126,732)	(1,026)	—	**(127,758)**	**(143,789)**
—	—	—	92,521	**92,521**	**79,872**
—	—	—	(100,000)	**(100,000)**	**—**
—	828	—	—	**828**	**951**
—	646,005	—	—	**646,005**	**310,600**
—	(814,045)	(9,115)	—	**(823,160)**	**(617,461)**
—	**(293,944)**	**(10,141)**	**(7,479)**	**(311,564)**	**(369,827)**
11	15,902	7	36,619	**52,528**	**57,592**
2,697	2,603,670	68,351	1,609,766	**4,281,787**	**7,544,862**
(3,404)	(2,711,650)	(53,149)	(1,640,677)	**(4,405,476)**	**(7,384,888)**
(696)	**(92,078)**	**15,209**	**5,708**	**(71,161)**	**217,566**
8	6,039	(1,033)	2,343	**7,349**	**238**
10	8,125	2,274	674	**11,073**	**10,835**
$ 18	**$ 14,164**	**$ 1,241**	**$ 3,017**	**$ 18,422**	**$ 11,073**
$ 115	$ 4,438	$ (30)	$ 25,744	$ **30,152**	$ **28,358**
9	7,145	(7)	14,842	**21,980**	**19,511**
—	(5,115)	—	—	**(5,115)**	**(5,163)**
574	368,987	(5,151)	(36,434)	**327,402**	**91,348**
1	13,995	(286)	(1,373)	**12,336**	**6,790**
5	2,611	(627)	1,335	**3,319**	**11,655**
$ 704	**$ 392,061**	**$ (6,101)**	**$ 4,114**	**$ 390,074**	**$ 152,499**
$ (1)	$ (1,932)	$ 2	$ (5,450)	$ **(7,380)**	$ **(6,536)**