NEW YORK STATE OF OPPORTUNITY | Homes and Community Renewal

2015

Fiscal Year Annual Report

State of New York Mortgage Agency

State of New York Mortgage Agency

Financial Statements

Fiscal Years Ended October 31, 2015 and 2014

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, 2015 and 2014, are the responsibility of management. The financial statements were prepared in accordance with U.S. generally accepted accounting principles.

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 and has 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 to provide engagement related updates and communications.

The independent auditors conducted their audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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' unmodified report expresses that the financial statements are presented, in all material respects, in accordance with U.S. generally accepted accounting principles.

James S. Rubin
President/Chief Executive Officer

Sheila Robinson
Sheila Robinson
Senior Vice President/Chief Financial Officer

January 28, 2016

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Report of Independent Auditors

Management and the Directors of the Board
State of New York Mortgage Agency
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the State of New York Mortgage Agency (the Agency), a component unit of the State of New York, as of and for the years ended October 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of October 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Change in Method of Accounting for Pensions

As discussed in Note 2 to the financial statements, the Agency changed its methods for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* effective November 1, 2014. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Schedule of Funding Progress – Postretirement Healthcare Plan, the Schedule of the Contributions to the NYSLRS, and the Schedule of the State of New York Mortgage Agency's Proportionate Share of the NYSLRS Net Pension Liability, 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 which 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Supplementary Section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Building a better working world

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

The Introductory Section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 28, 2016 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Ernst + Young LLP

January 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended October 31, 2015 and October 31, 2014

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") for the fiscal years ended October 31, 2015 ("fiscal 2015") and October 31, 2014 ("fiscal 2014") with selected comparative information for the fiscal year ended October 31, 2013 ("fiscal 2013"). Please read this analysis 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) required supplementary information and (5) the supplemental schedules that report programs of the Agency individually.

The Agency's financial statements are prepared using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

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 fiscal 2015 and fiscal 2014. 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 reporting the assets, deferred inflows and outflows of resources, liabilities and 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 as well as providing information about the content of the financial statements.
- Details include contractual obligations, future commitments and contingencies of the Agency.
- Information is disclosed regarding any other events or developing situations that could materially affect the Agency's financial position.

Required Supplementary Information ("RSI")

- The RSI schedules present information regarding the Agency's (1) progress in funding its obligation to provide postemployment benefits other than pensions to its employees, (2) Schedule of Contributions to the New York State and Local Retirement System ("NYSLRS") Pension Plan and (3) Schedule of the Proportionate Share of the NYSLRS Net Pension Liability.

Supplementary Information

- Presentations of the Agency's financial information by program are listed in accordance with the requirements of each program.

Background

The Agency is a corporate governmental Agency, constituting a public benefit corporation and a component unit of the State of New York (the "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. The Agency 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 (the "MIF") Operations are dedicated to providing mortgage insurance 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.

The Student Loan Program was established in order to offer education loans to eligible students attending colleges and universities in the State. The program has been on hiatus since fiscal 2012. There have not been any Student Loan purchases since May 1, 2012.

Financial Markets

After many months of speculation, the Federal Reserve moved to increase the target range for the Fed Funds rate by 25 basis points in December. The Fed Funds rate increase marked the first rate hike since 2006 and a move away from the federal government's approximately six year accommodating monetary stance. Improved financial conditions, particularly improved employment rates, increased household earnings and an uptick in consumer spending were critical factors for the Federal Reserve's decision to increase rates. Treasury rates also increased; 10 and 30 year rates increased by 10bps and 26bps respectively over the course of the year.

Consistent with the improvement in the broader financial markets, the municipal market continued its move toward stability in 2015. Municipal issuance totaled approximately $398 billion last year, an increase of 19% from the previous year. Housing issuance increased to $15.578 billion from $13.124 billion in 2014, representing a 19% year over year increase. Though total housing issuance constituted a still diminished three percent of total municipal issuance, the sale of single family municipal housing bonds rebounded from last year, posting an increase of approximately 37.5% over 2014. In contrast with the treasury market trends referenced above, municipal rates continued to fall in 2015, with the 10 and 30 year municipal market data index ("MMD") posting modest decreases of 10bps and 4bps respectively for the year.

Despite the market's acute focus on the debt crisis in Puerto Rico and rating agency downgrades of the State of Illinois, credit concerns were largely a non-issue for strongly rated municipal issuers in 2015. As such, the Agency experienced very little change in the market reception for its bond issues and achieved pricing levels comparable to those achieved last year.

As in previous years, the Agency continued to take advantage of any remaining refunding opportunities to lower the cost of its outstanding debt and subsidize the Agency's single family lending rates. In 2015, the Agency issued $420 million of bonds, with economic refunding bonds representing approximately 35% of issuance.

The single family housing market continued to show signs of improvement in 2015 with construction, housing prices and the sale of new single family homes increasing from the previous year. Even though thirty year mortgage rates rose by approximately 20 basis points by year end, mortgage originations rose to $1.466 trillion in 2015 up by 16% after reaching a 14 year low in 2014, according to the Mortgage Bankers Association. Delinquency rates continued to decline in 2015, down by 0.61%, 0.47% nationally and statewide respectively.

First time buyers' (SONYMA's target audience) share of the market continued to decline 2015, currently accounting for approximately 32% of the market, down 1% from 2014's market share and 8% below their typical market share. This decline is largely attributed to increasing rents and home prices making it difficult for first time homebuyers to save for a down payment and the lack of inventory in their price range.

Even as the federal government continued to intervene in the conventional mortgage market, for the first time in 7 years, the Agency's lending activity increased to a level more consistent with its 10 year average. In 2015, the Agency purchased $461 million in mortgage loans, representing a 250% increase in its lending activity from the previous year. FHA's insurance activities were up 32.6% in 2015 from 2014.

Single Family Operations Highlights

General

As in prior years, continued uncertainty in the housing market coupled with the Federal Reserve's policy of keeping interest rates low impacts SONYMA's ability to maintain its traditional interest rate advantage. As a result of aggressive efforts to reduce the Agency's cost of funds and offer the most competitively priced mortgages on the market in the State, SONYMA's loan production increased significantly from fiscal year 2014. During fiscal year 2015, SONYMA assisted 1,133 low and moderate-income households (compared to 991 households in fiscal 2014 and 1,599 in fiscal 2013) by purchasing $182.7 million in mortgages (compared to $161.5 million in fiscal 2014 and $288.2 million in fiscal 2013). In fiscal year 2015, the Agency purchased 14% more in mortgages than during the last fiscal year, and 29% less than in fiscal year 2013. SONYMA's increased production in fiscal year 2013 was due primarily to an increase in conventional mortgage rates during the summer months of that fiscal year, which led to a temporary but significant spike in mortgage reservations. Most of the bond financed loans were purchased under SONYMA's two primary programs - the Low Interest Rate and Achieving the Dream Programs.

During fiscal 2015, the Low Interest Rate Program provided financing to 257 households (compared to 325 households in fiscal 2014 and 658 in fiscal 2013), and the Achieving the Dream Program, which assists lower-income homebuyers (80% of area median income or less), provided financing for 832 households (compared to 536 households in fiscal 2014 and 755 in fiscal 2013). The continuing success of the Achieving the Dream Program, which currently outperforms the Low Interest Rate Program in terms of production, indicates the success of the Agency, even in a period of market challenges, in assisting borrowers who would otherwise find it difficult to attain homeownership. Of the loans purchased under all of the Agency's programs, 548 borrowers (48%) received down payment assistance totaling $3.4 million in fiscal year 2015, compared to 527 borrowers, totaling $3.9 million in fiscal 2014 and 700 borrowers, totaling $4.8 million in fiscal 2013.

SONYMA continues to provide financing to underserved populations and communities. In fiscal year 2015, 63.5% of loans were made to low-income households and 27.5% of loans were made to minorities. In addition, loans made to households living in Federally-designated target areas represented 7% of total loan purchases.

During fiscal 2015, SONYMA continued to better serve its borrowers and industry partners by:

- Focusing its efforts on Low-Income and Minority Homebuyers: During fiscal year 2015, the Agency directed its energies towards providing mortgage loans to those individuals and families for whom SONYMA mortgages make the difference in achieving sustainable homeownership. This was accomplished by continuing to target mortgage financing activities on the Achieving the Dream Program, which assists lower-income homebuyers. In fiscal year 2015, 73.4% of the Agency's mortgages were originated under this program, up from 54.1% in 2014. Overall, 63.5% of the mortgages purchased were made to low-income homebuyers (80% of area median income or less), up from 61% in 2014, and almost 16% of the 1,133 loans SONYMA purchased statewide were made to low-income, minority households.

- Continuing to promote and expand the reach of the Conventional Plus Program in fiscal 2015: Conventional Plus was launched in November 2012 and complements SONYMA's existing tax-exempt bond financed programs and the FHA Plus Program described below. The product takes 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 than standard loans;
    - 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); and
    - Down payment and/or closing cost assistance up to 3% of the home purchase price (SONYMA allows 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).

The product is available for home purchases and for limited cash-out refinances.

Under Conventional Plus, 86 mortgages of $12.7 million in total principal and $117,000 in Down Payment Assistance were originated in fiscal year 2015. In addition, as of October 31, 2015, the Agency had 9 mortgages of $1.0 million in total principal and $8,000 in Down Payment Assistance in its pipeline.

- Continuing to promote and expand the footprint of the FHA Plus Program SONYMA launched in December 2013: complementing SONYMA's existing tax-exempt bond financed programs and the Conventional Plus Program, FHA Plus takes advantage of a special exemption from HUD that enables state housing finance agencies to offer down payment assistance on FHA-insured mortgages, where the down payment assistance may be used towards the borrower's minimum cash investment. The benefits of FHA Plus are:

  - Eligible borrowers do not have to be first-time homebuyers;
  - No income or purchase price limits; and
  - Availability of SONYMA down payment assistance:
    - for purchase transactions, up to 3% of the home purchase price.
    - for refinance transactions, up to 3% of the lower of the unpaid principal balance or the appraised value. (The assistance may be used as a credit against closing costs and prepaids.)

  Under this program, 157 mortgages of $40.4 million in total principal and $1.2 million in Down Payment Assistance were originated in fiscal year 2015. In addition, as of October 31, 2015, the Agency had 34 mortgages of $7.7 million in total principal and $334,000 in Down Payment Assistance in its pipeline.

- The Agency went live with SONYMA's two highest producing lenders on the SONYMA *Express*® automated system that has been developed to assist participating lenders by providing expedited decisions on SONYMA loan eligibility: the system has streamlined the Agency's loan origination process and dramatically reduced the time it takes participating lenders to originate SONYMA loans; (b) eliminated uncertainty of a borrower's eligibility early in the mortgage application process; (c) lowered overall lender costs; and (d) provided lenders with the capacity to submit electronic loan files to the Agency, thus eliminating the need to submit paper files. We purchased the software for the system in October 2015, and are now administering the system internally. This has allowed for greater accountability and control over system performance. As a result of these improvements, the system is expected to be rolled out to our remaining lender partners in the first half of 2016. SONYMA *Express*® will improve the Agency's relationships with lenders, other industry partners and potential borrowers. Ultimately, the system is expected to increase loan production and improve profitability.

- Continuing to work with SONYMA's Advisory Council in gathering insights and recommendations on future direction from expert industry professionals: the Council helps SONYMA maximize its effectiveness as an important provider of affordable and sustainable mortgages to low- and moderate-income first-time homebuyers across New York State while simultaneously providing a forum for knowledge-sharing and relationship building among different members of SONYMA's distribution and supply-networks. The Agency held two meetings with the Advisory Council in fiscal 2015, including a roundtable session with council member guests and SONYMA staff members, as well as monthly subcommittee meetings.

- Continuing Outreach Efforts to Industry Partners: SONYMA continued to cultivate its relationships with industry partners by participating in many events with homeownership counseling organizations, realtors, lenders, not-for profits, veterans groups, community groups and others. Of particular note, SONYMA sponsored the Annual HomeSmartNY (formerly CXHE) Statewide Conference for homeownership counseling groups, reinforcing the Agency's commitment to sustainable homeownership through borrower education and preparation. The outreach efforts and collaboration in planning events have deepened the Agency's relationships with its partners in the housing community and provided additional opportunities to promote SONYMA products and services.

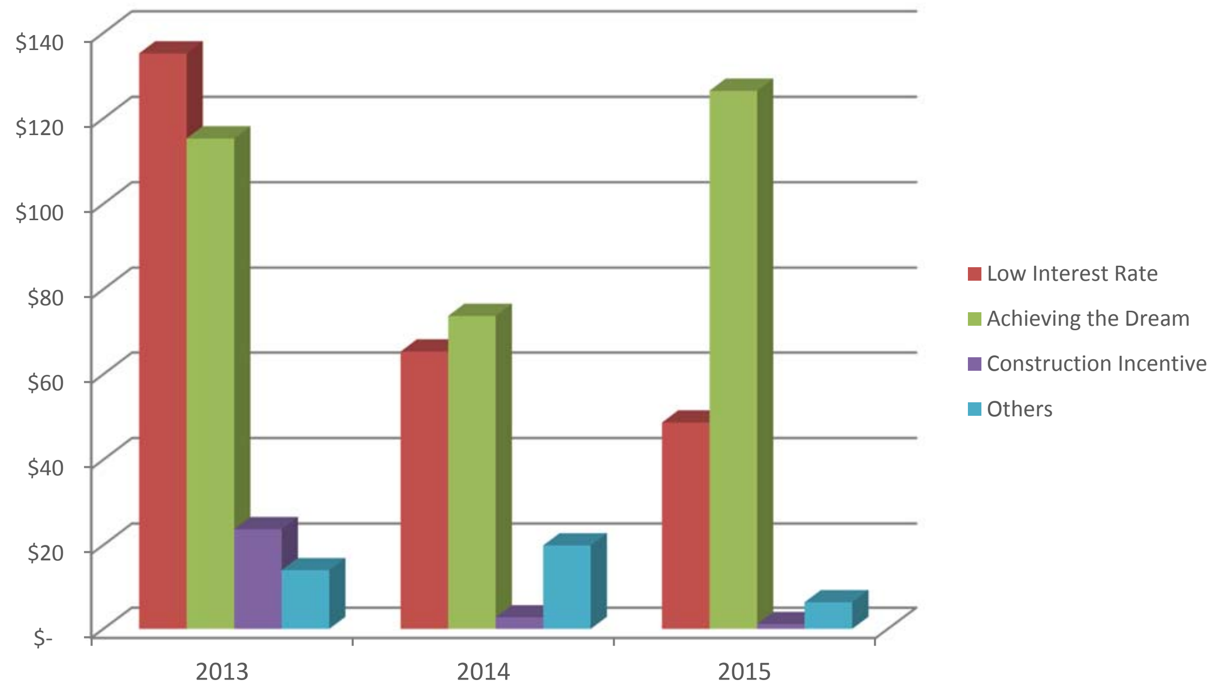
- Beginning in February 2014, SONYMA University webinars were offered on a twice per month basis: content has been developed and presented to lender partners, realtors, and homeownership counselors with topics coming from attendee feedback and the SONYMA Advisory Council. To date, more than 1,500 attendees have participated in web-based training on SONYMA programs. The course content has also been used to create consistent presentations for onsite trainings that are given by our three Business Development Officers throughout the State.

- Continuing to promote the enhanced Remodel New York Program: As the existing housing stock continues to age, many homebuyers are faced with the need to complete renovations to properties they are purchasing. This can be burdensome to first-time homebuyers adjusting to homeownership, and can keep homebuyers from being able to purchase properties in need of significant repair. In order to address this increasing need, SONYMA has enhanced its Remodel NY program in a number of ways.

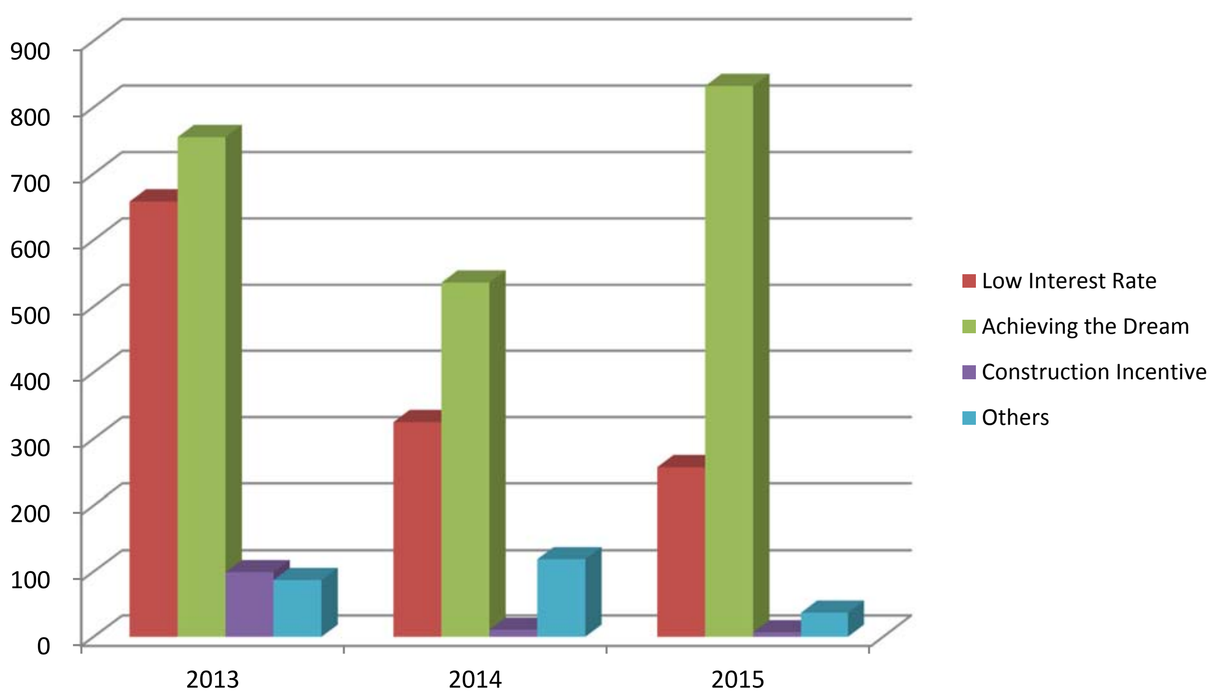
    - The Agency transitioned the Remodel NY to an add-on program, so that borrowers who meet the income requirements for Achieving the Dream, can utilize the program and obtain the same low interest rate they would receive if they were not financing property improvements.
    - The Agency built the infrastructure to service the renovation escrow accounts internally. This enables SONYMA lender partners, without the servicing capability to administer renovation draws, the ability to offer the program. This is anticipated to increase homebuyer access to the program through a larger lender network.
    - Consolidation of Remodel NY and Own It Fix It, NY programs and elimination of caps on repair amounts based on total dollars and percentage of after-improved value.
    - Expansion of eligible improvements to include necessities for first-time homebuyers, such as appliances, when after-improved value permits.
    - Alignment with HUD and Fannie Mae renovation guidelines and forms for work write-up preparation. This enables lenders already offering the FHA 203(k) and Fannie Mae HomeStyle to transition to originating SONYMA Remodel NY with minimal additional technology modifications and training resources needed.
    - Implementation of mandatory certification for Loan Originators taking Remodel NY applications. To ensure borrowers receive proper counseling from their originator, it was important to require that there be a minimum amount of training and education provided prior to an originator taking an application for a Remodel NY loan. We also created an Advanced Remodel NY class, that was offered beginning in August, 2015 and has assisted lender's operations staff in structuring and documenting transactions.

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

At the end of fiscal 2015, SONYMA's 60 days or more delinquencies were 4.54% (based on the number of loans). This compares favorably to the New York State and national averages of 7.90% and 4.46%, respectively[1]. As of the end of fiscal year 2014, the percentage of 60 days or more delinquencies was 4.68%.

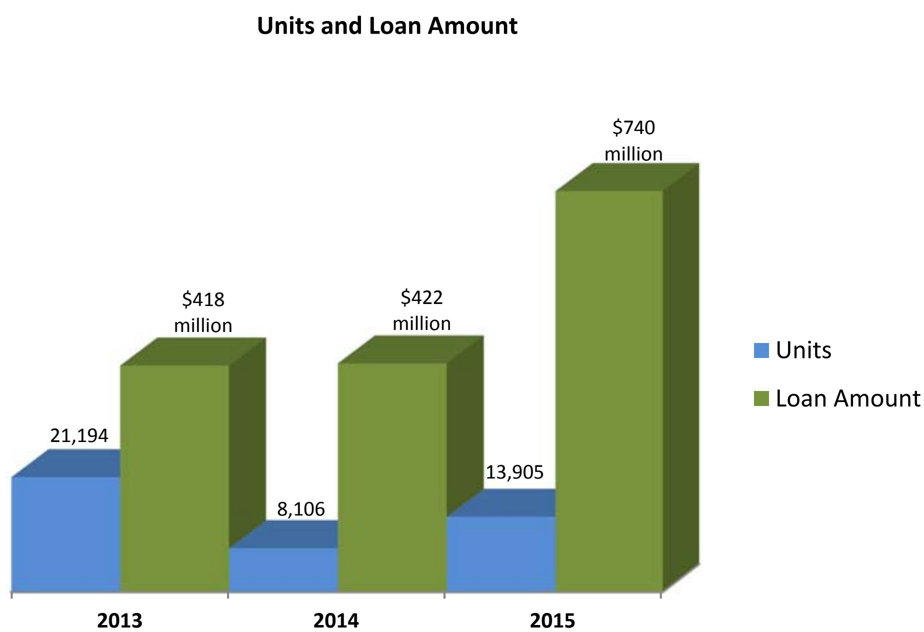
Since the end of fiscal year 2009, the percentage of the Agency's delinquencies has increased by over 120% (from 2.02% as of October 31, 2009 to 4.54% as of October 31, 2015. The increase is primarily due to the significant increases in the elapsed time to complete a foreclosure proceeding. Foreclosure timeframes have been increasing in New York since the State is a judicial only foreclosure state. This requires judicial intervention prior to foreclosure completion. There are a number of steps required, such as mandatory settlement conferences that prolong the process in the State. Burdens on the court system have caused the time for a foreclosure completion in the State to average over 3 years. While the number of loans going delinquent has not increased, the percentage of loans currently delinquent has increased due to the amount of time they have remained on the books.

With respect to mortgage loans foreclosed between January 1, 2014 and October 31, 2014, an average of 1,235 days elapsed between the date of default and the date foreclosure proceedings were completed. In contrast, with respect to Agency mortgage loans foreclosed in 2009, 2010, 2011, 2012, 2013 and 2014, an average of, respectively, 502 days, 644 days, 803 days, 931 days, 1,071 days, and 1,171 days elapsed between such dates.

Mortgage Insurance Fund Operations

The Mortgage Insurance Fund has two lines of business. It provides insurance on mortgages for affordable 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.

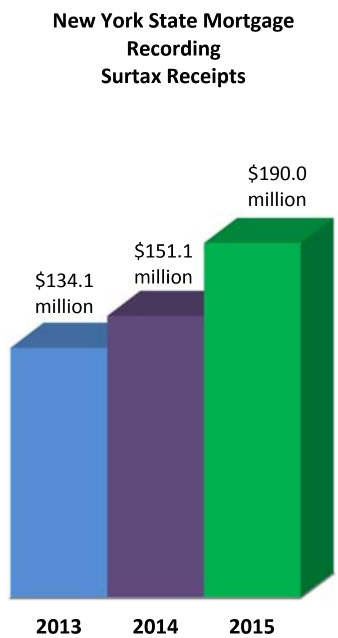
The following graph highlights the MIF's project insurance commitments for the fiscal years indicated.



The substantial increase in both the number of units and loans was due to several large loans for the moderate rehabilitation of affordable housing projects in New York City.

[1] National Delinquency Survey (NDS) latest quarterly figure, as of 9/30/15

Substantially all of the MIF's revenues are derived from a New York State mortgage recording surtax. Details are indicated in the following chart:



The increase in New York State Mortgage Recording Surtax Receipts from fiscal 2014 to fiscal 2015 is due to an increase in real estate transactions in the State, particularly in commercial real estate transactions in New York City. The MIF also received $19.4 million in insurance recoveries, application fees and insurance premiums during fiscal 2015 as compared with $24.0 million during fiscal 2014 and $20.8 million during fiscal 2013. Interest earned by the MIF during fiscal years 2015, 2014 and 2013 was $22.7 million, $18.2 million and $14.8 million, respectively.

The claims-paying ability of the Project Pool Insurance Account and the Single Family 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 July 31, 2014.

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.

Condensed Financial Information

Net Position Summary Schedules

Condensed Statement of Net Position

	October 31,			% Change	
	2015	2014	2013	2015-2014	2014-2013
		(in thousands)			
Assets:					
Cash	$ 14,761	$ 10,925	$ 8,638	35%	26%
Investments	2,416,548	2,271,785	2,256,146	6%	1%
Mortgage and Student loans receivables	2,644,084	2,753,256	2,873,878	(4%)	(4%)
Accrued Interest receivable	19,659	19,511	19,438	1%	—
Other assets	13,830	12,285	6,655	13%	85%
Total assets	5,108,882	5,067,762	5,164,755		
Deferred outflows of resources:					
Accumulated decrease in fair value of hedging derivatives	21,508	26,209	38,979	(18%)	(33%)
Deferred loss on refunding	5,535	5,826	6,118	(5%)	(5%)
Deferred amount on pension	327	—	—	N/A	N/A
Total deferred outflows of resources	27,370	32,035	45,097		
Liabilities:					
Bonds payable	2,611,563	2,707,487	2,828,022	(4%)	(4%)
Derivative instruments - interest rate swaps	34,575	39,275	45,679	(12%)	(14%)
Interest payable	6,083	6,307	7,374	(4%)	(14%)
Allowance for anticipated claims	16,756	27,812	22,653	(40%)	23%
Unearned income, accounts payable and other liabilities	90,325	92,836	142,268	(3%)	(35%)
Other postemployment benefits	46,591	42,690	39,000	9%	9%
Net pension liability	928	—	—	N/A	N/A
Total liabilities	2,806,821	2,916,407	3,084,996		
Net position	$ 2,329,431	$ 2,183,390	$ 2,124,856		

"—"indicates a percentage of less than 1%

Assets

Investments

Investments held by the Agency increased from $2.27 billion at October 31, 2014 to $2.42 billion at October 31, 2015, an increase of approximately $144.8 million or 6%. The increase was primarily a result of the investment of the proceeds of the October 22, 2015 bond sale in the amount of $135.5 million. This compares with a slight increase from $2.26 billion at October 31, 2013 to $2.27 billion at October 31, 2014, an increase of approximately $15.6 million or 1%, which was primarily due to the amount of $27.9 million held in the acquisition fund to purchase mortgages.

Mortgage and Student Loans Receivables

Mortgage and student loans receivables are the primary assets of the Agency's Single Family operation and the Student Loan Program constituting 52% of the Agency's total assets at October 31, 2015, 54% as of October 31, 2014 and 56% as of October 31, 2013.

Mortgage and student loans receivables decreased from $2.75 billion at October 31, 2014 to $2.64 billion at October 31, 2015, a decrease of approximately $109.2 million or 4%. This compares to a decrease from $2.87 billion at October 31, 2013 to $2.75 billion at October 31, 2014, a decrease of approximately $120.6 million or 4%. The decreases in each of the years were due to mortgage principal payments exceeding mortgage purchases.

Interest Receivable

Interest receivable has remained fairly constant during the period, increasing from $19.5 million at October 31, 2014 to $19.7 million at October 31, 2015, a slight increase of approximately $200 thousand or 1%. This compares with $19.5 million in both fiscal 2014 and 2013.

Other Assets

Other assets are primarily comprised of Owned Real Estate held by the Agency's Single Family operations. Other assets increased from $12.3 million at October 31, 2014 to $13.8 million at October 31, 2015, an increase of approximately $1.5 million or 13%. This compares with an increase from $6.7 million at October 31, 2013 to $12.3 million at October 31, 2014, an increase of approximately $5.6 million or 85%. The increase in each fiscal year results from increases in the number of loans being moved from the loan portfolio to Owned Real Estate status.

Liabilities

Bonds Payable

At approximately 93% of total liabilities in fiscal 2015 (93% and 92% in fiscal 2014 and 2013, respectively), bonds payable comprise the largest component of liabilities. Funds generated by the sale of bonds are used to purchase mortgage loans or to economically refund outstanding bonds. Mortgage loan payments together with interest earnings thereon, are the sources of funds used to pay scheduled principal and interest due on bonds payable.

Bonds payable decreased from $2.71 billion at October 31, 2014, to $2.61 billion at October 31, 2015, a decline of approximately $95.9 million or 4%. This compares with a decrease from $2.83 billion at October 31, 2013, to $2.71 billion at October 31, 2014, a decline of approximately of $120.5 million or 4%. The declines in bonds outstanding are primarily a result of principal payments on bonds exceeding bond issuances and the continued issuance of economic refunding bonds.

Derivative Instruments - Interest Rate Swaps and Deferred Outflows of Resources

The Agency has entered into various interest rate swap contacts in order to manage risk associated with interest on its 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 of resources if deemed an effective hedge (see note 8). For fiscal 2015, 2014 and 2013, all of the Agency's interest rate swaps were determined to be effective hedges. 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 the increase in interest rates, the liability position of the interest rate swaps decreased from approximately $39.3 million in fiscal 2014 to $34.6 million in fiscal 2015, a decrease of approximately $4.7 million, or 12%. This compares with a decrease from approximately $45.7 million in fiscal 2013 to $39.3 million in fiscal 2014, a decrease of approximately $6.4 million, or 14%.

Interest Payable

Interest payable decreased from $6.3 million at October 31, 2014 to $6.1 million at October 31, 2015, a decrease of approximately $0.2 million, or 4%. This compares with a decrease from $7.4 million at October 31, 2013 to $6.3 million at October 31, 2014, a decrease of approximately $1.1 million, or 14%. The decline in interest payable is primarily due to the continued issuance of refunding bonds at lower interest rates and lower bonds payable.

Allowance for Anticipated Claims

Allowance for anticipated claims decreased from $27.8 million at October 31, 2014 to $16.8 million at October 31, 2015, a decrease of approximately $11.0 million or 40%, as compared to an increase from $22.7 million at October 31, 2013 to $27.8 million at October 31, 2014, an increase of approximately $5.1 million or 23%. 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 2015, 2014 and 2013 the MIF made claim payments in the amounts of $9.5 million, $5.2 million and $11.2 million respectively.

Unearned Income, Accounts Payable and Other Liabilities

Unearned income, accounts payable and other liabilities decreased from $92.8 million at October 31, 2014 to $90.3 million at October 31, 2015, a decrease of approximately $2.5 million or 3%. This compares to a decrease from $142.3 million at October 31, 2013 to $92.8 million at October 31, 2014, a decrease of approximately $49 million or 35%. The decrease in fiscal 2014 was primarily a result of the commitment by the MIF to transfer an additional $103.5 million to the State and its Agencies.

The balance as of October 21, 2015 includes $928 thousand in net pension liability. The liability was recorded as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB No. 68"), on November 1, 2014. GASB No. 68 also required the Agency to recognize a deferred amount on pension of $0.3 million and pension expense of $0.9 million.

Other Postemployment Benefits ("OPEB")

The Agency provides certain group health care benefits to eligible retirees (and for eligible dependents and survivors of such retirees). The OPEB balance represents the accumulated unfunded actuarial liability required to pay the cost to eligible retirees. The accumulated amount of OPEB increased from $42.7 million in fiscal 2014 to $46.6 million in fiscal 2015, an increase of approximately $3.9 million, or 9%. This compares with an increase from $39.0 million in fiscal 2013 to $42.7 million in fiscal 2014, an increase of approximately $3.7 million, or 9%. The increase in fiscal 2014 of 9% is primarily due to the change in the discount rate from 3.5% to 3.25%. The 2014 calculation was rolled over to fiscal 2015 using the 3.25% discount rate, in effect as of the most recent measurement date of November 1, 2014, without updating the census data. The next full calculation using updated census data will occur at October 31, 2016, using a November 1, 2015 measurement date.

Summary of Revenues, Expenses and Changes in Net Position

	Fiscal Years Ended October 31,			% Change	
	2015	2014	2013	2015-2014	2014-2013
		(in thousands)			
Operating Revenues:					
Interest on loans	$ 133,147	$ 140,756	$ 147,635	(5%)	(5%)
Recoveries	14,689	13,049	11,185	13%	17%
Investment earnings	30,066	25,070	21,813	20%	15%
Decrease from hedge termination	—	(6,367)	—	100%	N/A
Net change in fair market value of investments	10,236	3,559	(28,774)	188%	(112%)
Other operating revenues	16,876	15,821	14,822	7%	7%
Total operating revenues	205,014	191,888	166,681		
Operating Expenses:					
Interest expense and amortization of discount on debt	83,613	93,233	106,758	(10%)	(13%)
Provision for estimated claims	9,596	14,835	6,181	(35%)	140%
Pool insurance	578	671	508	(14%)	32%
Expenditures related to federal grants	378	766	909	(51%)	(16%)
Other operating expenses	36,954	40,399	42,729	(9%)	(5%)
Total operating expenses	131,119	149,904	157,085		
Net operating revenue	73,895	41,984	9,596	76%	338%
Non-operating revenues (expenses):					
Mortgage insurance reserves retained	147,990	91,202	89,268	62%	2%
Federal grants	378	766	909	(51%)	(16%)
Transfers to New York State and its Agencies	(75,000)	(75,418)	(135,952)	(1%)	(45%)
Total non-operating revenues (expenses):	73,368	16,550	(45,775)		
Increase (Decrease) in net position	147,263	58,534	(36,179)		
Total net position - beginning of fiscal year	2,183,390	2,124,856	2,161,035		
Cumulative effect of implementing GASB No. 68	(1,222)	—	—		
Net positon, beginning of fiscal year (as restated)	2,182,168	—	—		
Total net position - end of fiscal year	$ 2,329,431	$ 2,183,390	$ 2,124,856		

Operating Revenues

Interest on Loans

Interest on Single Family mortgage loan receivable represents the primary source of funds available for the Agency to pay scheduled interest due on the Agency's outstanding bonds payable. Interest on loans declined from $140.8 million in fiscal 2014 to $133.1 million in fiscal 2015, a decrease of approximately $7.7 million or 5%. This compares with a decline from $147.6 million in fiscal 2013 to $140.8 million in fiscal 2014, a decrease of approximately $6.8 million or 5%. The decline in fiscal years 2015 and 2014 was a result of the lower mortgage loan receivable balances together with the effect of lower interest rates on loans purchased by the Agency during this period.

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 $13.0 million in fiscal year 2014 to $14.7 million in fiscal year 2015, an increase of approximately $1.7 million, or 13%, as compared with an increase from $11.2 million in fiscal year 2013 to $13.0 million in fiscal year 2014, an increase of approximately $1.8 million, or 17%.

During fiscal 2015, the Agency received $3.8 million in cash recoveries ($8.2 million in fiscal 2014 and $7.1 million in fiscal 2013) and had $10.9 million in non-cash adjustments ($4.8 million in fiscal 2014 and $4.1 million in fiscal 2013).

Investment Earnings and Net Change in Fair Value of Investments

During fiscal 2015, the Agency recognized $30.0 million in net investment income from maturities, sales and investments amortization (compared with $25.0 million and $21.8 million during fiscal years 2014 and 2013, respectively). The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year may have been recognized as an increase or decrease in the fair value of investments reported in prior years. The Agency had recorded mark to market increases of $21.6 million, $11.4 million and $7.8 million, for fiscal years 2015, 2014 and 2013, respectively. The net change in the fair value of investments increased from $3.6 million at October 31, 2014 to $10.2 million at October 31, 2015, an increase of approximately $6.6 million or 188%. This compares with an increase from ($28.8) million at October 31, 2013 to approximately $3.6 million at October 31, 2014. These amounts take into account all changes in fair value (including purchases, maturities and sales) that occurred during the year.

Decrease from Hedge Termination

During fiscal 2014, the Agency amended one swap agreement to reflect a change in counterparty and as a result received a 0.02% reduction in its fixed interest rate. In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, the change in interest rates resulted in a termination of the hedging relationship. As a result, the Agency recorded a loss of $6.4 million on the Statement of Revenues, Expenses and Changes in Net Position as of October 31, 2014.

Other Operating Revenues

Other operating revenues primarily consist of commitment fees, insurance premiums and application fees earned by the MIF. Other operating revenues increased from $15.8 million at October 31, 2014 to $16.9 million at October 31, 2015, an increase of approximately $1.1 million or 7%. This compares with an increase from $14.8 million at October 31, 2013 to $15.8 million at October 31, 2014, an increase of approximately $1.0 million or 7%. The variances are primarily due to an increase in the level of insurance commitments issued by the MIF during fiscal years 2015 and 2014.

Expenses

Interest Expense and Amortization of Discount on Debt

Interest expense and amortization of discount on debt decreased from $93.2 million in fiscal 2014 to $83.6 million in fiscal 2015, a decrease of approximately $9.6 million or 10%. This compares with a decrease from $106.8 million in fiscal 2013 to $93.2 million in fiscal 2014, a decrease of approximately $13.6 million or 13%. The decreases were due to the continued issuance of refunding bonds at lower rates and the decline in the balance of outstanding 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 $14.8 million in fiscal year 2014 to $9.6 million in fiscal year 2015, a decrease of approximately $5.2 million, or 35%, as a result of three non performing project loans being paid off. This compares with an increase from $6.2 million in fiscal year 2013 to $14.8 million in fiscal year 2014, an increase of approximately $8.6 million, or 140%. The increase was a result of a provision being established for the three loans mentioned above in the amount of $10 million.

In fiscal 2015, 2014 and 2013, 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 2015 and 2014, see Note 7 to the financial statements.

Other Operating Expenses

Other operating expenses primary consist of bond issuance costs, OPEB expenses, general expenses and the cost recovery fee charged by the State. Other operating expenses decreased from $40.4 million at October 31, 2014 to $37.0 million at October 31, 2015, a decrease of approximately $3.4 million or 9%. This compares with a decrease from $42.7 million at October 31, 2013 to $40.4 million at October 31, 2014, a decrease of approximately $2.3 million or 5%. The variations were primarily the result of fluctuations with salaries, other personal services costs, legal expenses and information technology expenses.

Non-Operating Revenues (Expenses)

Mortgage Insurance Reserves Retained

Mortgage insurance reserves retained totaled $148.0 million during fiscal 2015 as compared to $91.2 million during fiscal 2014 and $89.3 million during fiscal 2013. Such reserves are funded by mortgage recording surtax receipts. Mortgage surtax receipts for fiscal years 2015, 2014 and 2013 were received in the amounts of $190.1 million, $151.1 million and $134.1 million, respectively. The continued increase is due to a higher level of commitments to insure policies originated by the MIF.

Transfers to the State and its Agencies

The 2015-2016 enacted State budget required the MIF to transfer excess reserves in the amount of $75.0 million to the State and its Agencies. Of this amount, the MIF transferred $42.0 million during fiscal 2015. The remaining $33.0 million will be transferred in fiscal 2016.

During fiscals 2014 and 2013, pursuant to the State enacted budget, the MIF was required to transfer $75.4 million and $136 million to the State and its Agencies, respectively.

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State of New York Mortgage Agency
(A Component Unit of the State of New York)
Statements of Net Position

	October 31, 2015	October 31, 2014
	(in thousands)	
Assets		
Current assets:		
Cash-demand deposits unrestricted	$ 2,658	$ 2,084
Cash-demand deposits restricted	7,990	4,740
Cash-custodian deposits	4,113	4,101
Investments unrestricted	22,872	24,740
Investments restricted	937,960	742,091
Total cash and investments	975,593	777,756
Mortgage loans receivable	162,316	170,106
Accrued interest receivable:		
Mortgage and student loans	8,768	9,456
Investments	10,891	10,055
Other assets	12,937	12,385
Total current assets	**1,170,505**	**979,758**
Non-current assets:		
Investments restricted	1,455,716	1,504,954
Mortgage loans receivable	2,472,382	2,572,607
Student loans receivable	9,386	10,543
Capital assets - internal use software	893	—
Total non-current assets	**3,938,377**	**4,088,104**
Total assets	**5,108,882**	**5,067,862**
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	21,508	26,209
Deferred loss on refunding	5,535	5,826
Deferred amount on pensions	327	—
Total deferred outflows of resources	**27,370**	**32,035**
Liabilities		
Current liabilities:		
Bonds payable, net	112,015	155,215
Interest payable	6,083	6,307
Allowance for anticipated claims	16,756	27,812
Unearned income, accounts payable and other	57,325	60,936
Amounts due to New York State and its Agencies	33,000	32,000
Total current liabilities	**225,179**	**282,270**
Non-current liabilities:		
Bonds payable, net	2,499,548	2,552,272
Derivative instruments - interest rate swaps	34,575	39,275
Other Postemployment benefits payable	46,591	42,690
Net pension liability	928	—
Total non-current liabilities	**2,581,642**	**2,634,237**
Total liabilities	**2,806,821**	**2,916,507**
Net position		
Restricted for bond obligations	613,524	590,362
Restricted for insurance requirements	1,735,314	1,612,867
Unrestricted (deficit)	(19,407)	(19,839)
Total net position	**$ 2,329,431**	**$ 2,183,390**

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

	Fiscal Year Ended October 31,	
	2015	2014
	(in thousands)	
Operating revenues		
Interest earned on loans	$ 133,147	$ 140,756
Recoveries	14,689	13,049
Investment income:		
Investment earnings	30,066	25,070
Decrease from hedge termination	—	(6,367)
Net change in fair market value of investments	10,236	3,559
Commitment fees, insurance premiums and application fees earned	16,056	15,060
Other income	820	761
Total operating revenues	**205,014**	**191,888**
Operating expenses		
Interest and amortization of discount on debt	83,613	93,233
Bond issuance costs	3,481	4,278
Postemployment retirement benefits expense	4,477	4,302
General expenses	17,153	19,956
Overhead assessment by State of New York	4,556	4,556
Pool insurance	578	671
Provision for estimated claims	9,596	14,835
Expenses related to federal grants	378	766
Other	7,287	7,307
Total operating expenses	**131,119**	**149,904**
Operating income	**73,895**	**41,984**
Non-operating revenues (expenses)		
Mortgage insurance reserves retained	147,990	91,202
Federal grants	378	766
Transfers to New York State and its Agencies	(75,000)	(75,418)
Total non-operating revenues (expenses)	**73,368**	**16,550**
Increase (Decrease) in net position	**147,263**	**58,534**
Total net position, beginning of fiscal year (as previously stated)	**2,183,390**	**2,124,856**
Cumulative effect of implementing GASB No. 68	**(1,222)**	—
Net positon, beginning of fiscal year (as restated)	**2,182,168**	—
Total net position, end of fiscal year	**$ 2,329,431**	**$ 2,183,390**

See notes to financial statements.

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Statements of Cash Flows

	Fiscal Year Ended October 31,	
	2015	2014
	(in thousands)	
Cash flows from operating activities		
Interest received on loans	$ 133,609	$ 141,087
Principal payment on loans	291,635	282,457
Purchase of loans	(182,463)	(161,508)
Commitment fees, insurance premium and application fees earned	19,469	23,990
General expenses	(26,898)	(26,132)
Expenditures related to federal and state grants	(378)	(766)
Other	(21,049)	(20,890)
Net cash provided by operating activities	**213,925**	**238,238**
Cash flows from non-capital financing activities		
Interest paid on bonds	(81,583)	(93,130)
Mortgage recording surtax receipts	190,115	151,081
Payments to New York State	(116,916)	(186,930)
Federal grants	378	766
Bond proceeds	419,540	419,690
Retirement and redemption of bonds	(515,458)	(539,565)
Net cash used in non-capital financing activities	**(103,924)**	**(248,088)**
Cash flows from investing activities		
Purchase of internal software	(900)	—
Earnings on investments	38,374	33,799
Proceeds from the sale or maturities of investments	2,269,390	3,232,111
Purchase of investments	(2,413,029)	(3,253,773)
Net cash (used in) provided by investing activities	**(106,165)**	**12,137**
Net increase in cash	3,836	2,287
Cash at beginning of fiscal year	**10,925**	**8,638**
Cash at end of fiscal year	**$ 14,761**	**$ 10,925**
Reconciliation of operating revenues to net cash provided by operating activities:		
Operating income	$ 73,895	$ 41,984
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
Earnings on investment	(30,066)	(25,070)
Interest payments and amortization	83,613	93,233
Unrealized gain (loss) on investment	(10,236)	(3,559)
Hedge termination	—	6,367
Other	(2,321)	(1,081)
Changes in assets and liabilities		
Mortgage loans and other loans, net	108,015	119,487
Interest, fees and other receivables	36	(7,615)
Student loans	1,157	1,135
Allowance for anticipated claims	(11,056)	5,159
Unearned income, accounts payable and other	(2,719)	4,508
Postemployment retirement benefits payable	3,901	3,690
Net pension liability	(294)	—
Net cash provided by operating activities	**$ 213,925**	**$ 238,238**
Non-cash investing activities		
Decrease in fair value of investments	**$ (10,236)**	**$ (3,559)**

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. In addition, credit support is provided for obligations of the Convention Center Development Corporation through its Mortgage Insurance Program, in exchange for a one-time fee received by the Agency in fiscal year 2006. Under State statutes, the Agency's operating provisions are subject to periodic legislative renewal. The Agency is exempt from Federal, State and local income taxes. 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”). The financial statements of the Agency include the accounts of the respective bondholder funds as well as the Mortgage Insurance Fund, Student Loan Program 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.

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 position of the program are restricted by statutory provisions.

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 each rated "Aa1"; 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, 2015 and 2014, the MIF has outstanding mortgage insurance policies of approximately $3.3 billion and $3.09 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.

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, the excess amount on deposit in the Special Account amount as of March 31, is remitted to the State by June 18 of that year.

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, 2015 and 2014.

1. Organization and Basis of Presentation (continued)

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 the Governmental Accounting Standards Board ("GASB").

b. Cash

Cash demand deposit accounts are used for the collection of funds received from the servicing banks throughout the month.

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 collateralized investment agreements are recorded at their fair values, which are based on quoted market prices. Collateralized 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 where appropriate.

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

2. Significant Accounting Policies (continued)

e. Bonds Payable

Serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond discount or premium. Serial and term bonds are maintained at their accreted values for purposes of financial reporting to the date of the respective Statement of Net Position.

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 Discount and Premium

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. Bond Issuance Costs

Bond issuance costs are recognized as an expense in the period incurred.

h. Interest on Loans

Interest on loans is accrued and recognized as revenue when earned.

i. Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires 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 has entered into various interest rate swaps contracts in order to manage risks associated with interest on its 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.

k. Capital Assets – Internal Use Software

Expenditures for the purchase, development or licensing of computer software having a cost greater than $500 thousand are capitalized and amortized on a straight-line basis, generally over the license term (if applicable) or the estimated useful life of the software.

2. Significant Accounting Policies (continued)

l. Recently Adopted Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB No. 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement were effective for financial statements for periods beginning after June 15, 2014. The Agency was required to record a liability and expense equal to its proportionate share of the collective net position liability and expense for the New York State and Local Employees' Retirement System cost sharing plan as of November 1, 2014

GASB No. 68 requires cost-sharing employers to recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for their proportionate share of the pension plan's total. As the New York State and Local Employees' Retirement System did not have a practical way to provide each of its cost-sharing employers with all of the information needed to fully restate their prior period financial statements, the Agency has elected to apply the "cumulative effect" method, as discussed in GASB No. 68, by restating beginning net position as of November 1, 2014. As of November 1, 2014, the Agency recorded an adjustment to reduce beginning net position by $1.2 million in accordance with GASB No. 68, as amended.

As of November 1, 2014, the cumulative effect of adopting GASB No. 68 was a $1.2 million reduction to beginning net position. The following table shows the impact of the "cumulative effect" method of adopting and implementing GASB No. 68 on beginning net position.

Statement of Revenue, Expenses and Changes in Net Position	(in thousands)
Net position, beginning of period, November 1, 2014 (as previously stated)	$ 2,183,390
Cumulative effect of adopting GASB No. 68	(1,222)
Net position, beginning of period, November 1, 2014 (as restated)	$ 2,182,168

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date ("GASB No. 71"). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of this standard did not have an impact on its financial statements as the Agency did not make any contributions subsequent to the measurement date of March 31, 2015.

2. Significant Accounting Policies (continued)

m . Accounting Pronouncements Issued But Not Yet Adopted

In February 2015, GASB issued Statement No. 72 ("GASB No. 72"), Fair Value Measurement and Application. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurements of Elements of Financial Statements, and other relevant literature. The provisions of this Statement are effective for fiscal reporting periods beginning after June 15, 2015. The Agency is currently evaluating the impact that the implementation of this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 73 ("GASB No. 73"), Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Agency is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 74 ("GASB No. 74"), Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. This standard will not impact the financial statements of the Agency as it relates to financial statements of postemployment benefit plans other than pension plans.

In June 2015, GASB issued Statement No. 75 ("GASB No. 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Agency is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 76 ("GASB No. 76"), The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles ("GAAP") and the framework for selecting those principles. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The adoption of this standard will not have a significant impact on the Agency's financial statements.

2. Significant Accounting Policies (continued)

m . Accounting Pronouncements Issued but Not Yet Adopted (continued)

In August 2015, GASB issued Statement No. 77 (“GASB No. 77”), Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government’s financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The provisions of this statement are effective for fiscal years beginning after December 15, 2015. The Agency is currently evaluating the impact that this standard will have on its financial statements.

In December 2015, GASB issued Statement No. 78 (“GASB No. 78”), Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for fiscal years beginning after December 15, 2015. The Agency is currently evaluating the impact that this standard will have on its financial statements.

In December 2015, GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants (“GASB No. 79”). The objective of this Statement is to address for certain external investment pools and their participants, the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The provisions of this statement are effective for fiscal years beginning after December 15, 2015. The Agency is currently evaluating the impact this standard will have on its financial statements.

n. Federal Grants

Grants received from federal government agencies are recognized as non-operating revenue when eligibility requirements are met.

o. Revenue and Expense Classification

Operating revenue consists primarily of interest on loans, earnings on investments, recoveries, insurance premiums, commitment fees and application fees. Revenue is accrued and recognized when earned. Operating expenses include interest expense on bonds, general and administrative expenses, Federal grants 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.

q. Reclassifications

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

3. Investments

The Agency's investments at October 31, 2015 and October 31, 2014, excluding accrued interest, consisted of the following:

October 31, 2015: Category	Time Deposits, Money Market and Savings Accounts	U.S. Treasury Obligations	U.S. Government Agencies	Total Fair Value
		(in thousands)		
Invested revenues	$ 4,237	$ 313,851	$ —	$ 318,088
Mortgage insurance reserves	—	1,822,728	7,257	1,829,985
Mortgage acquisition and other bond proceeds	—	109,800	—	109,800
Bondholder reserves	54,358	104,317	—	158,675
Total	$ 58,595	$ 2,350,696	$ 7,257	$ 2,416,548

October 31, 2014: Category	Time Deposits, Money Market and Savings Accounts	U.S. Treasury Obligations	U.S. Government Agencies	Total Fair Value
		(in thousands)		
Invested revenues	$ 4,587	$ 224,027	$ —	$ 228,614
Mortgage insurance reserves	—	1,647,831	70,064	1,717,895
Mortgage acquisition and other bond proceeds	—	41,800	—	41,800
Bondholder reserves	57,095	226,381	—	283,476
Total	$ 61,682	$ 2,140,039	$ 70,064	$ 2,271,785

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 the Federal National Mortgage Association ("FNMA")], Time Deposits and Certificates of Deposit. Securities are purchased from Primary and approved 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 in the Agency's name.

Investment Maturities in Years at October 31, 2015 are as follows:

	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
			(in thousands)		
Time Deposits	$ 54,358	$ 7,766	$ 3,570	$ 2,115	$ 40,907
Trust Savings Accounts/ CDs	3,735	3,735	—	—	—
Municipal Bonds	502	—	—	—	502
U.S. Treasury Bills	541,616	541,616	—	—	—
U.S. Treasury Notes & Bonds	1,809,081	400,485	968,902	439,694	—
U.S. Government Agencies	7,256	7,230	—	—	26
Total	$ 2,416,548	$ 960,832	$ 972,472	$ 441,809	$ 41,435

Interest Rate Risk

The Agency's exposure to fair value losses arising from rising interest rates is limited by the short term duration of 40% and 33% of the Agency's investments for fiscal years ended 2015 and 2014, respectively.

Custodial Credit Risk

Custodial credit risk may arise from a bank failure resulting in deposits not being immediately available for Agency use. Through its guidelines and policies, the Agency has established minimum capitalization requirements for banks at $50,000,000 and trustees at $250,000,000 and ratings requirements of at least within the second highest ratings category without regards to gradations by Moody's Investor Services or Standard & Poor's for banks, and at least the third highest ratings category without regards to gradations by Moody's Investor Services or Standard & Poor's for trustees.

4. Mortgage and Student Loans Receivables

The principal balances of mortgage and student loans receivables for the years ended October 31, 2015 and October 31, 2014 were as follows:

October 31, 2015:

	Balance at October 31, 2014	Scheduled Principal Payments	Prepayments, Transfers and Other Credits	Purchase of New Loans	Balance at October 31, 2015
			(in thousands)		
Homeowner Mortgage Revenue	$ 1,996,312	$ (76,385)	$ (146,022)	$ 139,959	$ 1,913,864
Mortgage Revenue	743,677	(20,915)	(46,638)	42,504	718,628
Homeownership Program	2,724	(258)	(260)	—	2,206
Student Loan	10,543	—	(1,157)	—	9,386
Total Mortgage and Student Receivable	$ 2,753,256	$ (97,558)	$ (194,077)	$ 182,463	$ 2,644,084

October 31, 2014:

	Balance at October 31, 2013	Scheduled Principal Payments	Prepayments, Transfers and Other Credits	Purchase of New Loans	Balance at October 31, 2014
			(in thousands)		
Homeowner Mortgage Revenue	$ 2,035,716	$ (78,073)	$ (92,594)	$ 131,263	$ 1,996,312
Mortgage Revenue	823,362	(22,728)	(87,202)	30,245	743,677
Homeownership Program	3,122	(205)	(193)	—	2,724
Student Loan	11,678	—	(1,135)	—	$ 10,543
Total Mortgage and Student Receivable	$ 2,873,878	$ (101,006)	$ (181,124)	$ 161,508	$ 2,753,256

4. Mortgage and Student Loans Receivables (continued)

Mortgage loans outstanding were as follows at October 31, 2015 and October 31, 2014:

October 31, 2015:	Number of Mortgage Loans	Outstanding Principal Balance (in thousands)
Homeowner Mortgage Revenue:		
Uninsured	7,470	$ 636,863
F.H.A. (insured)	—	—
Private mortgage insurance (at time of purchase)	15,596	1,277,005
Deferred Participation	—	(4)
	23,066	1,913,864
Mortgage Revenue:		
Uninsured	2,330	289,345
F.H.A. (insured)	6	40
Private mortgage insurance (at time of purchase)	3,654	429,239
Participation	—	4
	5,990	718,628
Homeownership Program:		
Uninsured	3	188
Private mortgage insurance (at time of purchase)	47	2,018
	50	2,206
Total	29,106	$ 2,634,698

October 31, 2014:	Number of Mortgage Loans	Outstanding Principal Balance (in thousands)
Homeowner Mortgage Revenue:		
Uninsured	7,842	$ 658,111
F.H.A. (insured)	1	5
Private mortgage insurance (at time of purchase)	16,557	1,340,930
Deferred Participation	—	(2,734)
	24,400	1,996,312
Mortgage Revenue:		
Uninsured	2,395	295,666
F.H.A. (insured)	8	72
Private mortgage insurance (at time of purchase)	3,835	445,205
Participation	—	2,734
	6,238	743,677
Homeownership Program:		
Uninsured	4	226
Private mortgage insurance (at time of purchase)	55	2,498
	59	2,724
Total	30,697	$ 2,742,713

4. Mortgage and Student Loans Receivables (continued)

The principal balances of mortgage loans receivables in arrears for the years ended October 31, 2015 and October 31, 2014 were as follows:

October 31, 2015:

Days in Arrears	Number of Loans in Arrears	Principal (in thousands)	Percent of Principal Outstanding of Loans in Arrears to Total Loans
Homeowner Mortgage Revenue:			
60	209	$ 17,611	0.92%
90 plus	858	92,462	4.83%
	1,067	110,073	5.75%
Mortgage Revenue:			
60	43	4,631	0.64%
90 plus	206	23,954	3.33%
	249	28,585	3.97%
Homeownership Program:			
60	1	42	1.89%
90 plus	4	234	10.61%
	5	276	12.50%
Combined:			
60	253	22,284	0.85%
90 plus	1,068	116,650	4.42%
	1,321	$ 138,934	5.27%

October 31, 2014:

Days in Arrears	Number of Loans in Arrears	Principal (in thousands)	Percent of Principal Outstanding of Loans in Arrears to Total Loans
Homeowner Mortgage Revenue:			
60	201	$ 17,637	0.88%
90 plus	967	102,674	5.14%
	1,168	120,311	6.02%
Mortgage Revenue:			
60	54	5,412	0.73%
90 plus	208	23,391	3.16%
	262	28,803	3.89%
Homeownership Program:			
60	4	186	6.83%
90 plus	4	243	8.92%
	8	429	15.75%
Combined:			
60	259	23,235	0.84%
90 plus	1,179	126,308	4.61%
	1,438	$ 149,543	5.45%

5. Bonds Payable

Changes in bonds payable, net for the year ended October 31, 2015 and October 31, 2014 were as follows:

October 31, 2015:

	Bonds Outstanding at October 31, 2014	Matured/ Called/ Redeemed	Issued	Changes in Bond Premium and Discount (net)	Bonds Outstanding at October 31, 2015
			(in thousands)		
Homeowner Mortgage Revenue	$ 2,040,757	$ (456,960)	284,005	$ 4,124	$ 1,871,926
Mortgage Revenue	654,250	(61,702)	135,535	479	728,562
NYHELPs (Student Loan program)	12,480	(1,400)	—	(5)	11,075
Total Bonds Outstanding	$ 2,707,487	$ (520,062)	$ 419,540	$ 4,598	$ 2,611,563

October 31, 2014:

	Bonds Outstanding at October 31, 2013	Matured/ Called/ Redeemed	Issued	Changes in Bond Premium and Discount (net)	Bonds Outstanding at October 31, 2014
			(in thousands)		
Homeowner Mortgage Revenue	$ 2,001,862	$ (381,090)	$ 419,690	$ 295	$ 2,040,757
Mortgage Revenue	812,777	(157,665)	—	(862)	$ 654,250
NYHELPs (Student Loan program)	13,383	(810)	—	(93)	$ 12,480
Total Bonds Outstanding	$ 2,828,022	$ (539,565)	$ 419,690	$ (660)	$ 2,707,487

5. Bonds Payable (continued)

Homeowner Mortgage Revenue Bonds

Homeowner Mortgage Revenue Bonds have been issued between 1988 and 2015 in a total original amount of $10,595,208,000. At October 31, 2015, the interest rates for the fixed rate bonds outstanding ranged from .4% to 5.0% and the interest on the variable rate debt ranged from .01% to .15%.

The schedule of Total Annual Maturities as of October 31, 2015 was as follows:

Fiscal Year Ending Oct 31,	Interest Payable	Bonds Payable	Total Debt Service
		(in thousands)	
2016	$ 46,183	$ 111,280	$ 157,463
2017	44,891	83,445	128,336
2018	43,403	73,910	117,313
2019	41,697	81,105	122,802
2020	39,665	87,970	127,635
2021-2025	160,536	443,525	604,061
2026-2030	92,949	377,640	470,589
2031-2035	48,751	369,720	418,471
2036-2040	20,219	181,005	201,224
2040-2045	5,733	56,880	62,613
2046-2047	—	410	410
Total Debt Service Requirement	544,027	1,866,890	2,410,917
Unamortized bond premium	—	5,036	
Total	$ 544,027	$ 1,871,926	$ 2,410,917

5. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds

At October 31, 2015, the interest rate for fixed rate Homeowner Mortgage Revenue Bonds outstanding ranged from .40% to 5.0%.

The schedule of Homeowner Mortgage Revenue Bonds outstanding by series as of October 31, 2015 was as follows:

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
	(in thousands)			
115	$ 35,000	$ 28,950	Reset Weekly	2034
127	20,605	765	4.95%	2036
129	34,000	34,000	Reset Weekly	2035
132	34,000	32,350	Reset Daily	2037
135	34,000	30,110	Reset Daily	2037
139	34,000	34,000	Reset Daily	2037
140	40,435	15,395	4.6%-4.75%	2037
142	34,000	34,000	Reset Daily	2037
143	60,000	30,785	4.75%-4.9%	2037
144	30,000	30,000	Reset Daily	2037
147	50,000	47,280	Reset Weekly	2037
150	50,000	49,205	Reset Daily	2037
153	50,000	47,995	Reset Weekly	2047
159	60,000	60,000	Reset Weekly	2038
160	11,560	855	3.75%	2018
162	25,000	25,000	Reset Weekly	2039
163	66,825	45,070	2.15%-4.45%	2031
164	84,365	18,105	1.85%-3.4%	2022
165	50,000	47,635	4%-4.75%	2042
166	107,585	84,620	1.886%-3.999%	2021
167	10,695	10,695	3.1%-4.1%	2022
168	50,065	45,860	2.10%-5%	2040
169	43,060	26,825	1.2%-2.6%	2021
170	19,940	19,940	2.4%-3.9%	2027
171	12,000	12,000	3.40%	2022
172	150,000	144,460	1.37%-4.203%	2027
175	82,660	77,210	1.252%-4.116%	2028
176	66,835	66,745	1.45%-3.75%	2042
177	33,200	19,325	.80%-3.05%	2027

5. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

Series		Originally Issued		Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
		(in thousands)				
178	$	79,370	$	49,060	4.2% - 4.85%	2043
179		13,090		11,310	.65% - 1.65%	2017
180		33,405		30,340	1.55% - 4.10%	2023
181		38,255		36,440	4.65% -4.80%	2044
182		25,385		15,085	.50% - 4.40%	2034
183		96,480		92,150	.85% - 4.6%	2031
184		18,960		14,640	.85% - 2.685%	2020
185		12,000		12,000	3.95%	2029
186		80,190		77,545	1.20% - 4.30%	2029
187		31,650		17,500	.78% - 1.59%	2018
188		27,920		25,520	3.60 - 3.85%	2044
189		88,850		85,430	.55 - 3.85%	2034
190		60,000		60,000	3.45% - 3.85%	2045
191		72,935		69,620	0.45% - 3.50%	2034
192		45,410		45,410	3.8 - 4.0%	2035
193		20,640		20,640	.40 - 4.10%	2040
194		85,020		85,020	1.35 - 3.8%	2035
Unamortized bond premium		—		5,036		
Total	$	2,209,390		1,871,926		

5. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

As of October 31, 2015, the additional debt service requirements of the Agency's hedged variable rate debt on associated derivative instruments for the period hedged are as follows:

Fiscal Year Ending Oct 31,	Swap Nominal Amount	Fixed Interest Payments	Swap Offset Payments	Net Swap Interest
		(in thousands)		
2016	$ 98,000	$ 13,576	(1,251)	$ 12,325
2017	94,675	9,836	(846)	8,990
2018	161,400	6,555	(485)	6,070
2019	1,480	2,341	(245)	2,096
2020	1,560	2,288	(239)	2,049
2021-2025	7,230	10,586	(1,109)	9,477
2026-2030	19,785	9,096	(953)	8,143
2031-2035	34,380	4,201	(441)	3,760
2036-2040	1,490	95	(10)	85
Total	$ 420,000	$ 58,574	$ (5,579)	$ 52,995

The above amounts assume that current interest rates on October 31, 2015 and the variable-rate offset to the fixed rates of the hedging derivative instruments will remain the same for the term of the respective swaps.

5. Bonds Payable (continued)

Mortgage Revenue Bonds

Mortgage Revenue Bonds have been issued between 1984 and 2015 in a total original amount of $4,515,094,000. At October 31, 2015, the interest rates for the fixed rate bonds outstanding ranged from .2% to 5.0%.

The Schedule of Total Annual Maturities at October 31, 2015 was as follows:

Fiscal Year Ending Oct 31,	Interest Payable	Bonds Payable	Debt Service
		(in thousands)	
2016	$ 24,496	$ 22,760	$ 47,256
2017	24,281	29,035	53,316
2018	23,644	19,640	43,284
2019	22,653	18,365	41,018
2020	22,593	19,270	41,863
2021-2025	100,097	105,235	205,332
2026-2030	81,768	113,505	195,273
2031-2035	58,279	149,050	207,329
2036-2040	30,848	165,450	196,298
2040-2045	4,704	82,445	87,149
Total Debt Service Requirement	393,363	724,755	1,118,118
Unamortized bond			
premium	—	4,246	
discount		(439)	
Total	$ 393,363	$ 728,562	$ 1,118,118

5. Bonds Payable (continued)

Outstanding Mortgage Revenue Bonds

At October 31, 2015, the interest rate for fixed rate Mortgage Revenue Bonds outstanding ranged from .20% to 5%.

The schedule of Mortgage Revenue Bonds outstanding by series as of October 31, 2015 was as follows:

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Remaining Maturity
	(in thousands)			
38B	$ 30,000	$ 27,520	3.070%	2041
38C	66,000	55,890	3.010%	2041
38D	138,110	121,420	3.550%	2041
38E	35,000	30,770	3.550%	2035
39	57,385	45,205	3.25%-5%	2028
40	22,615	8,225	2.75%-3.125%	2017
41	14,820	13,020	2.0%-4.0%	2028
42	5,180	2,005	2.0%-2.5%	2018
43	14,330	990	2.25%-2.3%	2017
44	38,555	29,650	3.40%-4.35%	2024
45	44,000	30,965	2.3%-4.5%	2029
46	97,855	41,445	2.45%-5.0%	2029
48	110,905	104,735	2.625%-3.75%	2041
49	54,755	54,755	2.45 - 4%	2043
50	33,165	22,625	.85 - 3.15%	2027
51	75,180	75,180	2.25% - 4.0%	2045
52	40,220	40,220	1.30% - 3.50%	2030
53	20,135	20,135	0.20% - 3.069%	2023
Unamortized bond				
premium		4,246		
discount		(439)		
Total	$ 898,210	$ 728,562		

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, 2015, the amount of $11,075,000 remained outstanding with the interest rates ranging from 3.63% to 5.25%.

The schedule of Total Annual Maturities as of October 31, 2015 was as follows:

Fiscal Year Ending Oct 31,	Interest Payable	Bonds Payable	Total Debt Sevice
		(in thousands)	
2016	$ 493	$ 1,190	$ 1,683
2017	430	1,540	1,970
2018	364	1,405	1,769
2019	303	1,295	1,598
2020	238	1,435	1,673
2021-2025	714	2,715	3,429
2026-2027	87	1,495	1,582
Total Debt Service Requirement	$ 2,629	$ 11,075	$ 13,704

6. Other Assets

At October 31, 2015 and October 31, 2014, other assets consisted primarily of Owned Real Estate for which the balances were as follows:

October 31, 2015:

Bondholder Funds	Number of Loans	Book Value	Appraised Value
		($ in thousands)	
Homeowner Mortgage Revenue	147	$ 10,679	$ 13,717
Mortgage Revenue	27	1,892	3,213
Homeownership	1	75	145
Prepaid Mortgage Insurance	—	291	—
	175	$ 12,937	$ 17,075

October 31, 2014:

Bondholder Funds	Number of Loans	Book Value	Appraised Value
		($ in thousands)	
Homeowner Mortgage Revenue	146	$ 10,497	$ 13,686
Mortgage Revenue	22	1,596	2,089
Homeownership	2	15	315
Prepaid Mortgage Insurance	—	277	—
	170	$ 12,385	$ 16,090

7. Allowance for Anticipated Claims

The Mortgage Insurance Fund claim activity for the fiscal years ended October 31, 2015 and October 31, 2014 was as follows:

October 31, 2015:

	Project Insurance	Pool Insurance	Primary Insurance	Total Insurance
	(in thousands)			
Allowance, beginning of year	$ 27,812	$ —	$ —	$ 27,812
Current year provision for estimated claims	2,397	6,930	269	9,596
Current year adjustment to claims status	(14,689)	—	—	(14,689)
Claims paid and recoveries, net	1,236	(6,930)	(269)	(5,963)
Allowance, end of year	$ 16,756	$ —	$ —	$ 16,756

October 31, 2014:

	Project Insurance	Pool Insurance	Primary Insurance	Total Insurance
	(in thousands)			
Allowance, beginning of year	$ 22,653	$ —	$ —	$ 22,653
Current year provision for estimated claims	11,404	3,044	387	14,835
Current year adjustment to claims status	(13,049)	—	—	(13,049)
Claims paid and recoveries, net	6,804	(3,044)	(387)	3,373
Allowance, end of year	$ 27,812	$ —	$ —	$ 27,812

8. Synthetic Fixed Rate Swaps

As of October 31, 2015, the Agency has entered into twelve negotiated swaps as part of its risk management program, serving to increase financial flexibility and reduce interest costs. These swaps were entered into with six financial institutions (the "Counterparties") for a current total notional principal of $420,000,000. 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, 2015, classified by type, and the changes in fair value of such derivative instruments from the year then ended as reported in the 2014 financial statements are as follows:

	Changes in fair value		Fair value at October 31, 2015		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedge	Deferred outflow	$4,700,393	Debt	($34,574,832)	$420,000,000

The fair value 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, 2015, 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%	($7,677,140)	Wells Fargo Bank NA
HMB Series 132/150*		$34,000	03/09/06	04/01/37	3.4783%	($8,696,464)	JPMorgan Chase Bank NA
HMB Sr. 135/162/115*		$34,000	07/13/06	04/01/16	3.8570%	($581,342)	The Bank of New York Mellon
HMB Series 139*		$34,000	09/23/08	10/01/16	2.9520%	($825,388)	Goldman Sachs Bank USA
HMB Series 142*		$34,000	02/01/07	04/01/17	3.5650%	($1,500,726)	Wells Fargo Bank NA
HMB Series 144*		$30,000	06/07/07	04/01/17	3.6540%	($1,364,004)	The Bank of New York Mellon
HMB Sr. 147/115/162*		$30,000	09/20/07	10/01/17	3.4250%	($1,628,122)	JPMorgan Chase Bank NA
HMB Series 150*		$40,000	12/14/07	04/01/18	3.1970%	($2,405,111)	Goldman Sachs Bank USA
HMB Sr. 153/115/162*		$30,000	03/27/08	04/01/18	2.9900%	($1,650,507)	Merrill Lynch Der. Products AG
HMB Sr.115/147/162*		$30,000	08/14/08	10/01/16	3.0860%	($768,353)	Royal Bank of Canada
HMB Sr.115/153/162*		$30,000	08/14/08	10/01/18	3.1760%	($2,076,051)	Royal Bank of Canada
HMB Series 159**		$60,000	10/30/08	10/01/18	3.5400%	($5,401,624)	Royal Bank of Canada

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

** Variable rate payment received from counterparties is SIFMA.

8. Synthetic Fixed Rate Swaps (Continued)

COUNTERPARTY RATINGS

Counterparty Name	Moody's/S&P/Fitch
The Bank of New York Mellon	Aa2/AA-/AA
Goldman Sachs Bank USA	A1/A/A+
(Guarantor Goldman Sachs Group)	Baa1/A-/A
JPMorgan Chase Bank N.A.	Aa3/A+/AA-
Merrill Lynch Derivative Products AG	Aa3/A+/NR
Royal Bank of Canada	Aa3/AA-/AA
Wells Fargo Bank, NA	Aa2/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, 2015, the weighted-average interest rate on the Agency's hedged variable-rate debt is 0.017%, while the applicable 63% of one month LIBOR plus 0.25% and SIFMA were 0.371% and 0.01%, 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.

8. 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, 2015, the Agency would be required to post $13,555,085 in collateral to these counterparties ($14,145,226 at October 31, 2014).

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, 2015, the Agency would have been required to post $0 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, 2015, the Agency would have been required to post $7,423,894 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, 2015, the Agency would have been required to post $16,369,240 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, 2015, the Agency would have been required to post $19,369,240 in collateral to these counterparties.

9. 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 health 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, death benefits 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 determined depending on a number of factors, including hire date, years of service, and/or retirement date. GASB Statement No. 45 requires the valuation must be calculated at least biennially. The most recent biennial valuation was calculated with a valuation date of November 1, 2013 and was used as the basis for the determination of costs for the year ended October 31, 2014 The total number of retirees and surviving spouses receiving OPEB from the Agency as of November 1, 2013 was 51.

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 $46.6 million and $42.7 million as of October 31, 2015 and 2014, respectively.

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, 2015 and 2014, the Agency paid $576 thousand and $612 thousand, 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 billed by NYSHIP for health care costs and also the health care costs relating to AHC. As a result, the Agency's actuarial valuation includes AHC's obligation for these benefits. Also the Agency's annual OPEB cost and net OPEB obligation includes the portion relating to AHC. The service agreement between the Agency and AHC provides for an allocation of these costs to AHC, representing its share of the billed amount.

The Agency is a participating employer in NYSHIP, the Agency does not issue a separate stand-alone financial report regarding postemployment retirement 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

9. OTHER POSTEMPLOYMENT 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 and 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, 2015 and 2014:

	2015	2014
	(in thousands)	
Annual required contribution (ARC)	$ 8,159	$ 7,665
Interest on net OPEB obligation	1,387	1,268
Adjustment to ARC	(5,069)	(4,631)
Annual OPEB cost	4,477	4,302
Payments made	(576)	(612)
Increase in net OPEB obligation	3,901	3,690
Net OPEB obligation—beginning of year	42,690	39,000
Net OPEB obligation—end of year	$ 46,591	$ 42,690

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, 2015, October 31, 2014 and October 31, 2013 are as follow:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
		($ in thousands)	
10/31/2015	$4,477	12.9%	$46,591
10/31/2014	$4,302	14.2%	$42,690
10/31/2013	$4,898	11.3%	$39,000

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, 2013 OPEB actuarial valuations were based on the projected unit credit method (as its actuarial cost method), a 3.25% per annum discount rate and that retiree contributions are assumed to increase at the same rates as incurred claims.

9. OTHER POSTEMPLOYMENT BENEFITS (continued)

The premium rate is used for retirees and dependents with basic medical coverage.

Initial monthly premium rates are shown in the following table:

Monthly Rate Effective as of October 31, 2014

Eligible-Medicare	Basic
Single	$617.51
Family	$1,499.61

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:

HCCTR Assumptions

Year Ending	Rate	Year Ending	Rate
2016	5.8%	2033	7.0%
2017	6.0%	2038	6.4%
2018	6.0%	2043	6.0%
2023	6.4%	2048	5.7%
2028	7.5%	2088	4.5%

Mortality rates listed below are those recommended by the actuary:

Age	Male	Female
60	00.665%	00.581%
65	01.117%	00.971%
70	01.824%	01.569%
75	03.150%	02.532%
80	05.648%	04.187%
85	10.109%	07.162%

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.

10. Commitments and Contingencies

Office Leases

The Agency is obligated under leases for office locations in the City of New York (the "City") and Buffalo. The Agency and the New York State Housing Finance Agency ("HFA") entered into an operating lease for office space in the City which commenced in fiscal year 1994 for a term of fifteen years. The lease was renewed during the fiscal year Ended October 31, 2007, effective January 1, 2009 for a term of ten years, expiring December 31, 2018.

The leases obligate the Agency to pay for escalations in excess of the minimum annual rental (ranging from $2.4 million to $4.7 million) 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 paid by HFA, with whom the Agency shares the leased space.

Rental expense for the fiscal years ended October 31, 2015 and 2014 were approximately $2.6 million for each year. As of October 31, 2015, 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:

	(in thousands)
Fiscal year ending October 31:	
2016	$ 2,366
2017	2,366
2018	2,366
2019 (Two months)	394
Total minimum lease commitments required	$ 7,492

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.

Risk Management

The Agency is subject to normal risks associated with its operations, including property damage, general liability and crime. Such risks are managed through the purchase of commercial insurance. There have been no decreases in coverage in the last three years.

11. Transfers to New York State and its Agencies

The New York State enacted budget requires the Agency to make certain transfers of money from the MIF's Project Pool Insurance Account totaling $74 million ($146.9 million for fiscal 2014). Each transfer requires a determination by the Agency, that, at the time of such transfer, the reserves remaining in the Project Pool Insurance Account are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Account.

State budget legislation in future years may provide for transfers from the Project Pool Insurance Account or other accounts in the MIF. The Agency makes no representation regarding whether any such transfers, or the amounts thereof, will be enacted.

12. Net Position

The Agency's Net Position represents the excess of assets and deferred outflows over liabilities and deferred inflows 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.

b. Restricted for Insurance Requirements

As of October 31, 2015 and 2014, the Mortgage Insurance Fund's net position represent the required reserve for policies in force of $2.99 billion and $3.09 billion, respectively. Included within policies in force are single family mortgage primary and pool policies (total aggregate loss limit) totaling $504 million and $509 million in 2015 and 2014, respectively. Commitments outstanding as of fiscal years ended 2014 and 2015 were $970 million and $1.2 million, respectively. The Agency provided $9.6 million and $14.8 million during fiscal 2015 and 2014 for potential claims on mortgages insured by the Mortgage Insurance Fund.

The Agency recorded recovery income in the amount of approximately $3.3 million during fiscal 2015 and 2014 as a result of an Ulster County Industrial Development Agency 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 remitted to the State excess tax collections during fiscal 2015 in the amount of $42.9 million. The Agency also remitted $40 million during fiscal 2014. The Agency was instructed to transfer to the State, Municipalities and Agencies from the project insurance account of $74 million and $146.9 million for fiscal years 2015 and 2014, respectively.

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13. New York State and Local Employees' Retirement System Pension Plans

Plan Description & Benefits Provided

The Agency participates in the New York State and Local Employees' Retirement System ("ERS") which together with the New York State and Local Police and Fire Retirement System ("PFRS") is collectively referred to as New York State and Local Retirement System ("NYSLRS"). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The System is noncontributory except for employees who joined the NYSLRS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year 2015	$147,895
Year 2014	$107,475
Year 2013	$72,332

- Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:
- For State fiscal year ("SFY") 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries.

13. New York State and Local Employees' Retirement System Pension Plans (continued)

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008. The Agency has made all required payments on a current basis.

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

At October 31, 2015, the Agency reported a liability of $928,000 for its proportionate share of the net pension liability. The net pension liability was measured as of October 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At October 31, 2015, the Agency's proportion is .0270301%..

For the year ended October 31, 2015, the Agency recognized pension expense of $861,203. At October 31, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of Assumptions	$29,231	—
Net difference between projected and actual earnings on pension plan investments	$158,601	—
Changes in proportion and differences between contributions and proportionate share of contributions	$139,196	—
Total	$327,028	—

13. New York State and Local Employees' Retirement System Pension Plans (continued)

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended October 31, 2015. The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended October 31:	
2016	$81,757
2017	$81,757
2018	$81,757
2019	$81,757
2020	—

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined using an actuarial valuation as of April 1, 2014. These actuarial valuations for NYSLRS used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation rate	2.7%
Salary scale	
ERS	4.9%
Investment rate of return, including inflation	7.5% compounded annually, net of investment expenses
Cost of living adjustments	1.4% annually
Decrements	Developed from the Plan's 2010 experience study of the period April 1, 2005 – March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

The actuarial assumptions used in the April 1, 2014 valuation, with update procedures used to roll forward the total pension liability to March 31, 2015, are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

13. New York State and Local Employees' Retirement System Pension Plans (continued)

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.30%
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	2	4.00
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the NYSLRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.5%, as well as what the net pension liability would if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current assumption:

	1% Decrease (6.5%)	**Current Assumption (7.5%)**	**1% Increase (8.5%)**
		(in thousands)	
ERS net pension liability	$6,087	$928	($3,454)

13. New York State and Local Employees' Retirement System Pension Plans (continued)

Pension Plan Fiduciary Net Position

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 $425 thousand and $367 thousand during fiscal 2015 and fiscal 2014, respectively.

New York State Voluntary Defined Contribution Program

In March 2012, Chapter 18 of the Laws of 2012 was signed into law and allows Agency employees that meet certain requirements, to participate in the State University of New York ("SUNY") optional retirement plan called the NYS Voluntary Defined Contribution Plan ("VDC Program").

Beginning July 1, 2013, all non-union employees hired on or after July 1, 2013 with an annual salary of $75,000 or more were given the option of joining the VDC program. The VDC Program provides benefits that are based on contributions made by both the Agency and the participant. Employee contribution rates range from 4.5% to 6%, dependent upon annual salary. The employer contribution rate is 8% of gross income. All contributions and any subsequent earnings are to be held by the Agency in a segregated account and credited to the individual accounts for each plan participant. Employees vest after one year of service, at which time their entire account balance is transferred to an investment firm of their choosing within the VDC Program. The amount owed to participants upon retirement is based solely on the account balance at the time of withdrawal. Employees may choose either the New York State and Local Employees' Retirement System or the VDC Program, but not both. As of October 31, 2015, there were four Agency employees enrolled in the VDC Program.

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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, 2015

(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, 2013	—	$45,619	$45,619	—	$7,418	615%
November 1, 2011	—	$42,682	$42,682	—	$7,382	578%
November 1, 2009	—	$25,461	$25,461	—	$8,630	295%

State of New York Mortgage Agency

(a component unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
NYSLRS
LAST 10 FISCAL YEARS

October 31,	2015	2014	2013	2012	2011
			($ in thousands)		
Contractually required contribution	$ 1,500	$ 1,300	$ 1,300	$ 1,600	$ 992
Contributions in relation to the contractually required contribution	1,500	1,300	1,300	1,600	992
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 9,000	$ 8,300	$ 7,400	$ 7,400	$ 7,900
Contributions as a percentage of covered-employee payroll	17%	16%	18%	22%	13%

October 31,	2010	2009	2008	2007	2006
			($ in thousands)		
Contractually required contribution	$ 610	$ 678	$ 615	$ 831	$ 780
Contributions in relation to the contractually required contribution	610	678	615	831	780
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 8,600	$ 8,400	$ 8,500	$ 7,800	$ 7,300
Contributions as a percentage of covered-employee payroll	7%	8%	7%	11%	11%

State of New York Mortgage Agency

(a component unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE OF NEW YORK MORTGAGE AGENCY'S PROPORTIONATE SHARE OF THE NYSLRS NET PENSION LIABILITY
OCTOBER 31, 2015

	2015
The Agency's portion of the net pension liability	.0270301%
The Agency's proportionate share of the net pension liability	928,000
The Agency's covered-employee payroll	9,030,000
The Agency's proportionate share of the net pension liability as a percentage as a percentage of its covered-employee payroll	10.3%
Plan fiduciary net position as a percentage of the total pension liability	97.2%

Supplementary Section

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Schedules of Net Position

October 31, 2015

with comparative totals for 2014

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
		(in thousands)	
Assets			
Current assets:			
Cash-demand deposits restricted	$ —	$ 1,593	$ 1,417
Cash-demand deposits unrestricted	2,658	—	—
Cash-custodian deposits	—	3,197	916
Investments unrestricted	22,872	—	—
Investments restricted	—	276,596	162,389
Total cash and investments	25,530	281,386	164,722
Mortgage loans receivable	—	93,535	68,623
Accrued interest receivable:			
Mortgage and student loans	—	6,203	2,083
Investments	1	1,178	582
Other assets		10,900	1,959
Total current assets	**25,531**	**393,202**	**237,969**
Non-current assets:			
Investments restricted	—	87,826	22,524
Mortgage loans receivable	—	1,820,329	650,005
Student loans receivable	—	—	—
Capital assets- internal use software	893	—	—
Total non-current assets	**893**	**1,908,155**	**672,529**
Total assets	**26,424**	**2,301,357**	**910,498**
Deferred outflows of resources			
Accumulated decrease in fair value of hedging derivatives	—	21,508	—
Deferred loss on refunding	—	5,535	—
Deferred amount on pensions	327	—	—
Total deferred outflows of resources	**327**	**27,043**	**—**
Liabilities			
Current liabilities:			
Bonds payable, net	—	74,175	36,650
Interest payable	—	4,000	1,823
Allowance for anticipated claims	—	—	—
Unearned income, accounts payable and other	4,658	115	85
Amounts due to New York State and its Agencies	—	—	—
Interfund payables	(6,019)	3,217	(523)
Total current liabilities	**(1,361)**	**81,507**	**38,035**
Non-current Liabilities:			
Bonds payable, net	—	1,797,751	691,912
Derivative instruments - interest rate swaps	—	34,575	—
Other postemployment benefits payable	46,591	—	—
Net pension liability	928	—	—
Total non-current liabilities	**47,519**	**1,832,326**	**691,912**
Total liabilities	**46,158**	**1,913,833**	**729,947**
Net position			
Restricted for bond obligations	—	414,567	180,551
Restricted for insurance requirements	—	—	—
Unrestricted (deficit)	(19,407)	—	—
Total net position	**$ (19,407)**	**$ 414,567**	**$ 180,551**

Homeownership Program	Single Family Programs Total	Student Loan Program	Mortgage Insurance Fund	Total All Funds October 31, 2015	2014
(in thousands)					
$ —	$ 3,010	$ 3,287	$ 1,693	**$ 7,990**	**$ 4,740**
—	2,658	—	—	**2,658**	**2,084**
—	4,113	—	—	**4,113**	**4,101**
—	22,872	—	—	**22,872**	**24,740**
—	438,985	14,357	484,618	**937,960**	**742,091**
—	471,638	17,644	486,311	**975,593**	**777,756**
158	162,316	—	—	**162,316**	**170,106**
14	8,300	468	—	**8,768**	**9,456**
—	1,761	—	9,130	**10,891**	**10,055**
78	12,937	—	—	**12,937**	**12,385**
250	**656,952**	**18,112**	**495,441**	**1,170,505**	**979,758**
—	110,350	—	1,345,366	**1,455,716**	**1,504,954**
2,048	2,472,382	—	—	**2,472,382**	**2,572,607**
—	—	9,386	—	**9,386**	**10,543**
—	893	—	—	**893**	—
2,048	**2,583,625**	**9,386**	**1,345,366**	**3,938,377**	**4,088,104**
2,298	**3,240,577**	**27,498**	**1,840,807**	**5,108,882**	**5,067,862**
—	21,508	—	—	**21,508**	**26,209**
—	5,535	—	—	**5,535**	**5,826**
—	327	—	—	**327**	—
—	**27,370**	—	—	**27,370**	**32,035**
—	110,825	1,190	—	**112,015**	**155,215**
—	5,823	260	—	**6,083**	**6,307**
—	—	—	16,756	**16,756**	**27,812**
1	4,859	34	52,432	**57,325**	**60,936**
—	—	—	33,000	**33,000**	**32,000**
1	(3,324)	19	3,305	—	—
2	**118,183**	**1,503**	**105,493**	**225,179**	**282,270**
—	2,489,663	9,885	—	**2,499,548**	**2,552,272**
—	34,575	—	—	**34,575**	**39,275**
—	46,591	—	—	**46,591**	**42,690**
—	928	—	—	**928**	—
—	**2,571,757**	**9,885**	—	**2,581,642**	**2,634,237**
2	**2,689,940**	**11,388**	**105,493**	**2,806,821**	**2,916,507**
2,296	597,414	16,110	—	**613,524**	**590,362**
—	—	—	1,735,314	**1,735,314**	**1,612,867**
—	(19,407)	—	—	**(19,407)**	**(19,839)**
$ 2,296	**$ 578,007**	**$ 16,110**	**$ 1,735,314**	**$ 2,329,431**	**$ 2,183,390**

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, 2015
with comparative totals for 2014

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
		(in thousands)	
Operating revenues			
Interest earned on loans	$ —	$ 99,812	$ 32,303
Recoveries	—	—	—
Investment Income:			
Investment earnings	10	5,318	1,970
Decrease from hedge termination	—	—	—
Net change in fair market value of investments	(7)	(1,421)	(1,107)
Commitment fees, insurance premiums and application fees earned	—	—	—
Other income	449	366	—
Total operating revenues	**452**	**104,075**	**33,166**
Operating expenses			
Interest and amortization of discount on debt	—	62,107	20,985
Bond issuance costs	—	2,484	997
Postemployment retirement benefits expense	4,477	—	—
General expenses	9,091	3,895	154
Overhead assessment by State of New York	3,417	—	—
Pool insurance	—	339	74
Provision for estimated claims	—	—	—
Expenditures related to federal grants	378	—	—
Other	607	5,184	1,491
Total operating expenses	**17,970**	**74,009**	**23,701**
Operating (loss) income	**(17,518)**	**30,066**	**9,465**
Non-operating revenues (expenses)			
Mortgage insurance reserves retained	—	—	—
Federal grants	378	—	—
Transfers to New York State and its Agencies	—	—	—
Interfund transfers	18,794	(16,119)	—
Total non-operating revenues (expenses)	**19,172**	**(16,119)**	**—**
Increase (Decrease) in net position	**1,654**	**13,947**	**9,465**
Net positon, beginning of fiscal year (as previously stated)	**(19,839)**	**400,620**	**171,086**
Cumulative effect of implementing GASB No. 68	**(1,222)**	**—**	**—**
Net positon, beginning of fiscal year (as restated)	**(21,061)**	**400,620**	**171,086**
Total net position, end of fiscal year	**$ (19,407)**	**$ 414,567**	**$ 180,551**

Homeownership Program	Single Family Programs Total	Student Loan Program	Mortgage Insurance Fund	Total All Funds Fiscal year ended October 31, 2015	Total All Funds Fiscal year ended October 31, 2014
		(in thousands)			
$ 194	$ 132,309	$ 838	$ —	$ **133,147**	$ **140,756**
—	—	—	14,689	**14,689**	**13,049**
—	7,298	14	22,754	**30,066**	**25,070**
—	-	—	—	**-**	**(6,367)**
—	(2,535)	(4)	12,775	**10,236**	**3,559**
—	—	—	16,056	**16,056**	**15,060**
—	815	5	—	**820**	**761**
194	**137,887**	**853**	**66,274**	**205,014**	**191,888**
—	83,092	521	—	**83,613**	**93,233**
—	3,481	—	—	**3,481**	**4,278**
—	4,477	—	—	**4,477**	**4,302**
—	13,140	109	3,904	**17,153**	**19,956**
—	3,417	—	1,139	**4,556**	**4,556**
3	416	—	162	**578**	**671**
—	—	—	9,596	**9,596**	**14,835**
—	378	—	—	**378**	**766**
(13)	7,269	11	7	**7,287**	**7,307**
(10)	**115,670**	**641**	**14,808**	**131,119**	**149,904**
204	**22,217**	**212**	**51,466**	**73,895**	**41,984**
—	—	—	147,990	**147,990**	**91,202**
—	378	—	—	**378**	**766**
—	-	—	(75,000)	**(75,000)**	**(75,418)**
(666)	2,009	—	(2,009)	—	**—**
(666)	**2,387**	—	**70,981**	73,368	16,550
(462)	**24,604**	**212**	**122,447**	147,263	58,534
2,758	**554,625**	**15,898**	**1,612,867**	2,183,390	2,124,856
—	**(1,222)**	—	—	(1,222)	—
2,758	**553,403**	**15,898**	**1,612,867**	2,182,168	—
$ **2,296**	$ **578,007**	$ **16,110**	$ **1,735,314**	$ **2,329,431**	$ **2,183,390**

State of New York Mortgage Agency
(A Component Unit of the State of New York)
Schedules of Cash Flows
Fiscal Year Ended October 31, 2015 with comparative totals for 2014

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
		(in thousands)	
Cash flows from operating activities			
Interest received on loans	$ —	$ 99,538	$ 32,812
Principal payment on loans	—	222,407	67,553
Purchase of mortgage loans	—	(139,959)	(42,504)
Commitment fees, insurance premium and application fees earned	—	—	—
Operating expenses	(26,789)	—	—
Expenditures related to federal grants	(378)	—	—
Transfers	18,803	(16,119)	—
Other	7,588	(12,692)	(4,062)
Net cash provided by (used in) operating activities	**(776)**	**153,175**	**53,799**
Cash flows from non-capital financing activities			
Interest paid on bonds	—	(59,985)	(21,042)
Mortgage recording surtax receipts	—	—	—
Payments to New York State	—	—	—
Federal grants	378	—	—
Bond proceeds	—	284,005	135,535
Retirement and redemption of bonds	—	(452,835)	(61,223)
Net cash provided by (used in) non-capital financing activities	**378**	**(228,815)**	**53,270**
Cash flows from investing activities			
Purchase of internal software	(900)	—	—
Earnings on investments	19	6,379	2,509
Proceeds from the sale or maturities of investments	74,915	1,098,807	196,916
Purchase of investments	(73,062)	(1,029,757)	(306,009)
Net cash (used in) provided by investing activities	**972**	**75,429**	**(106,584)**
Net (decrease) increase in cash	574	(211)	485
Cash, beginning of fiscal year	**2,084**	**5,001**	**1,848**
Cash, end of fiscal year	**$ 2,658**	**$ 4,790**	**$ 2,333**
Reconciliation of operating revenues (expenses) to net cash (used in) provided by operating activities:			
Net operating revenues (expenses)	$ (17,518)	$ 30,066	$ 9,465
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Earnings on investment	(10)	(5,318)	(1,970)
Interest payments and amortization	—	62,107	20,985
Unrealized gain (loss) on investment	7	1,421	1,107
Hedge termination	—	—	—
Other	(319)	(2,001)	(3)
Transfers	18,794	(16,119)	
Changes in assets and liabilities			
Mortgage loans and other loans, net	—	82,448	25,049
Interest, fees and other receivables	—	86	(225)
Student loans	—	—	—
Allowance for anticipated claims	—	—	—
Interfund payables	(3,393)	749	(622)
Unearned income, accounts payable and other	(1,944)	(264)	13
Postemployment retirement benefits payable	3,901	—	—
Net pension liability	(294)	—	—
Net cash provided by (used in) operating activities	**$ (776)**	**$ 153,175**	**$ 53,799**
Non-cash investing activities			
(Decrease) increase in fair value of investments	$ 7	$ 1,421	$ 1,107

Homeownership Program	Single Family Programs Total	Student Loan Program	Mortgage Insurance Fund	Total All Funds Fiscal year ended October 31, 2015	2014
		(in thousands)			
$ 187	$ 132,537	$ 1,072	$ —	$ **133,609**	$ **141,087**
518	290,478	1,157	—	**291,635**	**282,457**
—	(182,463)	—	—	**(182,463)**	**(161,508)**
—	-	—	19,469	**19,469**	**23,990**
—	(26,789)	(109)	—	**(26,898)**	**(26,132)**
—	(378)	—	—	**(378)**	**(766)**
(667)	2,017	—	(2,017)	**—**	**—**
(38)	(9,204)	(11)	(11,834)	**(21,049)**	**(20,890)**
—	**206,198**	**2,109**	**5,618**	**213,925**	**238,238**
—	(81,027)	(556)	—	**(81,583)**	**(93,130)**
—	—	—	190,115	**190,115**	**151,081**
—	—	—	(116,916)	**(116,916)**	**(186,930)**
—	378	—	—	**378**	**766**
—	419,540	—	—	**419,540**	**419,690**
—	(514,058)	(1,400)	—	**(515,458)**	**(539,565)**
—	**(175,167)**	**(1,956)**	**73,199**	**(103,924)**	**(248,088)**
—	(900)	—	—	**(900)**	—
—	8,907	16	29,451	**38,374**	**33,799**
—	1,370,638	18,721	880,031	**2,269,390**	**3,232,111**
—	(1,408,828)	(17,168)	(987,033)	**(2,413,029)**	**(3,253,773)**
—	**(30,183)**	**1,569**	**(77,551)**	**(106,165)**	**12,137**
—	848	1,722	1,266	**3,836**	**2,287**
—	**8,933**	**1,565**	**427**	**10,925**	**8,638**
$ —	**$ 9,781**	**$ 3,287**	**$ 1,693**	**$ 14,761**	**$ 10,925**
$ 204	$ 22,217	$ 212	$ 51,466	$ **73,895**	$ **41,984**
—	(7,298)	(14)	(22,754)	**(30,066)**	**(25,070)**
—	83,092	521	—	**83,613**	**93,233**
—	2,535	4	(12,775)	**(10,236)**	**(3,559)**
—	—	—	—	—	**6,367**
2	(2,321)	—		**(2,321)**	**(1,081)**
(667)	2,008	—	(2,008)	—	—
518	108,015	—	—	**108,015**	**119,487**
(59)	(198)	234	—	**36**	**(7,615)**
—	—	1,157	—	**1,157**	**1,135**
—	—	—	(11,056)	**(11,056)**	**5,159**
	(3,266)	—	3,266	—	—
2	(2,193)	(5)	(521)	**(2,719)**	**4,508**
—	3,901	—	—	**3,901**	**3,690**
—	(294)	—	—	**(294)**	—
$ —	$ **206,198**	$ **2,109**	$ **5,618**	$ **213,925**	$ **238,238**
$ —	$ 2,535	$ 4	$ (12,775)	$ **(10,236)**	$ **(3,559)**

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Directors of the Board
State of New York Mortgage Agency
New York, New York

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of New York Mortgage Agency (the Agency), a component unit of the State of New York, which comprise the statement of net position as of October 31, 2015, and the related statements of revenues and expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

January 28, 2016

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