State of New York Mortgage Agency

(A Component Unit of the State of New York)

SONYMA

Financial Statements

Fiscal Year

2017

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Financial Statements

Fiscal Years Ended October 31, 2017 and 2016

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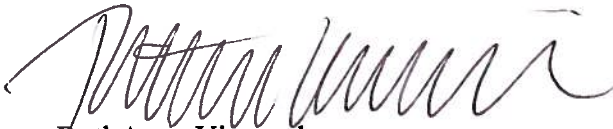
RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the State of New York Mortgage Agency (the "Agency"), for the fiscal years ended October 31, 2017 and 2016, 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 Members 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 Members of the Agency. The independent auditors periodically meet with the Members 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.



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January 25, 2018

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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, 2017 and 2016, 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.

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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, 2017 and 2016, 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.

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.

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

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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 25, 2018 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 25, 2018

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Overview of the Financial Statements

The following is a narrative overview of the financial performance of the State of New York Mortgage Agency (the "Agency" or "SONYMA") for the fiscal years ended October 31, 2017 ("fiscal 2017") and October 31, 2016 ("fiscal 2016") with selective comparative information for the fiscal year ended October 31, 2015 ("fiscal 2015"). 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 2017 and fiscal 2016. 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.

In 2016, legislation was adopted at the State level to authorize the creation of a program to assist homeowners affected by the national mortgage crisis who are either delinquent on their mortgage payments or in danger of going into default. The legislation creates the New York State Community Restoration Fund as a new fund to be held by SONYMA and to be managed by a newly-created subsidiary of SONYMA called the SONYMA Community Restoration Fund ("CRF"). Moneys in this fund are not to be commingled with any other monies of SONYMA. The Agency currently owns approximately 398 defaulted mortgage loans as a partner in a joint venture with New Jersey Community Capital (NJCC-NYS Community Restoration Fund, L.L.C.), a nationally recognized nonprofit specializing in assisting troubled homeowners. The Agency has received $10.1 million to date, and has invested $7.6 million into the partnership.

Single Family Operations Highlights

General

Fiscal 2017 saw continued uncertainty in the housing market coupled with the lingering impact of the Federal Reserve's post-Financial Crisis monetary policy impacting SONYMA's ability to maintain its traditional interest rate advantage. As a result of continued 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 remained at the high levels seen in fiscal year 2016. During fiscal year 2017, SONYMA assisted 1,873 low and moderate-income households (compared to 2,022 households in fiscal 2016 and 1,133 households in fiscal 2015) by purchasing $369.9 million in mortgage loans (compared to $368.0 million in fiscal 2016 and $182.5 million in fiscal 2015). In fiscal year 2017, the Agency funded 0.5% more in mortgage loans than during fiscal 2016, and 103% more than in fiscal year 2015. The majority of the bond financed loans were purchased under SONYMA's two primary programs - Low Interest Rate and Achieving the Dream.

During fiscal 2017, the Low Interest Rate Program provided financing to 540 households (compared to 585 households in fiscal 2016 and 257 in fiscal 2015), and the Achieving the Dream Program, which assists lower-income homebuyers (80% of area median income or less), provided financing for 1,249 households (compared to 1,351 households in fiscal 2016 and 832 in fiscal 2015). The continuing success of the Achieving the Dream Program, which continues to outperform the Low Interest Rate Program in terms of production, continues to signal the success of the Agency, even in a period of market volatility, in assisting borrowers who would otherwise find it difficult to attain homeownership. Of the loans purchased under all of the Agency's programs, 930 borrowers (49.7%) received down payment assistance totaling $6.6 million in fiscal year 2017, compared to 1,017 borrowers, totaling $6.7 million in fiscal 2016 and 548 borrowers, totaling $3.4 million in fiscal 2015.

SONYMA continues to provide financing to underserved populations and communities. In fiscal year 2017, 891 loans were made to low-income households and 583 loans were made to minorities, compared to 1,087 and 539 respectively in fiscal 2016 as well as 719 and 311 respectively in fiscal 2015. In addition, 220 loans were made to households buying in Federally-designated target areas, up from 129 in fiscal 2016 and 83 the prior year.

During fiscal 2017, SONYMA continued to better serve its borrowers and industry partners by:

- Focusing its efforts on Low-Income and Minority Homebuyers: 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 2017, 1,249 of the Agency's mortgages were originated under this program, keeping close pace with 1,351 in 2016 and 832 in 2015. Overall, 891 of the mortgages purchased were made to low-income homebuyers (80% of area median income or less), keeping pace with 1,017 in 2016, and 225 of the 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 2017. 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, 61 mortgages of $6.9 million in total principal and $32 thousand in Down Payment Assistance were originated in fiscal year 2017. In addition, as of October 31, 2017, the Agency had 10 mortgages of $0.9 million in total principal and $7 thousand 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:
    - o for purchase transactions, up to 3% of the home purchase price.
    - o 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, 271 mortgages of $72.5 million in total principal and $2.2 million in Down Payment Assistance were originated in fiscal year 2017. In addition, as of October 31, 2017, the Agency had 52 mortgages of $13.4 million in total principal and $410 thousand in Down Payment Assistance in its pipeline.

- The Agency has continued to enhance the SONYMA Express® automated system that was developed to assist participating lenders by providing expedited decisions on SONYMA loan eligibility. The system has: (a) 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. Continued efforts to improve user experience through SONYMA Express®, led to an additional 21 lenders opting to use the system in 2017. It is anticipated that approximately 85% of the SONYMA volume will come through SONYMA Express® in fiscal year 2018 as a result.

- 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 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 2017, including a roundtable session with council member guests and SONYMA staff members, as well as monthly subcommittee meetings.

- Continuing Outreach Efforts to Industry Partners by participating in 65 events across the state with homeownership counseling organizations, realtors, lenders, not-for profits, veterans groups, community groups and others. 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.

- Growing the Neighborhood Revitalization Program (NRP). In June 2016, SONYMA announced a program that leverages $22 million in Chase settlement dollars to aid in the purchase and renovation of vacant/abandoned homes in neighborhoods hard hit by the foreclosure crisis. The program was originally launched in Kingston, Middletown, Troy, Rochester, certain parts of New York City and all of Long Island due to their high level of impact from the foreclosure crisis. SONYMA collaborated with various divisions of HCR, nonprofits based in the communities selected for this pilot program, local government, realtors and SONYMA participating lenders. NRP enables borrowers to purchase a vacant home and receive downpayment assistance, a subsidized interest rate, and $20,000 toward property repairs with the ability to finance any additional necessary repairs into the loan. Significant outreach has been undertaken to develop a template for success in each community and the first loans are in the process of negotiating contracts, getting estimates for renovations, and submitting mortgage applications. In fiscal 2017, SONYMA funded 30 NRP properties investing over $7.0 million in the effort. The decision was made to expand access to the program into all of Orange County, Rensselaer County, Schenectady County, Staten Island, the Bronx, and Buffalo.

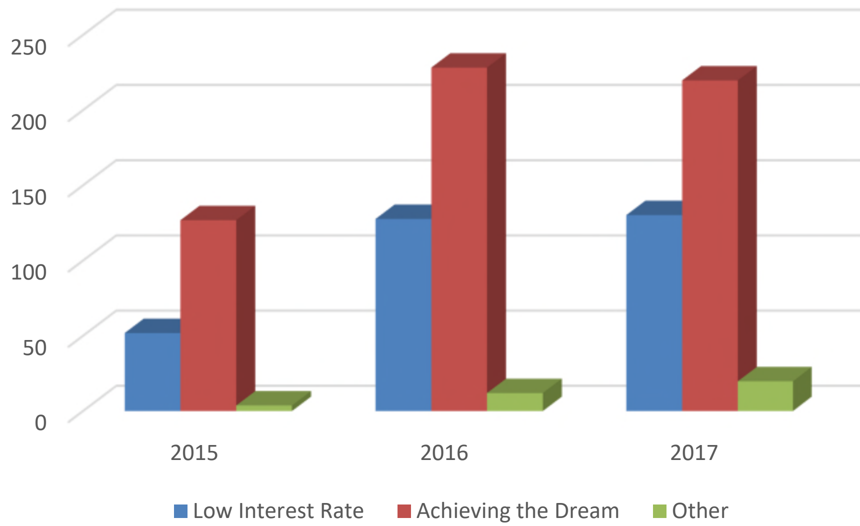
- Expanding the SONYMA Spruce Up Initiative. SONYMA Spruce Up is an event in which SONYMA, local nonprofit partners, lenders, sponsors, contractors and neighborhood associations partner to do a one-day exterior clean-up of a targeted area. SONYMA held its first event in the Sheridan Hollow neighborhood in Albany with the assistance of the Affordable Housing Partnership and the Sheridan Hollow Neighborhood Association in 2016. This pilot was continued with another four events in 2017 throughout New York State (Buffalo, Newburgh, Troy and Brentwood). 470 volunteers completed exterior repairs, such as repair/painting of stoops, planting trees, and cleaning up sidewalks on over 150 homes, completed a total renovation of five local parks, five vacant lots as well as the clean-up and painting of a playground, and an outdoor classroom. Local lenders, community volunteers, school civics clubs, several local nonprofits, realtors and SONYMA's MI partners both sponsored and contributed volunteers to complete the work.. There was radio and media coverage across all the local networks.

- Buying nearly 400 delinquent mortgage notes through Community Restoration Fund. Legislation was passed in the summer of 2016 to create the SONYMA Community Restoration Fund (CRF). This fund was intended to be a vehicle through which SONYMA can purchase delinquent notes from various sources in order to help borrowers modify their loans and remain in their homes. During fiscal 2017, the SONYMA CRF, in partnership with New Jersey Community Capital, a nonprofit organization specializing in this work, leveraged $7.6 million in Morgan Stanley settlement dollars against $76 million in private financing to purchase the mortgages for nearly 400 homes in a strategic effort to bring owners out of foreclosure and keep the homes from abandonment. The 398 homes in the CRF program are in 33 of the State's 62 counties, with the majority of the homes located on Long Island and in the Mid-Hudson Valley.

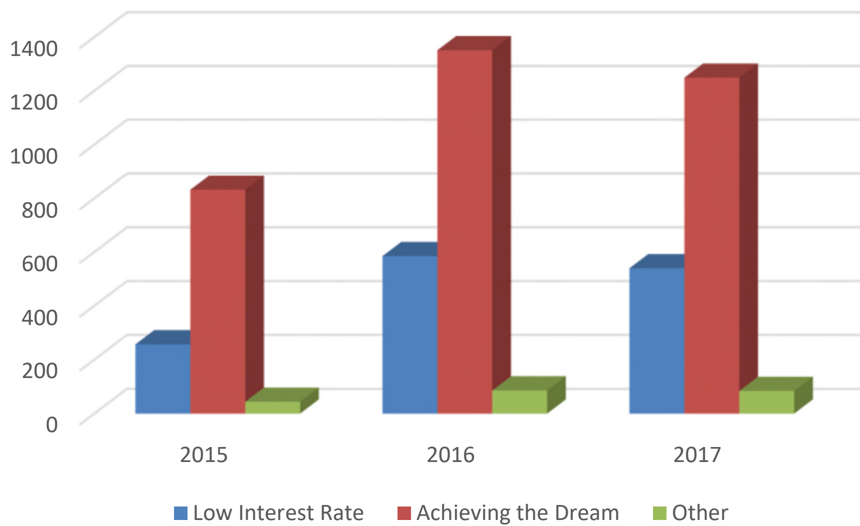
- We have continued to offer bi-monthly webinars through SONYMA University using content with topics coming from attendee feedback and the SONYMA Advisory Council. To date, more than 3,000 attendees, from our lender, nonprofit and realtor partners, have participated in web-based training on SONYMA programs. 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 ("Remodel NY"). 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 made a number of enhancements to its Remodel NY program in 2015 and 2016. In 2016, the Agency hired a dedicated Renovation Loan Analyst to enable the quick and efficient review of Remodel NY loans submitted pre- and post-purchase. In addition, during fiscal 2017, SONYMA purchased approximately $3.2 million in Remodel NY loans, with another $1.7 million in the pipeline for purchase in late 2017 and early 2018. The program continues to gain momentum and assist first time homebuyers purchasing homes in need of repair.

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



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



Performance of Mortgage Portfolio

At the end of fiscal 2017, SONYMA's 60 days or more delinquencies were 3.19% (based on the number of loans). This compares to the New York State and national averages of 6.33% and 3.38%, respectively[1]. As of the end of fiscal year 2016, the percentage of 60 days or more delinquencies was 3.94%.

Since the end of fiscal year 2009, the percentage of the Agency's delinquencies has increased by over 58% (from 2.02% as of October 31, 2009 to 3.19% as of October 31, 2017). 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 state in which judicial intervention is required 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.

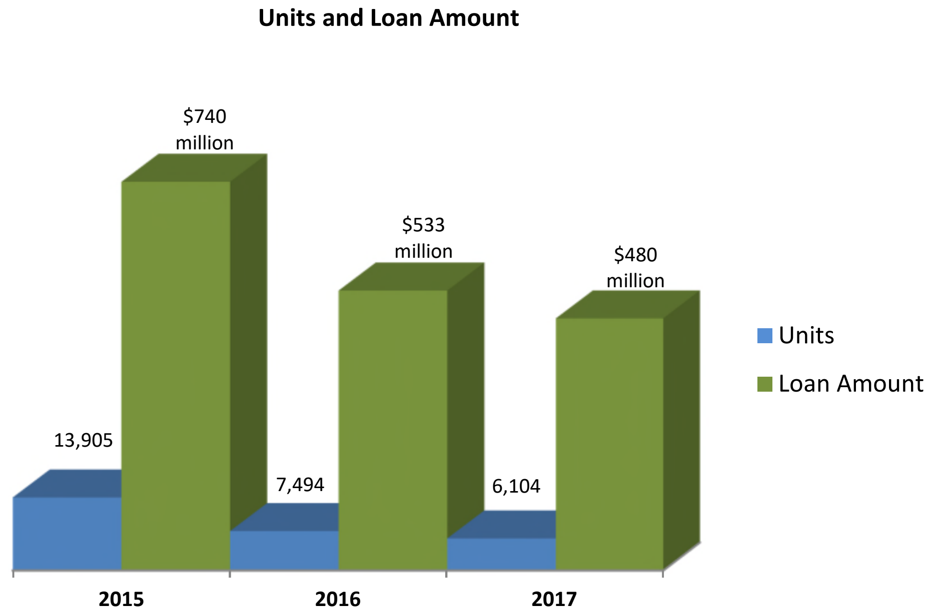
With respect to mortgage loans foreclosed between January 1, 2017 and October 31, 2017, an average of 1,441 days elapsed between the date of default and the date foreclosure proceedings were completed. In contrast, with respect to Agency mortgage loans foreclosed in 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016, an average of, respectively, 502 days, 644 days, 803 days, 931 days, 1,071 days, 1,171 days, 1,247 days and 1,292 days elapsed between such dates.

[1] National Delinquency Survey (NDS) latest quarterly figures on conventional delinquencies, as of 9/30/17

Mortgage Insurance Fund Operations

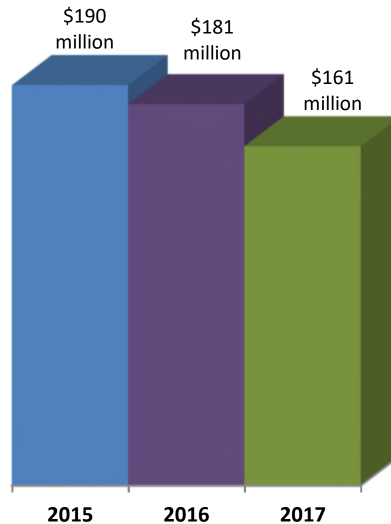
The Mortgage Insurance Fund has two lines of business. It provides insurance on mortgages for affordable multi-family housing and special needs facilities and on other mortgage loans made by government entities and commercial lenders. It also provides both pool and primary insurance on single family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

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



The decrease in both loan amount and number of units in 2017 was due primarily to the absence of large NYC Housing Development Corporation affordable housing rehabilitation loans.

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



New York State Mortgage Recording Surtax Receipts were $160.5 million during fiscal 2017, $180.8 million during fiscal 2016 and 190.1 million during fiscal 2015. The decline was due to a reduced rate of mortgage recordings principally of large commercial projects in NYC. The MIF also received $22.4 million in insurance recoveries, application fees and insurance premiums during fiscal 2017 as compared with $23.7 million during fiscal 2016 and $19.4 million during fiscal 2015. Interest earned on investments by the MIF during fiscal years 2017, 2016 and 2015 was $29.5 million, $26 million and $22.7 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 ratings on the Single Family Pool Insurance Account and the Project Pool Insurance Account, with a stable outlook on July 21, 2016.

On November 8, 2016, Moody's affirmed the "Aa1" rating on the Project Pool Insurance Account with a stable outlook and its "Aa1" rating on the Single Family Pool Insurance Account with a negative outlook.

Condensed Financial Information

Net Position Summary Schedules

Condensed Statement of Net Position

	October 31,			% Change	
	2017	2016	2015	2017-2016	2016-2015
		(in thousands)			
Assets					
Cash	$ 15,967	$ 13,873	$ 14,761	15%	(6%)
Investments	2,364,584	2,401,691	2,416,548	(2%)	(1%)
Mortgage and student loans receivables	2,794,636	2,710,011	2,644,084	3%	2%
Interest receivable	19,748	19,806	19,659	"-"	1%
Other assets	24,029	17,732	13,830	36%	28%
Total assets	5,218,964	5,163,113	5,108,882		
Deferred outflows of resources					
Accumulated decrease in fair value of hedging derivatives	2,990	14,021	21,508	(79%)	(35%)
Deferred loss on refunding	4,982	5,258	5,535	(5%)	(5%)
Deferred outflows relating to pension	2,025	4,771	327	(58%)	1,359%
Total deferred outflows of resources	9,997	24,050	27,370		
Liabilities					
Bonds payable	2,552,343	2,524,109	2,611,563	1%	(3%)
Derivative instruments - interest rate swaps	16,057	27,088	34,575	(41%)	(22%)
Interest payable	6,422	6,942	6,083	(7%)	14%
Allowance for anticipated claims	17,164	17,164	16,756	"-"	2%
Unearned income, accounts payable and other liabilities	156,466	168,783	91,253	(7%)	85%
Other postemployment retirement benefits	51,906	49,145	46,591	6%	5%
Total liabilities	2,800,358	2,793,231	2,806,821		
Deferred inflows of resources					
Deferred inflows relating to pension	466	595	—	(22%)	N/A
Total deferred outflows of resources	466	595	—		
Net position					
Restricted for bond obligations	657,499	630,765	613,524		
Restricted for insurance requirements	1,795,027	1,785,332	1,735,314		
Unrestricted (deficit)	(24,389)	(22,760)	(19,407)		
Total net position	$ 2,428,137	$ 2,393,337	$ 2,329,431		

N/A - Not applicable

"-" Indicates a % < 1%

Assets

Investments

Investments held by the Agency vary throughout the year as funds are received or disbursed by the Agency. Investments decreased from $2.40 billion at October 31, 2016 to $2.36 billion at October 31, 2017, a decrease of $37.1 million or 2%. This compares with a decrease from $2.42 billion at October 31, 2015 to $2.4 billion at October 31, 2016, a decrease of approximately $14.9 million or 1%. The decrease in investments for both periods was primary a result of an increase in mortgage loans purchased by the Agency.

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 54% of the Agencies total assets at October 31, 2017, 52% as of October 31, 2016 and 52% as of October 31, 2015.

Mortgage and student loans receivables increased from $2.71 billion at October 31, 2016 to $2.79 billion at October 31, 2017, an increase of approximately $84.6 million or 3%. This compares to an increase from $2.64 billion at October 31, 2015 to $2.71 billion at October 31, 2016, an increase of approximately $65.9 million or 2%. The increases in mortgage loans during both periods was due to an uptick in loans purchased as a result of new incentive programs.

Interest Receivable

Interest receivable has remained fairly constant during the period, decreasing from $19.8 million at October 31, 2016 to $19.7 million at October 31, 2017, a slight decrease of approximately $58 thousand. This compares with $19.7 million in fiscal 2015.

Other Assets

Other assets are primarily comprised of Owned Real Estate held by the Agency's Single Family operations and the CRF which invested $7.5 million into a non-profit corporation to assist with foreclosure and abandoned home mitigation. This program was funded from settlement fees from the Attorney General's office in the amount of $10.1 million.

Other assets increased from $17.7 million at October 31, 2016 to $24.0 million at October 31, 2017 an increase on $6.3 million or 36%. This compares to an increase $13.8 million at October 31, 2015 to $17.7 million at October 31, 2016, an increase of approximately $3.9 million or 28%. The increase during this period year results from increases in the number of loans being moved from the loan portfolio to Owned Real Estate status and remaining in that status for longer periods of time.

Liabilities

Bonds Payable

At approximately 91% of total liabilities at October 31, 2017 (90% at October 31, 2016 and 93% at October 31, 2015), 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 increased from $2.52 billion at October 31, 2016, to $2.55 billion at October 31, 2017, an increase of approximately $28.2 million or 1%. This compares with a decrease from $2.61 billion at October 31, 2015, to $2.52 billion at October 31, 2016, a decline of approximately of $87.4 million or 3%. The change in bonds payable during both periods is the result of bonds issued, redeemed and amortized.

Derivative Instruments - Interest Rate Swaps and Deferred Outflows of Resources

The Agency has entered into various interest rate swap contracts 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 9). For fiscal 2017, 2016 and 2015, 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 maturity of several swaps there was a decline in fair value from $27.1 million at October 31, 2016 to $16.1 million at October 31, 2017, a decrease of $11 million or 41%. This compares to a decline from $34.6 million at October 31, 2015 to $27.1 million at October 31, 2016, a decline or 7.5 million or 22%

Interest Payable

Interest payable decreased from $6.9 million at October 31, 2016 to $6.4 million at October 31, 2017, a decrease of approximately $500 thousand, or 7%. This compares with an increase from $6.1 million at October 31, 2015 to $6.9 million at October 31, 2016, an increase of approximately $900 thousand, or 14%. The decline at October 31, 2017 was a result of a large bond sale in September causing an increase in bonds outstanding but accruing only two months of interest payable. The increase in interest payable during fiscal 2016 was a result of an increase in interest rates on variable rate debt and an extended interest period for HMB bond series 197, 198 and 199. The bonds were delivered on July 21, 2016 with a first coupon date of April 1, 2017 which was a result of lower interest rates paid on refunding bonds.

Allowance for Anticipated Claims

Allowance for anticipated claims remained unchanged with a balance of $17.2 million for October 31, 2017 and 2016. This compares with an increased from $16.8 million at October 31, 2015 to $17.2 million at October 31, 2016, an increase of approximately $400 thousand or 2%. 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 2017, 2016 and 2015 the MIF made claim payments in the amounts of $13.1 million, $9.9 million and $9.5 million respectively.

Unearned Income, Accounts Payable and Other Liabilities

Unearned income, accounts payable and other liabilities decreased from $168.8 million at October 31, 2016 to $156.5 million at October 31, 2017, a decrease of $12.3 million or 7%. This compares to an increase from $91.3 million at October 31, 2015 to $168.8 million at October 31, 2016, an increase of approximately $77.5 million or 85%. The continued fluctuation year to year is primarily due to the MIF and changes in insurance requirements and mortgage record surtax received. The increase in fiscal 2016 was primarily a result of the commitment by the MIF to transfer an additional $100 million to the State and its Agencies. The same commitment was made again during fiscal 2017.

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 $49.1 million in fiscal 2016 to $51.9 million in fiscal 2017, an increase of approximately $2.8 million, or 6%. This compares to an increase from $46.6 million in fiscal 2015 to $49.1 million in fiscal 2016, an increase of approximately $2.5 million, or 5%. An actuarial calculation using updated census data occurred at October 31, 2016, using a November 1, 2015 measurement date.

Summary of Revenues, Expenses and Changes in Net Position

	October 31,			% Change	
	2017	2016	2015	2017-2016	2016-2015
		(in thousands)			
Operating Revenues					
Interest on loans	$ 131,632	$ 130,697	$ 133,147	1%	(2%)
Recoveries	5,236	5,709	14,689	(8%)	(61%)
Investment Income	37,507	32,896	30,066	14%	9%
Net change in fair value of investments	(36,968)	10,407	10,236	(455%)	2%
Other operating revenues	18,701	17,030	16,876	10%	1%
Total operating revenues	156,108	196,739	205,014		
Operating Expenses					
Interest expense and amortization of discount on debt	79,859	82,170	83,613	(3%)	(2%)
Provision for estimated claims	13,087	10,371	9,596	26%	8%
Pool insurance	547	530	578	3%	(8%)
Expenditures related to federal grants	602	763	378	(21%)	102%
Other operating expenses	48,936	45,973	36,954	6%	24%
Total operating expenses	143,031	139,807	131,119		
Net operating revenue	13,077	56,932	73,895	(77%)	(23%)
Non-operating revenues (expenses)					
Mortgage insurance reserves retained	111,419	117,076	147,990	(5%)	(21%)
Federal grants	602	763	378	(21%)	102%
Transfers to New York State and its Agencies	(90,298)	(110,865)	(75,000)	(19%)	48%
Total non-operating revenues (expenses)	21,723	6,974	73,368		
Increase in net position	34,800	63,906	147,263		
Total net position - beginning of	2,393,337	2,329,431	2,183,390		
Cumulative effect of implementing GASB No. 68	—	—	(1,222)		
Net positon, beginning of fiscal year (as restated)	2,393,337	2,329,431	2,182,168		
Total net position- end of fiscal year	$ 2,428,137	$ 2,393,337	$ 2,329,431		

N/A - Not applicable

Operating Revenues

Interest on Loans

Interest on Single Family mortgage loans receivable represents the primary source of funds available for the Agency to pay scheduled interest due on the Agencies' outstanding bonds payable. Interest on loans increased from $130.7 million in fiscal 2016 to $131.6 million in fiscal 2017, an increase of approximately $900 thousand or 1%. This compares to a decline from $133.1 million in fiscal 2015 to $130.7 million in fiscal 2016, a decrease of approximately $2.4 million or 2%. The increase in interest income during fiscal 2017 was directly related to an increase in mortgage loans outstanding. The prior fiscal year's decline was primarily due to the duration of mortgages loans outstanding and lower interest rates on loans held by the Agency during these periods.

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 declined from $5.7 million at October 31, 2016 to $5.2 million at October 31, 2017 a decline of $500 thousand or 8%. This compares to a decline from $14.7 million in fiscal year 2015 to $5.7 million in fiscal year 2016, a decrease of approximately $9 million, or 61%. During fiscal 2015 three projects were returned to performing status totaling $10.2 million.

Investment Earnings and Net Change in Fair Value of Investments

During fiscal 2017, the Agency recognized $37.5 million in net investment income from maturities, sales and investments amortization (compared with $32.9 million and $30 million during fiscal years 2016 and 2015, 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 recorded mark to market adjustments as follows: a decline in fiscal 2017 of $37 million, and increases of $10.4 million and $10.2 million, for fiscal years 2016 and 2015 respectively. These amounts take into account all changes in fair value (including purchases, maturities and sales) that occurred during the year.

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 $17 million at October 31, 2016 to $18.7 million at October 31, 2017, an increase of approximately $1.7 million or 10%. This compares to an increase from $16.9 million at October 31, 2015 to $17 million at October 31, 2016, an increase of approximately $154 thousand or 1%. The variances are primarily due to an increase in the level of insurance commitments issued by the MIF during fiscal years 2017, 2016 and 2015.

Expenses

Interest Expense and Amortization of Discount on Debt

Interest expense and amortization of discount on debt declined from $82.1 million in fiscal 2016 to $79.8 million in fiscal 2017, a decline of approximately $2.3 million or 3%. This compares with a decline from $83.6 million in fiscal 2015 to $82.1 million in fiscal 2016, a decline of approximately $1.5 million or 2%. 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 loans and the special needs facilities that are non-performing. This account fluctuates as loans are moved to and from performing status or as periodic claims are paid. The provision for estimated claims increased from approximately $10.4 million in fiscal year 2016 to $13.1 million in fiscal year 2017, an increase of approximately $2.7 million, or 26%. This compares to an increase from approximately $9.6 million in fiscal year 2015 to $10.4 million in fiscal year 2016, an increase of approximately $775 thousand, or 8%.

In fiscal 2017, 2016 and 2015, provisions were set aside for multi-family loans 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 2017 and 2016, see Note 8 to the financial statements.

Other Operating Expenses

Other operating expenses primarily consist of bond issuance costs, retiree healthcare expenses, general expenses and the cost recovery fee charged by the State. Other operating expenses increased from $46 million at October 31, 2016 to $48.9 million at October 31, 2017, an increase of approximately $2.9 million or 6%. This compares to an increase from $37.0 million at October 31, 2015 to $46.0 million at October 31, 2016, an increase of approximately $9.0 million or 24%. The variations were primarily the result of fluctuations in legal expenses, information technology expenses and other general operating expenses.

Non-Operating Revenues (Expenses)

Mortgage Insurance Reserves Retained

Mortgage insurance reserves retained totaled $111.4 million during fiscal 2017 as compared to $117.1 million during fiscal 2016 and $148 million during fiscal 2015. Such reserves are funded by mortgage recording surtax receipts. Mortgage surtax receipts for fiscal years 2017, 2016 and 2015 were received in the amounts of $160.5 million, $180.8 million and $190.1 million, respectively. The change in reserves retained was due to the varying levels of commitments to insure policies originated by the MIF.

Transfers to/from New York State and its Agencies, net

Net transfers decreased from $110.9 million at October 31, 2016 to $90.3 million at October 31, 2017, a decrease of approximately $19 million or 21%. This compares with an increase from $75 million at October 31, 2015 to $110.9 million at October 31, 2016, an increase of approximately $35.9 million or 48%. During the fiscal years ended October 31, 2017, 2016 and 2015, the balance was primarily a result of the MIF being directed by the State to transfer the amount of $100 million during both fiscal years 2017 and 2016 and $75 million for fiscal 2015 along with other transfers. During fiscal 2017 Agency received $10 million to fund the CRF lowering the net transfer amount. During fiscal 2016, the Agency transferred an excess of $10 million form the Credit Support Account in the MIF increasing the net transfer amount.

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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,	
	2017	2016
Assets	(in thousands)	
Current assets:		
Cash-demand deposits unrestricted	$ 2,660	$ 1,940
Cash-demand deposits restricted	9,936	8,399
Cash-custodian deposits	3,371	3,534
Investments unrestricted	24,862	36,095
Investments restricted	828,036	748,292
Total cash and investments	868,865	798,260
Mortgage loans receivable	165,067	166,321
Accrued interest receivable:		
Mortgage and student loans	8,224	8,504
Investments	11,524	11,302
Other assets	22,859	16,720
Total current assets	**1,076,539**	**1,001,107**
Non-current assets:		
Investments restricted	1,511,686	1,617,304
Mortgage loans receivable	2,623,653	2,536,069
Student loans receivable	5,916	7,621
Capital assets - internal use software	1,170	1,012
Total non-current assets	**4,142,425**	**4,162,006**
Total assets	**5,218,964**	**5,163,113**
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	2,990	14,021
Deferred loss on refunding	4,982	5,258
Deferred outflows relating to pension	2,025	4,771
Total deferred outflows of resources	**9,997**	**24,050**
Liabilities		
Current liabilities:		
Bonds payable, net	147,745	105,080
Interest payable	6,422	6,942
Allowance for anticipated claims	17,164	17,164
Unearned income, accounts payable and other	53,632	63,768
Amounts due to New York State and its Agencies	100,000	100,000
Total current liabilities	**324,963**	**292,954**
Non-current liabilities:		
Bonds payable, net	2,404,598	2,419,029
Derivative instruments - interest rate swaps	16,057	27,088
Other postemployment benefits payable	51,906	49,145
Net pension liability	2,834	5,015
Total non-current liabilities	**2,475,395**	**2,500,277**
Total liabilities	**2,800,358**	**2,793,231**
Deferred inflows of resources		
Deferred inflows relating to pension	466	595
Total deferred inflows of resources	**466**	**595**
Net position		
Restricted for bond obligations	657,499	630,765
Restricted for insurance requirements	1,795,027	1,785,332
Unrestricted (deficit)	(24,389)	(22,760)
Total net position	**$ 2,428,137**	**$ 2,393,337**

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,	
	2017	2016
	(in thousands)	
Operating revenues		
Interest earned on loans	$ 131,632	$ 130,697
Recoveries	5,236	5,709
Investment income	37,507	32,896
Net change in fair value of investments	(36,968)	10,407
Commitment fees, insurance premiums and application fees earned	16,545	15,521
Other income	2,156	1,509
Total operating revenues	**156,108**	**196,739**
Operating expenses		
Interest and amortization of discount on debt	79,859	82,170
Bond issuance costs	2,814	2,250
Postemployment retirement benefits expense	2,761	2,553
General expenses	22,410	22,060
Overhead assessment by State of New York	4,556	4,556
Pool insurance	547	530
Provision for estimated claims	13,087	10,371
Expenses related to federal grants	602	763
Other	16,395	14,554
Total operating expenses	**143,031**	**139,807**
Operating income	**13,077**	**56,932**
Non-operating revenues (expenses)		
Mortgage insurance reserves retained	111,419	117,076
Federal grants	602	763
Transfers to/from New York State and its Agencies (net)	(90,298)	(110,865)
Total non-operating (expenses) revenues	**21,723**	**6,974**
Increase in net position	**34,800**	**63,906**
Total net position, beginning of fiscal year	**2,393,337**	**2,329,431**
Total net position, end of fiscal year	**$ 2,428,137**	**$ 2,393,337**

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,	
	2017	2016
	(in thousands)	
Cash flows from operating activities		
Interest received on loans	$ 131,815	$ 130,558
Principal payment on loans	285,085	302,024
Purchase of loans	(369,692)	(367,889)
Commitment fees, insurance premium and application fees earned	22,121	23,618
General expenses	(28,120)	(27,145)
Expenditures related to federal and state grants	(602)	(763)
Transfers	11,100	365
Other	(41,597)	(23,173)
Net cash provided by operating activities	**10,110**	**37,595**
Cash flows from non-capital financing activities		
Interest paid on bonds	(80,056)	(79,293)
Mortgage recording surtax receipts	160,510	180,831
Payments to New York State and its Agencies	(154,743)	(115,854)
CRF funds received	—	10,100
Federal grants	602	763
Bond proceeds	336,135	278,590
Retirement and redemption of bonds	(307,889)	(371,233)
Net cash used in non-capital financing activities	**(45,441)**	**(96,096)**
Cash flows from investing activities		
Purchase of internal software	(152)	(119)
Earnings on investments	45,276	41,449
Proceeds from the sale or maturities of investments	3,981,940	3,217,456
Purchase of investments	(3,989,639)	(3,201,173)
Net cash provided by investing activities	**37,425**	**57,613**
Net change in cash	2,094	(888)
Cash at beginning of fiscal year	**13,873**	**14,761**
Cash at end of fiscal year	**$ 15,967**	**$ 13,873**
Reconciliation of operating revenues to net cash provided by operating activities:		
Operating income	$ 13,077	$ 56,932
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
CRF funds received	—	(10,100)
Investment income	(37,486)	(32,901)
Interest payments and amortization	79,859	82,170
Net change in fair market value	36,969	(10,407)
Other	4,512	4,134
Transfers	11,100	365
Changes in assets and liabilities		
Mortgage loans and other loans, net	(86,329)	(67,693)
Interest, fees and other receivables	(5,861)	(3,520)
Student loans	1,705	1,765
Allowance for anticipated claims	—	408
Unearned income, accounts payable and other	(8,016)	9,801
Postemployment retirement benefits payable	(2,181)	2,554
Net pension liability	2,761	4,087
Net cash provided by operating activities	**$ 10,110**	**$ 37,595**
Non-cash investing activities		
Net (decrease) increase in fair value of investments	**$ (36,969)**	**$ 10,407**

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.

In 2016, legislation was adopted at the State level to authorize the creation of a program to assist homeowners affected by the national mortgage crisis who are either delinquent on their mortgage payments or in danger of going into default. The legislation created the New York State Community Restoration Fund as a new fund to be held by SONYMA and to be managed by a newly-created subsidiary of SONYMA called the SONYMA Community Restoration Fund ("CRF"). Monies in this fund are not to be commingled with any other monies of SONYMA.

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, the CRF 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.

1. Organization and Basis of Presentation (continued)

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.

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, 2017 and 2016, the MIF has outstanding mortgage insurance policies of approximately $3.66 billion and $3.4 billion, respectively, of which at least 20% has been provided and reported as restricted for insurance requirements and is a component of 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.

1. Organization and Basis of Presentation (continued)

b. Mortgage Insurance Fund

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 had set aside $34.4 million for this purpose. Approximately $37 million and $36.8 million remains on deposit for this purpose as of October 31, 2017 and 2016 respectively.

c. State of New York Mortgage Agency Community Restoration Fund

The Agency operates the CRF pursuant to amendments to the Agency statute in 2016 to authorize the creation of a program to assist homeowners affected by the national mortgage crises who are either delinquent on their mortgage payments or in danger of going into default. The legislation authorized the Agency to deposit monies received from grants, gifts or from other sources in the Fund.

The monies in the Fund shall be eligible to be used by the Agency under program guidelines established by the board of directors of the Agency, in consultation with an advisory council to be created by the Agency comprised of a minimum of seven members, where a majority of the membership of the council will be comprised of representatives from non-profit members of the community with knowledge of foreclosures, housing, or community development needs in communities hard hit by foreclosures. The guidelines shall include, among other things, requirements to ensure that fund monies are expended based upon demonstrable community needs, for the purposes set forth in the legislation.

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 MIF are accounted for separately within the MIF.

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

2. Significant Accounting Policies (continued)

accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The Agency's operating revenues consist of interest earned on loans, investment income, insurance premiums, application fees and commitment fees. All other revenue, consisting primarily of mortgage insurance reserves retained, are considered non-operating. Operating expenses include interest and amortization of discount on debt, general expenses, the provision for estimated claims and bond issuance costs. All other expenses are considered non-operating.

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 fair value, which is 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 have 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.

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 income / 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 was shorter.

2. Significant Accounting Policies (continued)

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.

l. Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB No. 75"). The objective of this Statement is to improve accounting and financial reporting by state and local governments for 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, 2017. The Agency is currently evaluating the impact this standard will have on its financial statements.

In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units — an Amendment of GASB Statement No. 14 ("GASB No. 80"). The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Agency is currently evaluating the impact this standard will have on its financial statements.

In March 2016, GASB issued Statement No. 82, Pension Issues — an Amendment of GASB Statements No. 67, No. 68 and No. 73 ("GASB No. 82"). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting* for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting

2. Significant Accounting Policies (continued)

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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Agency adopted this statement, which had an impact on the Agency's required supplementary information only.

In March 2017, GASB issued Statement No. 85, Omnibus 2017 ("GASB No. 85"). The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits ("OPEB")). The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Agency is currently evaluating the impact this standard will have on its financial statements.

In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues ("GASB No. 86"). The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Agency is currently evaluating the impact this standard will have on its financial statements.

In June 2017, GASB issued Statement No. 87, Leases ("GASB No. 87"). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Agency is currently evaluating the impact this standard will have on its financial statements.

3. Investments

The Agency's investments at October 31, 2017 and October 31, 2016, excluding accrued interest, consisted of the following:

October 31, 2017:

Category	Collateralized investment agreements, Money Market and Trust Accounts/CDs	U.S. Treasury Obligations	Government Agencies	Total Fair Value
	(in thousands)			
Invested revenues	$ 4,006	$ 245,078	$ 929	$ 250,013
Mortgage insurance reserves	—	1,633,378	313,335	1,946,713
Mortgage acquisition and other bond proceeds	—	3,582	—	3,582
Bondholder reserves	46,592	117,684	—	164,276
Total	$ 50,598	$ 1,999,722	$ 314,264	$ 2,364,584

October 31, 2016:

Category	Collateralized investment agreements, Money Market and Trust Accounts/CDs	U.S. Treasury Obligations	Government Agencies	Total Fair Value
	(in thousands)			
Invested revenues	$ 3,862	$ 293,554	$ 946	$ 298,362
Mortgage insurance reserves	—	1,703,011	238,064	1,941,075
Bondholder reserves	46,592	115,662	—	162,254
Total	$ 50,454	$ 2,112,227	$ 239,010	$ 2,401,691

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, 2017 are as follows:

	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
			(in thousands)		
Collateralized investment Agreements	$ 46,591	$ —	$ 5,685	$	$ 40,906
Trust Accounts/CDs	4,006	4,006	—	—	—
Municipal Bonds	929	—	—	—	929
U.S. Treasury Bills	375,223	375,223	—	—	—
U.S. Treasury Notes	1,624,499	476,423	901,281	246,795	—
U.S. Government Agencies	313,336	—	—	290,419	22,917
Total	$ 2,364,584	$ 855,652	$ 906,966	$ 537,214	$ 64,752

Interest Rate Risk

The Agency's exposure to fair value losses arising from rising interest rates is limited by the short term duration of 36% and 30% of the Agency's investments for fiscal years ended 2017 and 2016, 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 million and trustees at $250 million 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 – Fair Value Measurment

The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the evaluation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency had the following recurring fair value measurements as of October 31, 2017 and October 31, 2016.

Investment and Derivative Instruments Measured at Fair Value	October 31, 2017 Amount	Level	October 31, 2016 Amount	Level
	(in thousands)		(in thousands)	
Investments (debt securities):				
U.S. Treasury Notes	$ 1,624,498	2	$ 1,672,618	2
U.S. Treasury Bills	375,223	2	439,609	2
Government Agencies	313,335	2	238,064	2
Municipal Bonds	929	2	946	2
Total	$ 2,313,985		$ 2,351,237	
Interest rate swaps	$ (16,057)	2	$ (27,088)	2

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

5. Mortgage and Student Loans Receivables

The principal balances of mortgage and student loans receivables for the years ended October 31, 2017 and October 31, 2016 were as follows:

October 31, 2017:

	Balance at October 31, 2016	Scheduled Principal Payments	Prepayments, Transfers and Other Credits	Purchase of New Loans	Balance at October 31, 2017
			(in thousands)		
Homeowner Mortgage Revenue	$ 1,965,990	$ (78,317)	$ (133,551)	$ 263,928	$ 2,018,050
Mortgage Revenue	734,374	(23,065)	(48,007)	105,166	768,468
Homeownership Program	2,026	(167)	(255)	598	2,202
Student Loan	7,621	—	(1,705)	—	5,916
Total Mortgage and Student Receivable	$ 2,710,011	$ (101,549)	$ (183,518)	$ 369,692	$ 2,794,636

October 31, 2016:

	Balance at October 31, 2015	Scheduled Principal Payments	Prepayments, Transfers and Other Credits	Purchase of New Loans	Balance at October 31, 2016
			(in thousands)		
Homeowner Mortgage Revenue	$ 1,913,864	$ (76,083)	$ (137,978)	$ 266,187	$ 1,965,990
Mortgage Revenue	718,628	(22,647)	(63,309)	101,702	734,374
Homeownership Program	2,206	(177)	(3)	—	2,026
Student Loan	9,386	—	(1,765)	—	$ 7,621
Total Mortgage and Student Receivable	$ 2,644,084	$ (98,907)	$ (203,055)	$ 367,889	$ 2,710,011

5. Mortgage and Student Loans Receivables (continued)

Mortgage loans outstanding were as follows at October 31, 2017 and October 31, 2016:

October 31, 2017:	Number of Mortgage Loans	Outstanding Principal Balance
		(in thousands)
Homeowner Mortgage Revenue:		
Uninsured	7,152	$ 679,433
Private mortgage insurance (at time of purchase)	14,576	1,323,967
Deferred Participation	—	14,650
	21,728	2,018,050
Mortgage Revenue:		
Uninsured	2,296	306,179
F.H.A. (insured)	1	1
Private mortgage insurance (at time of purchase)	3,632	476,938
Participation	—	(14,650)
	5,929	768,468
Homeownership Program:		
Uninsured	4	746
Private mortgage insurance (at time of purchase)	39	1,456
	43	2,202
Total	27,700	$ 2,788,720

October 31, 2016:	Number of Mortgage Loans	Outstanding Principal Balance
		(in thousands)
Homeowner Mortgage Revenue:		
Uninsured	7,292	$ 657,149
Private mortgage insurance (at time of purchase)	15,081	1,298,638
Deferred Participation	—	10,203
	22,373	1,965,990
Mortgage Revenue:		
Uninsured	2,307	295,129
F.H.A. (insured)	3	11
Private mortgage insurance (at time of purchase)	3,644	449,437
Participation	—	(10,203)
	5,954	734,374
Homeownership Program:		
Uninsured	3	169
Private mortgage insurance (at time of purchase)	45	1,857
	48	2,026
Total	28,375	$ 2,702,390

5. Mortgage and Student Loans Receivables (continued)

The principal balances of mortgage loans receivables in arrears for the years ended October 31, 2017 and October 31, 2016 were as follows:

October 31, 2017:

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	164	$ 14,422	0.72%
90 plus	537	60,518	3.02%
	701	74,940	3.74%
Mortgage Revenue:			
60	36	4,389	0.56%
90 plus	140	17,441	2.23%
	176	21,830	2.79%
Homeownership Program:			
60	3	139	6.32%
90 plus	3	95	4.30%
	6	234	10.62%
Combined:			
60	203	18,950	0.68%
90 plus	680	78,054	2.80%
	883	$ 97,004	3.48%

October 31, 2016:

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	227	$ 17,903	0.92%
90 plus	683	76,450	3.91%
	910	94,353	4.83%
Mortgage Revenue:			
60	43	4,749	0.64%
90 plus	160	19,737	2.65%
	203	24,486	3.29%
Homeownership Program:			
90 plus	6	223	10.98%
	6	223	10.98%
Combined:			
60	270	22,652	0.84%
90 plus	849	96,410	3.57%
	1,119	$ 119,062	4.41%

6. Bonds Payable

Changes in bonds payable, net for the year ended October 31, 2017 and October 31, 2016 were as follows:

October 31, 2017:

	Bonds Outstanding at October 31, 2016	Matured/ Called/ Redeemed	Issued	Changes in Bond Premium and Discount (net)	Bonds Outstanding at October 31, 2017
			(in thousands)		
Homeowner Mortgage Revenue	$ 1,853,552	$ (231,355)	$ 233,690	$ 2,884	$ 1,858,771
Mortgage Revenue	660,960	(78,845)	102,445	1,772	686,332
NYHELPs (Student Loan program)	9,597	(2,357)	—	—	7,240
Total Bonds Outstanding	$ 2,524,109	$ (312,557)	$ 336,135	$ 4,656	$ 2,552,343

October 31, 2016:

	Bonds Outstanding at October 31, 2015	Matured/ Called/ Redeemed	Issued	Changes in Bond Premium and Discount (net)	Bonds Outstanding at October 31, 2016
			(in thousands)		
Homeowner Mortgage Revenue	$ 1,871,926	$ (302,925)	$ 278,590	$ 5,961	$ 1,853,552
Mortgage Revenue	728,562	(66,830)	—	(772)	660,960
NYHELPs (Student Loan program)	11,075	(1,478)	—	—	9,597
Total Bonds Outstanding	$ 2,611,563	$ (371,233)	$ 278,590	$ 5,189	$ 2,524,109

6. Bonds Payable (continued)

Homeowner Mortgage Revenue Bonds

Homeowner Mortgage Revenue Bonds have been issued between 1988 and 2017 in a total original amount of $11,102,848,000. At October 31, 2017, the interest rates for the fixed rate bonds outstanding ranged from 1% to 5% and the interest on the variable rate debt ranged from .93% to 1%.

The below table assumes the variable rate bonds at the October 31, 2017 rate for the calculation of future debt service costs.

The schedule of Total Annual Maturities as of October 31, 2017 was as follows:

Fiscal Year Ending Oct 31,	Interest Payable	Bonds Outstanding	Debt Service
		(in thousands)	
2018	$ 50,976	$ 80,355	$ 131,331
2019	49,153	85,595	134,748
2020	46,987	89,650	136,637
2021	44,547	93,625	138,172
2022	41,933	92,340	134,273
2023-2027	167,385	442,800	610,185
2028-2032	106,881	344,480	451,361
2033-2037	64,189	361,045	425,234
2038-2042	32,212	152,260	184,472
2043-2047	7,684	102,740	110,424
Total Debt Service Requirement	611,947	1,844,890	2,456,837
Unamortized bond premium	—	13,881	—
Total	$ 611,947	$ 1,858,771	$ 2,456,837

6. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds

At October 31, 2017, the interest rate for fixed rate Homeowner Mortgage Revenue Bonds outstanding ranged from 1% to 5%.

The schedule of Homeowner Mortgage Revenue Bonds outstanding by series as of October 31, 2017 was as follows:

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
	(in thousands)			
129	$ 34,000	$ 26,715	Reset Weekly	2035
132	34,000	26,745	Reset Daily	2037
135	34,000	20,620	Reset Daily	2037
139	34,000	31,950	Reset Daily	2037
142	34,000	31,135	Reset Daily	2037
144	30,000	27,965	Reset Daily	2037
147	50,000	41,185	Reset Weekly	2037
153	50,000	43,025	Reset Weekly	2047
159	60,000	60,000	Reset Weekly	2038
162	25,000	24,630	Reset Weekly	2039
163	66,825	29,300	2.55% - 4.0%	2026
165	50,000	625	4.75%	2042
166	107,585	71,745	3.146% - 3.999%	2021
167	10,695	6,445	3.1% - 4.1%	2022
168	50,065	45,860	2.10% - 5%	2040
169	43,060	3,420	1.8% - 2.6%	2021
170	19,940	17,265	2.4% - 3.9%	2027
171	12,000	12,000	3.40%	2022
172	150,000	139,690	1.97% - 4.203%	2027
175	82,660	69,510	2.414% - 4.116%	2028
176	66,835	66,745	1.45% - 3.75%	2042
177	33,200	5,460	2.5% - 3.05%	2027
178	79,370	12,855	3.5% - 4.2%	2043
180	33,405	23,785	2.6% - 4.1%	2023
182	25,385	3,555	4.40%	2034
183	96,480	73,450	1.75% - 4.45%	2029
184	18,960	9,925	1.59% - 2.685%	2020
185	12,000	6,245	3.95%	2029
186	80,190	63,845	1.70% - 4.30%	2029

6. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

Series		Originally Issued		Currently Outstanding	Range of Interest Rates	Last Remaining Maturity
		(in thousands)				
187	$	31,650	$	4,300	1.59%	2018
188		27,920		25,520	3.60% - 3.85%	2044
189		88,850		72,895	1.4% - 3.85%	2034
190		60,000		58,650	3.45% - 3.85%	2045
191		72,935		52,535	1.2% - 3.5%	2034
192		45,410		45,410	3.8% - 4.0%	2035
193		20,640		14,215	1.1% - 4.1%	2040
194		85,020		76,975	1.35% - 3.8%	2035
195		66,185		64,690	3.0% - 4.0%	2046
196		38,595		35,830	1% - 3.7%	2037
197		100,715		99,475	1.4% - 3.5%	2044
198		23,095		18,645	0.95% - 1.75%	2022
199		50,000		50,000	Reset Weekly	2037
200		64,025		61,455	3.5% - 3.9%	2045
201		18,945		17,880	1.15% - 3.85%	2031
202		29,345		29,345	Reset Daily	2034
203		102,190		102,190	2.0% - 3.5%	2047
204		19,185		19,185	1.1% - 2.4%	2025
Unamortized bond premium		—		13,881		
Total	$	2,368,360	$	1,858,771		

6. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

As of October 31, 2017, 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)		
2018	$ 161,365	$ 6,546	(1,923)	$ 4,623
2019	1,440	2,332	(682)	1,650
2020	1,520	2,280	(666)	1,614
2021	1,600	2,225	(651)	1,574
2022	1,450	2,172	(635)	1,537
2023-2027	6,665	9,964	(2,916)	7,048
2028-2032	29,200	7,274	(2,130)	5,144
2033-2037	24,760	1,773	(520)	1,253
Total	$ 228,000	$ 34,566	$ (10,123)	$ 24,443

The above amounts assume that current interest rates on October 31, 2017 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.

6. Bonds Payable (continued)

Mortgage Revenue Bonds

Mortgage Revenue Bonds have been issued between 1984 and 2016 in a total original amount of $4,515,094,000. At October 31, 2017, the interest rates for the fixed rate bonds outstanding ranged from .2% to 5.0%.

The Schedule of Total Annual Maturities at October 31, 2017 was as follows:

Fiscal Year Ending Oct 31,	Interest Payable	Bonds Outstanding	Debt Service
		(in thousands)	
2018	$ 23,397	$ 22,165	$ 45,562
2019	22,372	21,670	44,042
2020	22,257	22,280	44,537
2021	21,498	23,060	44,558
2022	20,590	18,515	39,105
2023-2027	95,871	77,960	173,831
2028-2032	78,116	137,080	215,196
2033-2037	51,698	162,625	214,323
2038-2042	21,998	162,310	184,308
2043-2047	2,859	33,860	36,719
Total Debt Service Requirement	360,656	681,525	1,042,181
Unamortized bond			
premium	—	5,144	—
discount	—	(337)	—
Total	$ 360,656	$ 686,332	$ 1,042,181

6. Bonds Payable (continued)

Outstanding Mortgage Revenue Bonds

At October 31, 2017, the interest rate for fixed rate Mortgage Revenue Bonds outstanding ranged from 1% to 5%.

The schedule of Mortgage Revenue Bonds outstanding by series as of October 31, 2017 as follows:

Series	Originally Issued	Currently Outstanding	Range of Interest Rates	Remaining Maturity
	(in thousands)			
38B	$ 30,000	$ 25,710	3.07%	2041
38C	66,000	49,070	3.01%	2041
38D	138,110	101,140	3.55%	2041
38E	35,000	25,610	3.55%	2035
39	57,385	20,065	3.25% - 5.0%	2028
41	14,820	10,315	2.45% - 4.0%	2028
42	5,180	400	2.50%	2018
44	38,555	16,290	3.40% - 4.0%	2021
45	44,000	21,875	2.9% - 5.0%	2029
46	97,855	23,110	3.15% - 5.0%	2029
48	110,905	101,215	2.625% - 3.75%	2041
49	54,755	53,945	2.45% - 4%	2043
50	33,165	5,455	2.35% - 3.15%	2027
51	75,180	74,835	2.25% - 4.0%	2045
52	40,220	36,900	1.30% - 3.50%	2030
53	20,135	14,170	1.5% - 3.069%	2023
54	80,070	79,920	2.45% - 4.0%	2047
55	22,375	21,500	1.0% - 2.80%	2024
Unamortized bond				
premium	—	5,144		
discount	—	(337)		
Total	$ 963,710	$ 686,332		

6. 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, 2017, the amount of $7,240 remained outstanding with the interest rates ranging from 4.125% to 5.25%.

The schedule of Total Annual Maturities as of October 31, 2017 was as follows:

Fiscal Year Ending Oct 31,	Interest Payable	Bonds Payable	Total Debt Sevice
		(in thousands)	
2018	$ 306	$ 1,640	$ 1,946
2019	239	1,295	1,534
2020	174	1,435	1,609
2021	110	1,210	1,320
2022	80	-	80
2023-2027	324	1,660	1,984
Total Debt Service Requirement	$ 1,233	$ 7,240	$ 8,473

7. Other Assets

At October 31, 2017 and October 31, 2016, other assets consisted primarily of Owned Real Estate and CRF for which the balances were as follows:

October 31, 2017:

Bondholder Funds	Number of Loans	Book Value	Appraised Value
		($ in thousands)	
Homeowner Mortgage Revenue	185	$ 12,507	$ 19,750
Mortgage Revenue	29	2,327	4,527
Prepaid Mortgage Insurance	—	483	—
Sub Total bondholder funds	214	$ 15,317	$ 24,277
Community Restoration Fund		7,542	
Total Other Assets		$ 22,859	

October 31, 2016:

Bondholder Funds	Number of Loans	Book Value	Appraised Value
		($ in thousands)	
Homeowner Mortgage Revenue	208	$ 13,829	$ 21,241
Mortgage Revenue	36	2,520	4,131
Homeownership	1	75	145
Prepaid Mortgage Insurance	—	296	—
Total Other Assets	245	$ 16,720	$ 25,517

8. Allowance for Anticipated Claims

The Mortgage Insurance Fund claim activity for the fiscal years ended October 31, 2017 and October 31, 2016 was as follows:

October 31, 2017:

	Project Insurance	Pool Insurance	Primary Insurance	Total Insurance
	(in thousands)			
Allowance, beginning of year	$ 17,164	$ —	$ —	$ 17,164
Current year provision for estimated claims	2,190	10,816	81	13,087
Current year adjustment to claims status	(5,236)			(5,236)
Claims paid and recoveries, net	3,046	(10,816)	(81)	(7,851)
Allowance, end of year	$ 17,164	$ -	$ -	$ 17,164

October 31, 2016:

	Project Insurance	Pool Insurance	Primary Insurance	Total Insurance
	(in thousands)			
Allowance, beginning of year	$ 16,756	$ —	$ —	$ 16,756
Current year provision for estimated claims	745	8,794	832	10,371
Current year adjustment to claims status	(5,709)			(5,709)
Claims paid and recoveries, net	5,372	(8,794)	(832)	(4,254)
Allowance, end of year	$ 17,164	$ —	$ —	$ 17,164

9. Synthetic Fixed Rate Swaps

As of October 31, 2017, the Agency has entered into six negotiated swaps as part of its risk management program, serving to increase financial flexibility and reduce interest costs. These swaps were entered into with five financial institutions (the "Counterparties") for a current total notional principal of $228,000,000. 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, 2017 are within level 2 category of the fair value hierarchy. The changes in fair value of such derivative instruments from the year then ended as reported in the 2017 financial statements are as follows:

	Changes in fair value		Fair value at October 31, 2017		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedge	Deferred outflow	$11,030,817	Debt	($16,057,236)	$228,000,000

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, 2017, 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 (Note 1)	**Notional Amount (000s)**	**Effective Date**	**Maturity Date**	**Fixed rate paid**	**Fair Value**	**Counterparty**
HMB Series 129/147/162/199*	$34,000	11/17/05	10/01/35	3.5870%	($6,052,057)	Wells Fargo Bank NA
HMB Series 199/162/147/202*	$34,000	03/09/06	04/01/37	3.4783%	($7,259,969)	JPMorgan Chase Bank NA
HMB Series 199*	$40,000	12/14/07	04/01/18	3.1970%	($410,951)	Goldman Sachs Bank USA
HMB Series 153**	$30,000	03/27/08	04/01/18	2.9900%	($277,420)	Merrill Lynch Der. Products AG
HMB Series 147/153/162*	$30,000	08/14/08	10/01/18	3.1760%	($583,090)	Royal Bank of Canada
HMB Series 159**	$60,000	10/30/08	10/01/18	3.5400%	($1,473,749)	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.

9. Synthetic Fixed Rate Swaps (Continued)

COUNTERPARTY RATINGS

Counterparty Name	Moody's/S&P/Fitch
Goldman Sachs Bank USA	A1/A+/A+
JPMorgan Chase Bank N.A.	Aa3/A+/AA-
Merrill Lynch Derivative Products AG	Aa3/AA/NR
Royal Bank of Canada	A1/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, 2017, the weighted-average interest rate on the Agency's hedged variable-rate debt is 0.959%, while the applicable 63% of one month LIBOR plus 0.25% and SIFMA were 1.03% and 0.92%, respectively.

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

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

9. Synthetic Fixed Rate Swaps (Continued)

Contingencies

Four 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 four 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, 2017, the Agency would be required to post $7,670,920 in collateral to these counterparties ($12,130,223 at October 31, 2016).

Two of the four 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, 2017, 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, 2017, the Agency would have been required to post $1,052,057 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, 2017, the Agency would have been required to post $6,108,896 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, 2017, the Agency would have been required to post $8,108,896 in collateral to these counterparties.

10. 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, 2015 and was used as the basis for the determination of costs for the year ended October 31, 2017 and 2016 The total number of retirees and surviving spouses receiving OPEB from the Agency as of November 1, 2015 was 55.

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 $51.9 million and $49.1 million as of October 31, 2017 and 2016, 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, 2017 and 2016, the Agency paid $650 thousand and $644 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 a participating employer in NYSHIP, the Agency does not issue a separate stand-alone financial report regarding postemployment retirement benefits.

10. 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, 2017 and 2016:

	2017	2016
	(in thousands)	
Annual required contribution (ARC)	$ 7,698	$ 7,261
Interest on net OPEB obligation	1,474	1,397
Adjustment to ARC	(5,761)	(5,462)
Annual OPEB cost	3,411	3,197
Payments made	(650)	(644)
Increase in net OPEB obligation	2,761	2,553
Net OPEB obligation—beginning of year	49,145	46,592
Net OPEB obligation—end of year	$ 51,906	$ 49,145

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, 2017, October 31, 2016 and October 31, 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	($ in thousands)		
10/31/2017	$3,411	19.1%	$51,906
10/31/2016	$3,197	20.1%	$49,145
10/31/2015	$4,477	12.9%	$46,591

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, 2015 OPEB actuarial valuations were based on the projected unit credit method (as its actuarial cost method), a 3.00% per annum discount rate and that retiree contributions are assumed to increase at the same rates as incurred claims.

10. Other Postemployment Benefits (continued)

These premiums are further adjusted to reflect the difference in healthcare costs by age in developing plan liabilities.

Initial monthly premium rates are shown in the following table:

Monthly Rate Effective as of October 31, 2016	
Eligible-Medicare	Basic
Single	$680.91
Family	$1,682.33

2016 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 which incorporate potential excise taxes due to the Affordable Care Act:

HCCTR Assumptions

Year Ending	Rate	Year Ending	Rate
2016	6.2%	2030	5.2%
2017	6.1%	2035	6.0%
2018	5.9%	2040	5.8%
2019	5.6%	2050	5.2%
2020	5.4%	2060	5.0%
2025	5.0%	2080	4.1%

Mortality rates listed below are those recommended by the actuary:

Age	Male	Female
60	0.643%	0.575%
65	1.086%	0.961%
70	1.770%	1.553%
75	3.062%	2.492%
80	5.536%	4.129%
85	9.968%	7.076%

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.

11. Commitments and Contingencies

Office Leases

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

The Agency and the New York State Housing Finance Agency ("HFA") entered into an operating lease for office space which commenced in fiscal year 1994 for a term of fifteen years. The lease was renewed on January 1, 2009 for a term of ten years expiring January 31, 2019.

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, 2017 and 2016 were approximately $2.9 million and $2.8 million, respectively. As of October 31, 2017, 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:	
2018	$ 2,366
2019 (Three months)	591
Total minimum lease commitments required	$ 2,957

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.

12. Transfers to New York State and its Agencies

The New York State Executive Budget required the Agency to make certain transfers of money from the MIF's Project Pool Insurance Account totaling $100 million ($100 million for fiscal 2016). 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.

13. 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, 2017 and 2016, the Mortgage Insurance Fund’s net position represents the reserve for policies in force of $3.66 billion and $3.44 billion, respectively. Included within policies in force are single family mortgage primary and pool policies (total aggregate loss limit) totaling $515 million and $519 million in 2017 and 2016, respectively. Commitments outstanding as of fiscal years ended 2017 and 2016 were $1.47 billion and $1.39 billion, respectively. The Agency provided $13.1 million and $10.4 million during fiscal 2017 and 2016 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 2017 and $3.6 million during fiscal 2016 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 has determined the excess tax collections received during fiscal 2017 to have been $28.4 million. The excess amount collected during fiscal 2016 was $32.9 million. The Agency was instructed to transfer to the State, Municipalities and Agencies from the project insurance account $100 million for both fiscal years 2017 and 2016.

14. 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 (the "System"). 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.

Employee Contributions

Pension legislation enacted in 1973, 1976, 1983, 2009 and 2012 established distinct classes of membership. For convenience, the system uses a tier concept, ranging from Tier 1 to 6, to distinguish these groups. Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Employee contributions for employees of the Agency and AHC for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year 2017	$231,563
Year 2016	$153,327
Year 2015	$147,895

14. New York State and Local Employees' Retirement System Pension Plans (Continued)

- 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

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, 2017 and 2016, the Agency reported a liability of $2,833,944 and $5,015,045 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of October 31, 2017 and 2016 respectively 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 March 31, 2017 and 2016, the Agency's proportion was 0.0301605% and 0.0312458% respectively.

For the years ended October 31, 2017 and 2016, the Agency recognized pension expense of $1,756,887 and $1,908,470 respectively. At October 31, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$71,016	$430,350
Changes of Assumptions	968,179	—
Net difference between projected and actual earnings on pension plan investments	566,054	—
Changes in proportion and differences between Agency contributions and proportionate share of contributions	419,718	35,337
Total	$2,024,967	$465,687

14. 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. 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:	
2018	$669,947
2019	$669,947
2020	$582,752
2021	($363,366)

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuations for NYSLRS used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation rate	2.5%
Salary scale	3.8% in ERS, 4.5% in PFRS, indexed by service
Investment rate of return, including inflation	7.0% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 – March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

14. 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, 2017 and 2016 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36%	4.55%
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies*	2	4.00
Opportunistic Portfolio	3	5.89
Real Asset	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	100%	

The real rate of return is net of the long-term inflation assumption of 2.50%

* Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

Discount Rate

The discount rate used to calculate the total pension liability as of March 31, 2017 and 2016 was 7.0%. 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.

14. New York State and Local Employees' Retirement System Pension Plans (Continued)

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

The following presents the collective net pension liability of participating employers calculated using a discount rate assumption of 7.0%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate (in thousands):

	1% Decrease	Current Assumption	1% Increase
		(in thousands)	
October 31, 2017	**6.0%**	**7.0%**	**8.0%**
EPS pension liability	$9,051	$2,834	($2,423)
October 31, 2016	**6.0%**	**7.0%**	**8.0%**
EPS pension liability	$11,309	$5,015	($303)

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 $550 thousand and $438 thousand during fiscal 2017 and fiscal 2016, respectively.

14. New York State and Local Employees' Retirement System Pension Plans (Continued)

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, 2017, 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 31,2017

(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, 2015	—	$	42,918	$	42,918	—	$	9,614	446%
November 1, 2013	—	$	45,619	$	45,619	—	$	7,418	615%
November 1, 2011	—	$	42,682	$	42,682	—	$	7,382	578%

State of New York Mortgage Agency

(a component unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE NYSLRS PENSION PLAN
LAST 10 FISCAL YEARS

October 31,	2017	2016	2015	2014	2013
			($ in thousands)		
Contractually required contribution	$ 1,321	$ 1,656	$ 1,500	$ 1,300	$ 1,300
Contributions in relation to the contractually required contribution	1,321	1,656	1,500	1,300	1,300
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 9,104	$ 9,614	$ 9,000	$ 8,300	$ 7,400
Contributions as a percentage of covered payroll	15%	17%	17%	16%	18%

October 31,	2012	2011	2010	2009	2008
			($ in thousands)		
Contractually required contribution	$ 1,600	$ 992	$ 610	$ 678	$ 615
Contributions in relation to the contractually required contribution	1,600	992	610	678	615
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 7,400	$ 7.9	$ 8.6	$ 8.4	$ 8.5
Contributions as a percentage of covered payroll	22%	13%	7%	8%	7%

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 31,2017

	2017	2016	2015
The Agency's portion of the net pension liability	0.0301605%	0.0312458%	0.0270301%
The Agency's proportionate share of the net pension liability	$ 2,833,944	$ 5,015,000	$ 928,000
The Agency's covered payroll	$ 9,104,000	$ 9,614,000	$ 9,030,000
The Agency's proportionate Share of the net pension liability as a percentage of its covered payroll	31.1%	52.2%	10.3%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Supplementary Section

State of New York Mortgage Agency
(A Component Unit of the State of New York)
Schedules of Net Position
October 31, 2017
with comparative totals for 2016

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
		(in thousands)	
Assets			
Current assets:			
Cash-demand deposits restricted	$ —	$ 5,751	$ 585
Cash-demand deposits unrestricted	2,660	—	—
Cash-custodian deposits	—	2,631	740
Investments unrestricted	24,862	—	—
Investments restricted	—	173,698	91,920
Total cash and investments	27,522	182,080	93,245
Mortgage loans receivable	—	100,185	64,704
Accrued interest receivable:			
Mortgage and student loans	—	5,946	2,118
Investments	20	1,184	226
Other assets	—	12,832	2,483
Total current assets	**27,542**	**302,227**	**162,776**
Non-current assets:			
Investments restricted	—	94,976	13,951
Mortgage loans receivable	—	1,917,865	703,764
Student loans receivable	—	—	—
Capital assets- internal use software	1,170	—	—
Total non-current assets	**1,170**	**2,012,841**	**717,715**
Total assets	**28,712**	**2,315,068**	**880,491**
Deferred outflows of resources			
Accumulated decrease in fair value of hedging derivatives	—	**2,990**	—
Deferred loss on refunding	—	4,982	—
Deferred outflows related to pension	2,025	—	—
Total deferred outflows of resources	**2,025**	**7,972**	**—**
Liabilities			
Current liabilities:			
Bonds payable, net	—	123,940	22,165
Interest payable	—	4,291	1,961
Allowance for anticipated claims	—	—	—
Unearned income, accounts payable and other	3,961	7,650	22
Amounts due to New York State and its Agencies	—	—	—
Interfund payables	(4,041)	569	120
Total current liabilities	**(80)**	**136,450**	**24,268**
Non-current Liabilities:			
Bonds payable, net	—	1,734,831	664,167
Derivative instruments - interest rate swaps	—	16,057	—
Other postemployment benefits payable	51,906	—	—
Net pension liability	2,834	—	—
Total non-current liabilities	**54,740**	**1,750,888**	**664,167**
Total liabilities	**54,660**	**1,887,338**	**688,435**
Deferred inflows of resources			
Deferred inflows relating to pensions	466	—	—
Total deferred inflows of resources	**466**	**—**	**—**
Net position			
Restricted for bond obligations	—	435,702	192,056
Restricted for insurance requirements	—	—	—
Unrestricted (deficit)	(24,389)	—	—
Total net position	**$ (24,389)**	**$ 435,702**	**$ 192,056**

Homeownership Program	Single Family Programs Total	Community Restoration Fund	Student Loan Program	Mortgage Insurance Fund	Total All Funds October 31, 2017	Total All Funds October 31, 2016
			(in thousands)			
$ —	$ 6,336	$ 13	2,864	$ 723	$ **9,936**	$ **8,399**
—	2,660	—	—	—	**2,660**	**1,940**
—	3,371	—	—	—	**3,371**	**3,534**
—	24,862	—	—	—	**24,862**	**36,095**
—	265,618	3,582	14,882	543,954	**828,036**	**748,292**
—	302,847	3,595	17,746	544,677	**868,865**	**798,260**
178	165,067	—	—	—	**165,067**	**166,321**
11	8,075	—	149	—	**8,224**	**8,504**
—	1,430	6	56	10,032	**11,524**	**11,302**
2	15,317	7,542	—	—	**22,859**	**16,720**
191	**492,736**	**11,143**	**17,951**	**554,709**	**1,076,539**	**1,001,107**
—	108,927	—	—	1,402,759	**1,511,686**	**1,617,304**
2,024	2,623,653	—	—	—	**2,623,653**	**2,536,069**
—	—	—	5,916	—	**5,916**	**7,621**
—	1,170	—	—	—	**1,170**	**1,012**
2,024	**2,733,750**	**-**	**5,916**	**1,402,759**	**4,142,425**	**4,162,006**
2,215	**3,226,486**	**11,143**	**23,867**	**1,957,468**	**5,218,964**	**5,163,113**
—	2,990	—	—	—	**2,990**	**14,021**
—	4,982	—	—	—	**4,982**	**5,258**
—	2,025	—	—	—	**2,025**	**4,771**
—	**9,997**		**—**	**—**	**9,997**	**24,050**
—	146,105	—	1,640	—	**147,745**	**105,080**
—	6,252	—	170	—	**6,422**	**6,942**
—	—	—	—	17,164	**17,164**	**17,164**
1	11,634	—	25	41,973	**53,632**	**63,768**
—	—	—	—	100,000	**100,000**	**100,000**
—	(3,352)	35	13	3,304	**—**	**—**
1	**160,639**	**35**	**1,848**	**162,441**	**324,963**	**292,954**
—	2,398,998	—	5,600	—	**2,404,598**	**2,419,029**
—	16,057	—	—	—	**16,057**	**27,088**
—	51,906	—	—	—	**51,906**	**49,145**
—	2,834	—	—	—	**2,834**	**5,015**
—	**2,469,795**	**—**	**5,600**	**—**	**2,475,395**	**2,500,277**
1	**2,630,434**	**35**	**7,448**	**162,441**	**2,800,358**	**2,793,231**
—	466	—	—	—	**466**	595
—	**466**	**—**	**—**	**—**	**466**	**595**
2,214	629,972	**11,108**	16,419	—	**657,499**	**630,765**
—	—	—	—	1,795,027	**1,795,027**	**1,785,332**
—	(24,389)	—	—	—	**(24,389)**	**(22,760)**
$ 2,214	**$ 605,583**	**$ 11,108**	**16,419**	**$ 1,795,027**	**$ 2,428,137**	**$ 2,393,337**

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, 2017 with comparative totals for 2016

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
		(in thousands)	
Operating revenues			
Interest earned on loans	$ —	$ 97,208	$ 33,665
Recoveries	—	—	—
Investment Income	161	6,151	1,504
Net change in fair market value of investments	(5)	(2,660)	(602)
Commitment fees, insurance premiums and application fees earned	—	—	—
Other income	574	1,288	—
Total operating revenues	**730**	**101,987**	**34,567**
Operating expenses			
Interest and amortization of discount on debt	—	56,951	22,557
Bond issuance costs	—	1,931	883
Postemployment retirement benefits expense	2,761	—	—
General expenses	14,286	3,804	343
Overhead assessment by State of New York	3,417	—	—
Pool insurance	—	388	29
Provision for estimated claims	—	—	—
Expenditures related to federal grants	602	—	—
Other	792	11,184	4,379
Total operating expenses	**21,858**	**74,258**	**28,191**
Operating (loss) income	**(21,128)**	**27,729**	**6,376**
Non-operating revenues (expenses)			
Mortgage insurance reserves retained	—	—	—
Federal grants	602	—	—
Transfers to/from New York State and its Agencies (net)	—	—	—
Interfund transfers	18,897	(16,000)	(2,800)
Total non-operating revenues (expenses)	**19,499**	**(16,000)**	**(2,800)**
(Decrease) Increase in net position	**(1,629)**	**11,729**	**3,576**
Net positon, beginning of fiscal year (as previously stated)	**(22,760)**	**423,973**	**188,480**
Total net position, end of fiscal year	**$ (24,389)**	**$ 435,702**	**$ 192,056**

Homeownership Program	Single Family Programs Total	Community Restoration Fund	Student Loan Program	Mortgage Insurance Fund	Total All Funds Fiscal year ended October 31, 2017	2016
			(in thousands)			
$ 191	$ 131,064	$ —	568	$ —	$ **131,632**	$ **130,697**
—	—	—	—	5,236	**5,236**	**5,709**
—	7,816	44	149	29,498	**37,507**	**32,896**
—	(3,267)	(1)	(4)	(33,696)	**(36,968)**	**10,407**
—	—	—	—	16,545	**16,545**	**15,521**
—	1,862	—	13	281	**2,156**	**1,509**
191	**137,475**	**43**	**726**	**17,864**	**156,108**	**196,739**
—	79,508	—	351	—	**79,859**	**82,170**
—	2,814	—	—	—	**2,814**	**2,250**
—	2,761	—	—	—	**2,761**	**2,553**
—	18,433	35	105	3,837	**22,410**	**22,060**
—	3,417	—	—	1,139	**4,556**	**4,556**
3	420	—	—	127	**547**	**530**
—	—	—	—	13,087	**13,087**	**10,371**
—	602	—	—	—	**602**	**763**
(9)	16,346	—	49	—	**16,395**	**14,554**
(6)	**124,301**	**35**	**505**	**18,190**	**143,031**	**139,807**
197	**13,174**	**8**	**221**	**(326)**	**13,077**	**56,932**
—	—	—	—	111,419	**111,419**	**117,076**
—	602	—	—	—	**602**	**763**
—	—	11,100	—	(101,398)	**(90,298)**	**(110,865)**
(97)	—	—	—	—	**—**	**—**
(97)	**602**	**11,100**	—	**10,021**	**21,723**	**6,974**
100	**13,776**	**11,108**	**221**	**9,695**	**34,800**	**63,906**
2,114	**591,807**	—	**16,198**	**1,785,332**	**2,393,337**	**2,329,431**
$ **2,214**	$ **605,583**	$ **11,108**	**16,419**	$ **1,795,027**	$ **2,428,137**	$ **2,393,337**

State of New York Mortgage Agency
(A Component Unit of the State of New York)
Schedules of Cash Flows
Fiscal Year Ended October 31, 2017 with comparative totals for 2016

	General Operating Fund	Homeowner Mortgage Revenue	Mortgage Revenue
		(in thousands)	
Cash flows from operating activities			
Interest received on loans	$ —	$ 97,225	$ 33,693
Principal payment on loans	—	211,993	70,965
Purchase of mortgage loans	—	(263,928)	(105,166)
Commitment fees, insurance premium and application fees earned	—	—	—
Operating expenses	(27,980)	—	—
Expenditures related to federal grants	(602)	—	—
Transfers	18,897	(16,000)	(2,800)
Other	(1,571)	(10,664)	(3,999)
Net cash provided by (used in) operating activities	**(11,256)**	**18,626**	**(7,307)**
Cash flows from non-capital financing activities			
Interest paid on bonds	—	(57,216)	(22,433)
Mortgage recording surtax receipts	—	—	—
Payments to New York State and its Agencies	—	—	—
CRF funds received	—	—	—
Federal grants	602	—	—
Bond proceeds	—	233,690	102,445
Retirement and redemption of bonds	—	(228,459)	(77,073)
Net cash provided by (used in) non-capital financing activities	**602**	**(51,985)**	**2,939**
Cash flows from investing activities			
Purchase of internal software	(152)	—	—
Earnings on investments	142	6,437	1,896
Proceeds from the sale or maturities of investments	88,123	2,287,059	557,351
Purchase of investments	(76,739)	(2,256,108)	(554,791)
Net cash (used in) provided by investing activities	**11,374**	**37,388**	**4,456**
Net (decrease) increase in cash	720	4,029	88
Cash, beginning of fiscal year	**1,940**	**4,353**	**1,237**
Cash, end of fiscal year	**$ 2,660**	**$ 8,382**	**$ 1,325**
Reconciliation of operating revenues (expenses) to net cash (used in) provided by operating activities:			
Net operating revenues (expenses)	$ (21,128)	$ 27,729	$ 6,376
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
CRF funds received	—	—	—
Investment income	(161)	(6,151)	(1,504)
Interest payments and amortization	—	56,951	22,557
Net change in fair market value	5	2,660	602
Other	436	(8)	(57)
Transfers	18,897	(16,000)	(2,800)
Changes in assets and liabilities			
Mortgage loans and other loans, net	—	(52,059)	(34,094)
Interest, fees and other receivables	—	1,341	127
Student loans	—	—	—
Allowance for anticipated claims	—	—	—
Interfund payables	(992)	(1,096)	1,174
Unearned income, accounts payable and other	(8,893)	5,259	312
Postemployment retirement benefits payable	(2,181)	—	—
Net pension liability	2,761	—	—
Net cash provided by (used in) operating activities	**$ (11,256)**	**$ 18,626**	**$ (7,307)**
Non-cash investing activities			
Net increase (decrease) in fair value of investments	$ (5)	$ (2,660)	$ (602)

Homeownership Program	Single Family Programs Total	Community Restoration Fund	Student Loan Program	Mortgage Insurance Fund	Total All Funds Fiscal year ended October 31, 2017	2016
			(in thousands)			
$ 193	$ 131,111	$ —	704	$ —	$ **131,815**	$ **130,558**
422	283,380	—	1,705	—	**285,085**	**302,024**
(598)	(369,692)	—	—	—	**(369,692)**	**(367,889)**
—	—	—	—	22,121	**22,121**	**23,618**
—	(27,980)	(36)	(104)	—	**(28,120)**	**(27,145)**
—	(602)	—	—	—	**(602)**	**(763)**
(97)	—	11,100	—	—	**11,100**	**365**
80	(16,154)	(7,508)	(42)	(17,893)	**(41,597)**	**(23,173)**
-	**63**	**3,556**	**2,263**	**4,228**	**10,110**	**37,595**
—	(79,649)	—	(407)	—	**(80,056)**	**(79,293)**
—	—	—	—	160,510	**160,510**	**180,831**
—	—	—	—	(154,743)	**(154,743)**	**(115,854)**
—	—	—	—	—	**—**	**10,100**
—	602	—	—	—	**602**	**763**
—	336,135	—	—	—	**336,135**	**278,590**
—	(305,532)	—	(2,357)	—	**(307,889)**	**(371,233)**
—	**(48,444)**	**—**	**(2,764)**	**5,767**	**(45,441)**	**(96,096)**
—	(152)	—	—	—	**(152)**	**(119)**
—	8,475	39	106	36,656	**45,276**	**41,449**
—	2,932,533	57,666	33,881	957,860	**3,981,940**	**3,217,456**
—	(2,887,638)	(61,248)	(35,919)	(1,004,834)	**(3,989,639)**	**(3,201,173)**
—	**53,218**	**(3,543)**	**(1,932)**	**(10,318)**	**37,425**	**57,613**
—	4,837	13	(2,433)	(323)	**2,094**	**(888)**
—	**7,530**	**—**	**5,297**	**1,046**	**13,873**	**14,761**
$ —	**$ 12,367**	**$ 13**	**2,864**	**$ 723**	**$ 15,967**	**$ 13,873**
$ 197	$ 13,174	$ 8	221	$ (326)	$ **13,077**	$ **56,932**
—	—	—	—	—	**—**	**(10,100)**
—	(7,816)	(45)	(150)	(29,475)	**(37,486)**	**(32,901)**
—	79,508	—	351	—	**79,859**	**82,170**
—	3,267	1	4	33,697	**36,969**	**(10,407)**
—	371	—	—	4,141	**4,512**	**4,134**
(97)	—	11,100	—	—	**11,100**	**365**
(176)	(86,329)	—	—	—	**(86,329)**	**(67,693)**
77	1,545	(7,543)	137	—	**(5,861)**	**(3,520)**
—	—	—	1,705	—	**1,705**	**1,765**
—	—	—	—		**—**	**408**
—	(914)	35	(4)	883	**—**	**—**
(1)	(3,323)	—	(1)	(4,692)	**(8,016)**	**9,801**
—	(2,181)	—	—	—	**(2,181)**	**2,554**
—	2,761	—	—	—	**2,761**	**4,087**
$ —	$ **63**	$ **3,556**	**2,263**	$ **4,228**	$ **10,110**	$ **37,595**
$ —	$ (3,267)	$ (1)	(4)	$ (33,697)	$ **(36,969)**	$ **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, 2017, 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 25, 2018.

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 25, 2018

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