

SCHEDULE OF INVESTMENTS

State of New York Mortgage Agency
(A Component Unit of the State of New York)
October 31, 2020 and 2019
With Reports of Independent Auditors

Ernst & Young LLP



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

Schedule of Investments

October 31, 2020 and 2019

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Report of Independent Auditors

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

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the State of New York Mortgage Agency (the Agency), a component unit of the State of New York, as of October 31, 2020 and 2019, and the related notes.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Schedule of Investments 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 the Schedule of Investments that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Investments 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 Schedule of Investments is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Investments. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Investments, 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 Schedule of Investments 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 Schedule of Investments.

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 Schedule of Investments referred to above presents fairly, in all material respects, the combined investments of the Agency at October 31, 2020 and 2019, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of October 31, 2020 and 2019

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, the financial statements of the Agency as of and for the years ended October 31, 2020 and 2019, and our report thereon dated March 12, 2021, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021, 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 with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance with respect to the Schedule of Investments.

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March 12, 2021



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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 the Schedule of Investments Performed in Accordance With *Government Auditing Standards*

The 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 Schedule of Investments of the State of New York Mortgage Agency (the Agency), a component unit of the State of New York, as of October 31, 2020, and the related notes to the Schedule of Investments, and have issued our report thereon dated March 12, 2021.

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.

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 results of that testing, and not to provide an opinion on the effectiveness of 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

March 12, 2021

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

Schedule of Investments
(In Thousands of Dollars)

	October 31	
	2020	2019
Restricted	\$ 3,161,562	\$ 2,859,597
Unrestricted	18,408	21,118
Total investments	<u>\$ 3,179,970</u>	<u>\$ 2,880,715</u>

The accompanying notes are an integral part of this schedule.

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

Notes to Schedule of Investments

October 31, 2020

1. Background and Organization

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. Moneys 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 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.

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

Notes to Schedule of Investments (continued)

2. Summary of Significant Accounting Policies

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.

3. Investments

The Agency's investments at October 31, 2020, excluding accrued interest, consisted of the following:

Category	October 31, 2020				Total Fair Value
	Collateralized investment agreements, Money Market Trust Accounts/CDs	U.S. Treasury Obligations	Government Agencies	Total	
	<i>(In Thousands)</i>				
Invested revenues	\$ 3,209	\$ 543,055	\$ 1,173	\$ 547,437	
Mortgage insurance reserves	-	1,632,303	850,212	2,482,515	
Mortgage acquisition and other bond proceeds	-	28,831	-	28,831	
Bondholder reserves	36,161	85,026	-	121,187	
Total	\$ 39,370	\$ 2,289,215	\$ 851,385	\$ 3,179,970	

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 its agents or by the trustee under the applicable bond resolution, in the Agency's name. The agents or their custodians take possession of the securities.

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

Notes to Schedule of Investments (continued)

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 be delivered to the Custodian and held for the benefit of the Agency.

Investment maturities in years at October 31, 2020, are as follows:

	October 31, 2020				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
	<i>(In Thousands)</i>				
Collateralized Investment					
Agreements	\$ 36,160	\$ —	\$ 2,115	\$ 7,181	\$ 26,864
U.S. Treasury Bills	1,171,860	16,088	1,155,772	—	—
Trust/CD's	3,209	3,209	—	—	—
U.S. Treasury Notes	1,008,410	322,158	643,477	771	42,004
U.S. Government Agencies	960,331	106,948	70,544	779,668	3,171
Total	<u>\$ 3,179,970</u>	<u>\$ 448,403</u>	<u>\$ 1,871,908</u>	<u>\$ 787,620</u>	<u>\$ 72,039</u>

State of New York Mortgage Agency
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Notes to Schedule of Investments (continued)

3. Investments (continued)

Interest Rate Risk

The Agency's exposure to fair value losses arising from rising interest rates is limited by the short-term duration of 9.6% and 37.5% of the Agency's investments for fiscal years ended 2020 and 2019, 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 Measurement

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. 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, 2020:

<u>Investment Measured at Fair Value</u>	<u>Amount</u>	<u>Level</u>
	<i>(In Thousands)</i>	
U.S. Treasury Notes	\$ 1,008,410	2
U.S. Treasury Bills	1,171,860	2
Government Agencies	960,331	2
Total	<u>\$ 3,140,601</u>	

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

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