

SCHEDULE OF INVESTMENTS

State of New York Mortgage Agency
(A Component Unit of the State of New York)
October 31, 2023
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, 2023

Contents

Report of Independent Auditors 1

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*.....4

Schedule of Investments.....6

Notes to Schedule of Investments.....7



Ernst & Young LLP
One Manhattan West
New York, NY 10001-8604

Tel: +1 212 773 3000
ey.com

Report of Independent Auditors

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

Report on the Audit of the Schedule

Opinion

We have audited the 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, 2023 and the related notes (the “Schedule”).

In our opinion, the accompanying Schedule presents fairly, in all material respects, the investments of the Agency at October 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

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

Auditor’s Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 Agency’s internal control. Accordingly, no such opinion is expressed.
- Evaluate 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Financial Statements as of October 31, 2023

We have audited, in accordance with GAAS and *Government Auditing Standards*, the financial statements of the Agency as of and for the year ended October 31, 2023, and our report thereon, dated January 31, 2024, expressed an unmodified opinion on those financial statements.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 31, 2024, 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. 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 of the Agency’s internal control over financial reporting or on compliance with respect to the Schedule. 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.

Ernst + Young LLP

January 31, 2024



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 Members 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“*Government Auditing Standards*”), 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, 2023, and the related notes to the Schedule of Investments (collectively referred to as the “Schedule”), and have issued our report thereon dated January 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered the Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control with respect to the Schedule. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control with respect to the Schedule.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’s Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, investment policies established by the Agency and the New York State Comptroller’s investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the Schedule. 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 with respect to the Schedule. 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 with respect to the Schedule. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

January 31, 2024

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

Schedule of Investments
(In Thousands of Dollars)

October 31, 2023

Restricted	\$ 3,172,138
Unrestricted	5,830
Total investments	<u>\$ 3,177,968</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, 2023

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 bonds issued by the Agency to fund the Student Loan Program were redeemed in full on March 26, 2021. 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 the Agency and to be managed by a newly-created subsidiary of the Agency called the SONYMA Community Restoration Fund. Moneys in this fund are not to be commingled with any other monies of the Agency.

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, 2023, excluding accrued interest, consisted of the following:

Category	Collateralized investment agreements, Money Market Trust Accounts/CDs	U.S. Treasury Obligations	Government Agencies	Total Fair Value
	<i>(In Thousands)</i>			
Invested revenues	\$ 2,947	\$ –	\$ 1,000	\$ 3,947
Mortgage insurance reserves	–	1,817,318	771,597	2,588,915
Mortgage acquisition and other bond proceeds	–	5,864	–	5,864
Bondholder reserves	34,043	545,199	–	579,242
Total	\$ 36,990	\$ 2,368,381	\$ 772,597	\$ 3,177,968

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.

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 delivered to the Custodian and held in the Agency's name.

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

Notes to Schedule of Investments (continued)

3. Investments (continued)

Investment maturities in years at October 31, 2023, are as follows:

	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
<i>(In Thousands)</i>					
Collateralized Investment					
Agreements	\$ 34,043	\$ —	\$ —	\$ 12,951	\$ 21,092
U.S. Treasury Bills	1,169,482	1,169,482	—	—	—
Trust Accounts/CD's	2,947	2,947	—	—	—
U.S. Treasury Notes	1,198,613	276,256	88,160	801,060	33,137
U.S. Government Agencies	772,883	28,813	622,220	120,565	1,285
Total	\$ 3,177,968	\$ 1,477,498	\$ 710,380	\$ 934,576	\$ 55,514

Interest Rate Risk

The Agency's exposure to fair value losses arising from rising interest rates is limited by the short-term duration of 46.4% of the Agency's investments for fiscal year ended 2023.

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.

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

Notes to Schedule of Investments (continued)

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, 2023:

Investments Measured at Fair Value	Amount	Level
	<i>(In Thousands)</i>	
U.S. Treasury Notes	\$ 1,198,613	2
U.S. Treasury Bills	1,169,482	2
Government Agencies	<u>772,883</u>	2
Total	<u>\$ 3,140,978</u>	

Collateralized investment agreements are reported at amortized cost, therefore, they are not included within investments in the fair value hierarchy table.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP.
All Rights Reserved.

ey.com