NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

TO: Members of the Audit Committee

FROM: Richard Froehlich

SUBJECT: Material for Audit Committee Meeting
September 26, 2018 at 2:30 p.m.

DATE: September 19, 2018

Attached please find the following materials for the Audit Committee meeting:

- Proposed Agenda
- Minutes of March 29, 2018 Meeting
- Ernst & Young's FY 2018 Audit Plan
- Third Quarter Financial Report
- Debt Report
- Investment Report
- Credit Risk Update
- Internal Audit Reports

110 William Street, New York, NY 10038 tel: 212.227.5500 fax: 212.227.6865

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

TO: Members of the Audit Committee

FROM: Richard Froehlich

SUBJECT: Agenda for Audit Committee Meeting

DATE: September 19, 2018

For the Audit Committee Meeting, which will take place on Wednesday, September 26th, at 2:30 p.m., I propose the following agenda:

1. Roll Call
2. Approval of Minutes of the Meeting held on March 29, 2018
3. Ernst & Young's 2018 Audit Plan
4. Third Quarter Financial Report (Unaudited)
5. Debt Report
6. Investment Report
7. Credit Risk Update
8. Internal Audit Reports
9. Other Business

MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE

March 29th, 2018

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held on Thursday March 29th, 2018 at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York.

The meeting was called to order at 10:30 am by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the January 26, 2018 meeting. The minutes were approved.

Mr. Gould turned to Mr. Richard Froehlich, Chief Operating Officer and General Counsel of the Corporation to provide an overview of the agenda. Mr. Froehlich noted that the Corporation's Purchase Review Guidelines was removed from the agenda and will be presented at the next Audit Committee meeting

Mr. Gould then turned to Ms. Mary John, Controller of the Corporation, to report on the Corporation's unaudited financial statements for the first quarter of fiscal year 2018. Ms. John noted that in the first three months of the fiscal year, HDC closed seven new bonded mortgages with loan commitments in excess of $309 million, and one debt obligation funded mortgage of $61.2 million. In addition, two Mitchell-Lama mortgages were restructured with a combination of new senior and subordinate mortgages of $29.1 million in total. The Corporation also committed $120.5 million of subsidy loans. As of the end of the first quarter, three new bond series were issued for a total of $384.4 million. Additionally, $9.9 million of proceeds were drawn on a previously issued series. Debt Obligation draws totaled $97.9 million including the first Targeted Affordable Housing ("TAH") program with Freddie Mac. HDC also closed two new certificates of participation agreements with the Federal Financing Bank ("FFB") on the restructured mortgages of Independence House and Carol Gardens developments for a total of $29.9 million. As of the end of the first quarter, HDC's assets were $16.95 billion, an increase of $550.8 million or 3.36% from FYE 2017. Total liabilities were $14.33 billion, an increase of $517.6 million or 3.75% from FYE 2017 from ongoing lending activities. HDC's Net Position at the end of the first quarter was $2.62 billion, an increase of $33.2 million or 1.28% from FYE 2017. Total Net Income of $33.2 million was due to normal operating activities.

Mr. Gould then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance to present HDC's Debt Report as of January 31, 2018. Ms. Duffy noted that the last debt report presented to the Audit Committee was as of December 31, 2017. During this time, the Corporation did not issue any new bonds. There were bond redemptions in one series of the Open Resolution bonds totaling $69.9 million. The Corporation's debt outstanding as of January 31, 2018 is approximately $10.9 billion. The Corporation's statutory debt capacity stands at $12.5 billion.

Mr. Gould then turned again to Ms. Duffy to provide the Corporation's Investment Report as of March 20, 2018. Funds under management totaled approximately $4.4 billion. Ms. Duffy noted that the report reflects routine investment activity.

Mr. Gould then recognized Ms. Mary Hom, Chief Credit Officer, for the counterparty credit risk exposure report. Ms. Hom reported that there were two rating agency actions of note – in February, S&P downgraded Wells Fargo Bank to A+ from AA- citing the Bank's continued risk management and control challenges; and earlier in the week, Moody's downgraded Rabobank to Aa3 from Aa2 due to profitability concerns and challenges of getting operating expenses down. Ms. Hom continued by noting that the Corporation's counterparty exposure remains pretty well-diversified with the largest exposure being with Fannie Mae, followed by Freddie Mac. Investments rated double-A or higher were 53% of total investments, versus 50% at the last report, and the weighted average maturity was 1.8 years, versus 1.7 years at the last report. Ms. Hom concluded her report by noting that exposure to liquidity providers was approximately $172 million.

Mr. Gould then turned the Committee's attention to Ms. Shirley Jarvis, Vice President of Internal Audit to request the Members approval of the 2017 Audit Committee Report. Per NYC Comptroller's "Directive 22", the Audit Committee is required to publish an annual report, describing the activities and decisions made by the Members during the prior calendar year. The report is a compilation of the minutes from the Audit Committee meetings that occurred during 2017. Ms. Jarvis further noted that upon the Members approval, a copy of the report will be submitted to the Secretary of the NYC Audit Committee. The Members approved the 2017 Audit Committee Report.

Mr. Gould then turned to Ms. Shirley Jarvis again, to provide the Internal Audit reports. Ms. Jarvis noted that since Internal Audit's last report to the Members the Audit staff had completed reviews of Real Estate Taxes and Database Administration and Security. Ms. Jarvis proceeded to summarize the results of each audit. Ms. Jarvis stated that for the Real Estate Taxes audit, the objectives were to: 1) Determine whether real estate taxes were paid for HDC serviced projects and; 2) Determine whether real estate tax payments processed through the Benedict mortgage system were accurately recorded in the General Ledger. The audit scope covered real estate taxes paid from June 1, 2016 to October1, 2017. There are no significant issues to report. Based on Internal Audit's review of the selected sample, the Audit Staff determined that real estate taxes due were paid for HDC serviced projects and the tax payments were accurately recorded in the General Ledger. Ms. Jarvis continued her report noting that for the Database Administration and Security Audit, the objectives were to 1) Determine whether the controls for database maintenance and security were adequate. Specifically: 1) To determine whether database activities were monitored and; 2) User access was appropriately restricted. Internal Audit noted no matters involving internal controls that were considered material weaknesses and except for recommendations regarding: Development of a detailed written policy and procedures specific to database administration and security; Monitoring successful and unsuccessful login attempts for Emphasys, Benedict and SymPro systems; and unsuccessful attempts to perform a function for which a user is not assigned; and to update the Disaster Recovery policy and procedures, the Audit Staff determined that access to the databases is appropriately restricted and monitored and access to the Oracle financials, Emphasys, Benedict and SymPro was limited to HDC employees and vendor IT support staff for

Emphasys and SymPro. Ms. Jarvis stated that details regarding the recommendations and managements' action plan to address them were fully described in the report. Mr. Kimball asked whether the Corporation had a remote location in case HDC is unable to use the office. Ms. Madhavi Kulkarni, HDC's Chief Information Officer, answered that the Corporation has a backup office space at SunGard in New Jersey. Mr. Kimball then asked if HDC conducts disaster recovery tests, to which Ms. Kulkarni replied that HDC conducts annual tests.

At 10:45am, with no further business, Mr. Gould moved to dismiss and the meeting was adjourned.

Respectfully submitted,

V Roberty

Violine Roberty

MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE

March 29th, 2018

ATTENDANCE LIST

NAME	AFFILIATION
Harry Gould	Audit Committee Member
Kyle Kimball	Audit Committee Member
Eric Enderlin	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Paula Roy Carethers	NYC Housing Development Corp.
Jim Quinlivan	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Shirley Jarvis	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Uyen Luu	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Lisa Geary	NYC Housing Development Corp.
Horace Greene	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Patrick Ogoke	NYC Housing Development Corp.
Dan Connelly	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.

New York City Housing Development Corporation

2018 audit plan

EY

Building a better working world

Building a better
working world

Ernst & Young
5 Times Square
New York, New York 10036

Tel: +1 212 773 3000
ey.com

The Audit Committee of the
New York City Housing Development Corporation

September 12, 2018

Dear Members of the Audit Committee,

We look forward to discussing the current year audit plan for the New York City Housing Development Corporation (the Corporation) on September 26, 2018.

At that meeting, we will outline the scope of our services, identify the EY team that will perform the audit and present the key considerations that will affect the 2018 audit. We are providing the enclosed materials so you can familiarize yourselves with them prior to our meeting.

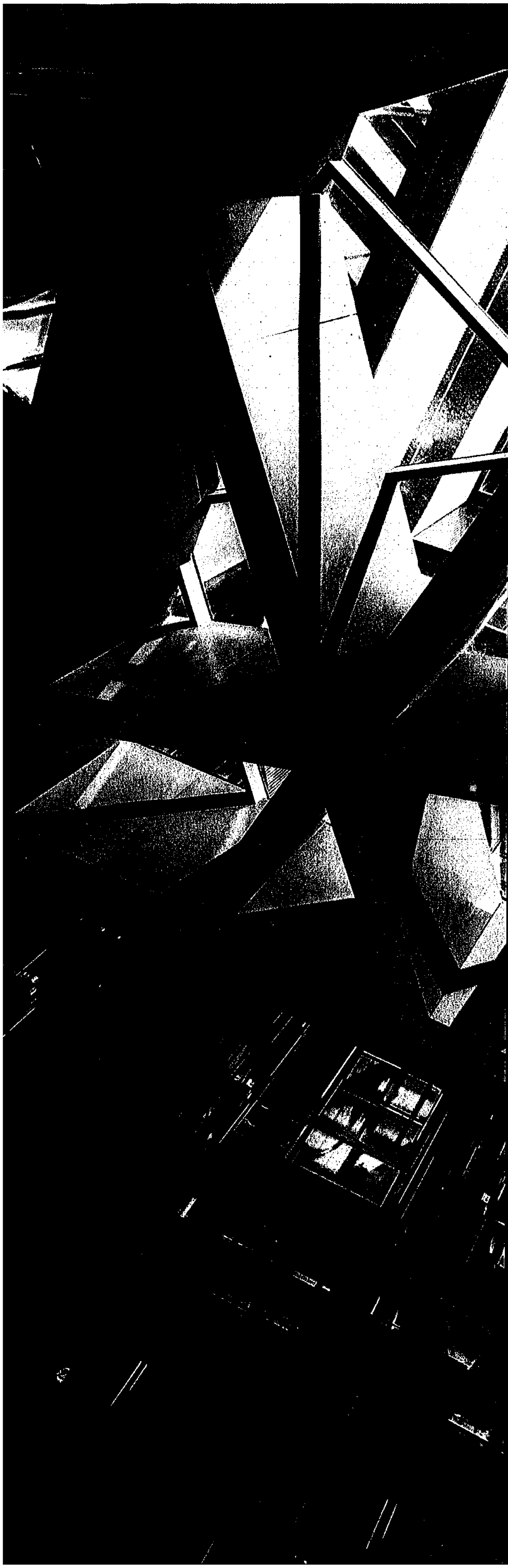
The audit is designed to express an opinion on the 2018 financial statements.

We are currently beginning the planning phase of our audit, and have aligned our procedures to consider the Corporation's current and emerging business risks and evaluate those risks that could materially affect the financial statements.

We appreciate that the Corporation selected EY to perform its 2018 audit and are committed to executing a quality audit that embraces the responsibility of serving the Audit Committee.

Very truly yours,

Ernst + Young LLP



Contents

2018 EY services

Services and deliverables	
Audit and audit-related services	• Express an opinion on, and report to the Audit Committee the results of our audits of: – The financial statements of the Corporation and the accompanying supplementary information in relation to the financial statements as a whole. – The Corporation's Schedule of Federal Awards as required by the Uniform Guidance – The Corporation's Schedule of Investments • Issue a written communication to: – Management and the Audit Committee describing significant deficiencies and material weaknesses identified during our audit, if any • Issue a management letter including recommendations for improvements in controls and procedures (if applicable)
Internal Control and Compliance Communications	• Issue a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* • Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance
Other services	• Report on the Corporation's compliance with minimum servicing requirements

Our audit plan
Audit timetable

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Planning and risk identification										
Understand service requirements and audit scope and coordinate with management and internal audit	■	■								
Update our understanding of the business	■	■								
Establish the team including determining the need for specialized skills or knowledge	■	■								
Audit planning including identification of significant risks and budgeting	■	■	■							
Strategy and risk assessment										
Update our understanding of the Corporation's systems and related IT applications and develop overall audit strategy and audit program		■	■							
Evaluate entity level internal controls		■	■							
Update our understanding of significant classes of transactions and perform walkthroughs		■	■							
Make combined (inherent and control) risk assessments and develop audit approach		■	■							
Execution of audit procedures										
Design and perform interim tests of controls		■	■							
Update tests of controls			■	■	■					
Perform year end substantive procedures			■	■	■					
Perform general audit procedures			■	■	■					
Conclusion and reporting										
Issue audit opinion on the financial statements, Single Audit, Schedule of Investments and report on Corporation's compliance with minimum servicing standards					■					
Communicate audit results to management and those charged with governance					■					
Issue reports to management and those charged with governance on any significant deficiencies or material weaknesses					■					
Issue a management letter including recommendations for improvements in controls and procedures					■					

Our audit plan
Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Internal controls over applications that affect the financial statements	
	During our audit we will update our understanding of internal control and evaluate the various internal controls over financial reporting as a basis of determining our overall audit approach and scope. We will evaluate the following significant processes: - Payroll - Purchases/Accounts Payable/Cash Disbursements - Mortgage Revenue/Accounts Receivable/Cash Receipts - Grant Management - Financial Statement Close - Debt Issuance, recording and monitoring - Recording Changes in Net Position - Recording Pension and OPEB Liability and Expense - Risk Management - Investment Process
Cash and investments	
	We will confirm significant cash and investment balances and agree responses to the Corporation's accounts and related reconciliations. Investments will be tested to determine that they are properly valued and all risk disclosures will be evaluated. We will also test the Corporation's compliance with the Investment Guidelines.
Accounts receivable and allowances	
	We will confirm a selection of the Corporation's mortgage receivable balances. The Corporation's methodology for recording allowances and writing off old balances will be tested and evaluated for reasonableness.
Capital Assets, including intangible assets	
	We will vouch additions to capital assets and test for proper accounting treatment. Capitalized costs will be tested and evaluated for reasonableness, including examination of the procurement process.
Accounts and other Payables	
	We will perform testing of the Corporation's accruals and payments made subsequent to year-end to evaluate the completeness of the liabilities at October 31, 2018.
Obligations for postemployment benefits other than pensions	
	We will evaluate the assumptions utilized in making the calculation and compare such assumptions to industry trends. We will also perform testing over the census data provided to the actuary.

Our audit plan
Areas of audit emphasis

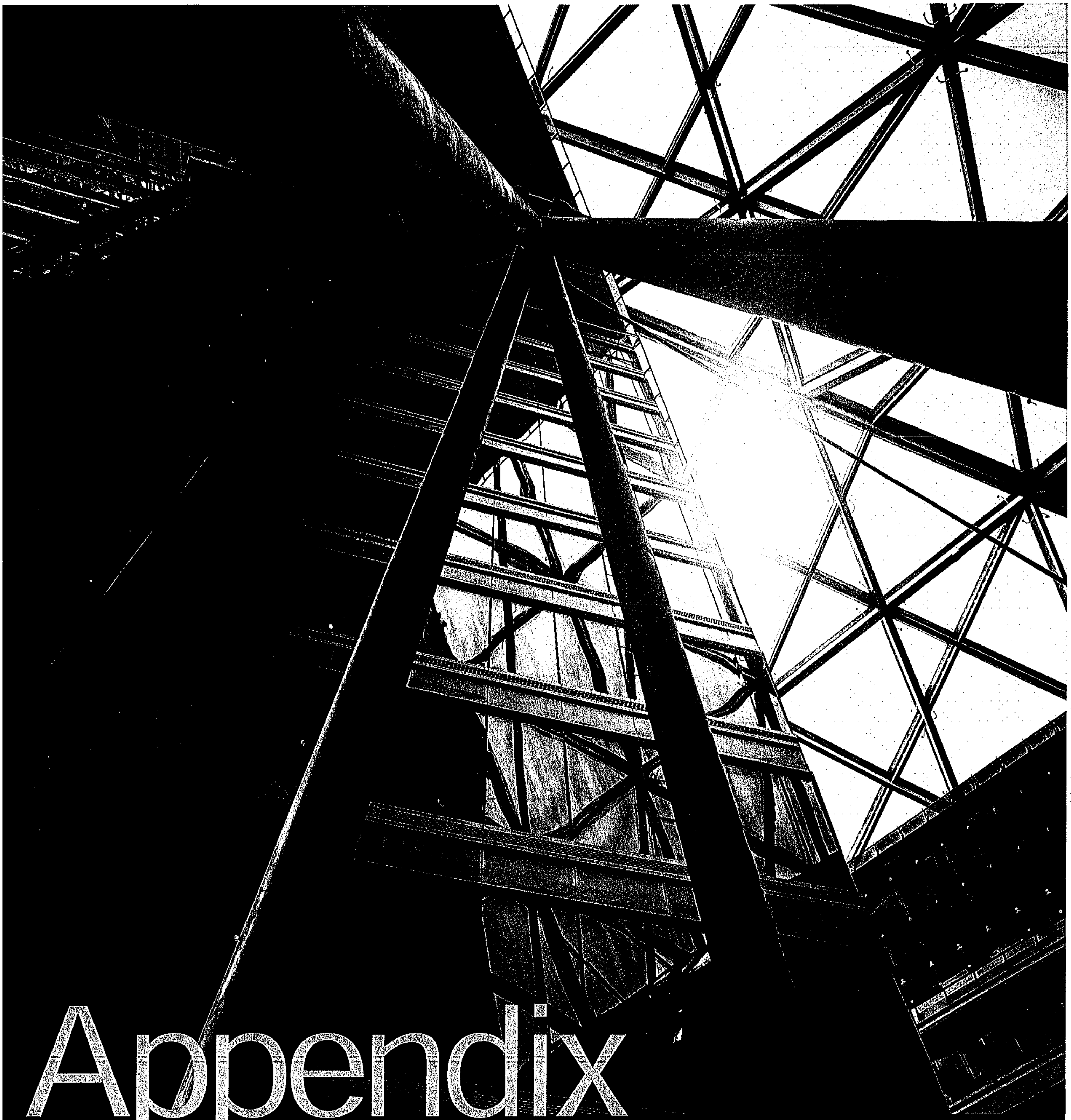
Area of emphasis	Summary of planned audit procedures
Debt	
	We will confirm all outstanding debt and review the accounting and reporting for debt transactions, including debt compliance.
Due to New York City	
	We will review and test a selection of the Corporation's transactions with The City of New York. We will perform testing of the City's accruals and payments made subsequent to year-end to evaluate the completeness of the liabilities at October 31, 2018.
Payable to mortgagor	
	We will perform testing of the Corporation's accruals and payments made subsequent to year-end to evaluate the completeness of the liabilities at October 31, 2018.
Unearned revenues	
	We will obtain a listing of all unearned revenue accounts and review and test a selection of transactions.
Net position	
	We test all changes to net position and evaluate the classification of net position balances.
Litigation and loss contingencies	
	We will review all litigation and loss contingencies, utilizing firm specialists as necessary.
Compliance with applicable laws, regulations, and contractual provisions	
	We will test the Corporation's compliance with applicable laws and regulations
Obligations for pensions	
	EY will review communications from the New York City Office of the Actuary (NYCOA) and determine the reasonableness of the pension liability and related disclosures in the financial statements.
Single Audit	
	We will perform testing over federal programs determined to be major programs based on final expenditures.
Revenue Recognition	
	We will test the Corporation's internal controls over mortgage revenue and perform detail transaction testing and analytical procedures.
Operating expenses	
	We test the Corporation's internal controls over payroll and cash disbursements and test a sample of transactions, including detail transaction testing and analytical procedures.

Inquiries relating to matters relevant to the audit

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As a part of our upcoming meeting, we would like to discuss the following topics with you in order to understand any matters of which you believe we should be aware, including, but not limited to:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- How you exercise oversight over the Corporation's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of tips or complaints regarding the Corporation's financial reporting (including those received through those charged with governance's own "whistleblower" program, if any) and its response to such tips and complaints.
- Your awareness of other matters, you believe, are relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- Your understanding of the Corporation's relationships and transactions with related parties that are significant to the Corporation
- Whether you have any concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns

We also examine journal entries, review accounting estimates for management bias and evaluate the business rationale of significant unusual transactions as required by our professional standards.



Appendix

Timing of required communications with the Audit Committee

Summary of required communications

Provided below is a summary of required communications between the audit team and the Audit Committee.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
• Accounting policies		X
• Additional views		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control	X	X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Fraud and non-compliance with laws and regulations (illegal acts)	X	
Independence matters		X
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	

Appendix

Accounting standards developments

Accounting standards developments

GASB Statement No. 84, Fiduciary Activities

Background	Effect on the Corporation
The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.	Effective for periods beginning after December 15, 2018. The Corporation is evaluating the impact this Statement will have on its financial statements.

Accounting standards developments

GASB Statement No. 85, Omnibus 2017

Background	Effect on the Corporation
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]). Specifically, this Statement addresses the following topics: • Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation • Reporting amounts previously reported as goodwill and "negative" goodwill • Classifying real estate held by insurance entities • Measuring certain money market investments and participating interest-earning investment contracts at amortized cost • Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus • Recognizing on-behalf payments for pensions or OPEB in employer financial statements • Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB • Classifying employer-paid member contributions for OPEB • Simplifying certain aspects of the alternative measurement method for OPEB • Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.	Effective for periods beginning after June 15, 2017. The Corporation is evaluating the impact this Statement will have on its financial statements.

Accounting standards developments

GASB Statement No. 86, Certain Debt Extinguishment Issues

Background	Effect on the Corporation
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.	Effective for periods beginning after June 15, 2017. The Corporation is evaluating the impact this Statement will have on its financial statements.

Accounting standards developments

GASB Statement No. 87, Leases

Background	Effect on the Corporation
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.	Effective for periods beginning after December 15, 2019. The Corporation is evaluating the impact this Statement will have on its financial statements.

Accounting standards developments

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Background	Effect on the Corporation
The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.	The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Corporation is evaluating the impact this Statement will have on its financial statements.

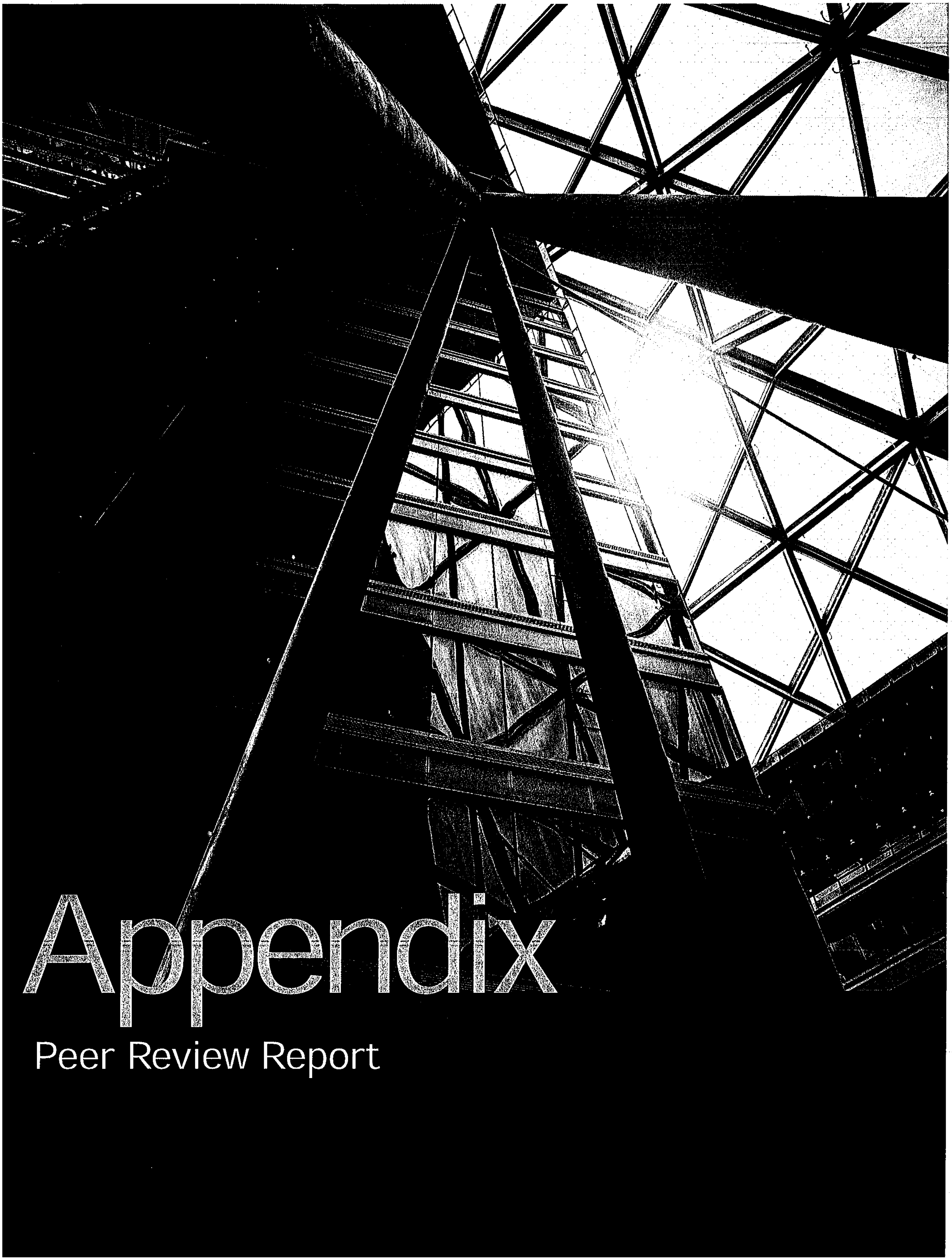
GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

Background	Effect on the Corporation
The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.	The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Corporation is evaluating the impact this Statement will have on their financial statements.

Accounting standards developments

GASB Statement No. 90, Majority Equity Interests–an amendment of GASB Statements No. 14 and No. 61)

Background	Effect on the Corporation
The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.	The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Corporation is evaluating the impact this Statement will have on its financial statements.



Appendix

Peer Review Report

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

System Review Report

To the Partners of Ernst & Young LLP
And the National Peer Review Committee of the AICPA Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the Firm) applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organization Control (SOC) 1 and SOC 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2016, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

KPMG LLP

December 2, 2016

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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

About EY's Assurance Services
Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide a timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audits starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject matter knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

TO: Members of the Audit Committee

FROM: Cathleen Baumann CB

SUBJECT: Third Quarter (Unaudited) Financial Information as of July 31, 2018

DATE: September 19, 2018

Attached for the Members review is the Corporation's third quarter financial statements (unaudited), with a summary memo from Controller Mary John. These financial schedules cover the Corporation's first nine months of fiscal year 2018, which is November 1, 2017 through July 31, 2018. The combined Net Position (Balance Sheet) and Revenue and Expense Statements for the Corporation and its subsidiaries are attached. In addition, the individual Net Position (Balance Sheet) and Revenue and Expense Statements have also been included for HDC, HAC, REMIC, the Open Resolution (HRB), the New Issue Bond Program (NIBP), and the Mini Open Resolution.

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NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

To: Cathleen Baumann

From: Mary John

Subject: Financial Information as of July 31, 2018

Date: August 21, 2018

The Accounting Division has prepared financial schedules (unaudited) covering the Corporation's first nine months of fiscal year 2018, which is November 1, 2017 through July 31, 2018. The combined Net Position (Balance Sheet) and Revenue and Expense Statements for the Corporation and its subsidiaries are attached. In addition, the individual Net Position (Balance Sheet) and Revenue and Expense Statements have also been included for HDC, HAC, REMIC, Open Resolution (HRB), New Issue Bond Program (NIBP) and the Mini Open Resolution. Preceding the statements are Financial Highlights and an Overview that summarize the major components of the financial statements.

cc: Richard Froehlich

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Financial Highlights and Overview of the Financial Statements
Third Quarter as of 07/31/2018 (unaudited)

Financial Highlights

- HDC's Net Assets increased by $172.3 million or 6.67% from fiscal year end 2017 ("FYE 2017") to a total of $2.76 billion. The growth in net assets was mainly driven from the Corporation's financial lending and servicing activities, and the securitization of a pool of loan assets owned by The City which netted $63.1 million for future affordable housing.
- The Corporation had total revenues of $385.7 million through the first nine months of fiscal year 2018. Operating revenues year to date were $354.3 million, an increase of $34.3 million from a year ago. Operating expenses were $276.5 million, an increase of $39.7 million. As a result, the Corporation had net operating income of $77.8 million, a decrease of $5.4 million from a year ago. Non-operating income, which includes investment earnings, was $31.4 million.
- In the first nine months of fiscal year 2018, HDC closed on nineteen new bonded senior mortgages with loan commitments in excess of $846.4 million and two debt obligation mortgages for $133.4 million. In addition, the Corporation committed $292.6 million of subsidy loans, of which $76.5 million will be funded from corporate reserves and $216.1 million will be funded from bond proceeds. The Corporation also financed ten preservation mortgages for a total of $187.7 million which included seven Mitchell-Lama preservation loans.
- Through the end of the third quarter of this fiscal year, HDC had issued 14 new bond series for a total of $1.36 billion. In addition, $9.9 million of bond proceeds were drawn on a previously issued series. In December 2017, the Corporation participated in a new financing structure, the Targeted Affordable Housing ("TAH") program with Freddie Mac. Under this program, HDC issued $61.2 million in taxable and tax exempt debt obligations to refinance the mortgage loan for 1133 Manhattan Avenue Development project. In addition the Far Rockaway project, which closed in June, was funded by a new debt obligation with Citibank NA. Total Debt Obligation draws so far this fiscal year were $184.0 million. HDC also closed on three new certificates of participation agreements with the Federal Financing Bank ("FFB") for Independence House, Carol Gardens, and La Cabana developments for a total of $85.0 million.
- Through its Open Resolution program, in April 2018, the Corporation entered into a new participation agreement with the City of New York. HDC issued $165.5 million in taxable bonds (2018 Series B-1 and B-2) to purchase a 100% participation interest in various mortgage loans with an aggregate outstanding principal balance in excess of $600 million, originated and owned by the City. From the bond proceeds, HDC transferred $100 million to the City and the remaining funds, net of issuance costs and HDC bond fees, will be used by the Corporation to provide subsidy funding towards the Housing New York Plan.
- In June 2018, the Corporation adopted a new funding structure for its mortgage closings. This new structure will optimize the Corporation's use of recycled prepayments. As a result the Corporation's new subordinate mortgages were fully securitized at closing and pledged to the Open Resolution. In exchange $149.6 million of the short term portion of the new senior mortgages were funded from Corporate Reserves.

- Total Assets (including Deferred Outflows) of $19.06 billion, increased by $2.66 billion or 16.21% from FYE 2017.
    - Cash and investments totaled $5.14 billion.
    - Mortgages, notes, loan participation interest receivable, and purpose investments totaled $13.79 billion.
    - Other assets (including $67.1 million of Accrued Interest Receivable) totaled $114.5 million.
    - Deferred Outflows of unamortized interest rate caps, loss on early debt retirement, OPEB and pension related liabilities totaled $8.7 million.
- Total Liabilities (including Deferred Inflows) of $16.30 billion, increased by $2.49 billion or 18.00% from FYE 2017.
    - Bonds and Debt Obligations Payable (net) totaled $11.87 billion.
    - Payable to the City of New York totaled $3.36 billion, including $1.66 billion related to the Section 661 HPD Grant Program and $1.10 billion related to Mitchell-Lama and other City Loan Participation programs.
    - Payable to Mortgagors totaled $823.7 million.
    - Other Liabilities (including $64.8 million of Accrued Interest Payable and $106.2 million of Deferred Fees and Mortgage Income) totaled $239.0 million.
    - Deferred Inflows of Resources related to pension liability and interest rate swaps were $9.3 million.
- Total net position of $2.76 billion, which includes net income of $109.2 million and $63.1 million for loan participation agreement securitization proceeds, increased by $172.3 million or 6.67% from FYE 2017. Net income decreased by $61.9 million or 36.19% over the same period in FY 2017.

<u>Overview of Assets and Liabilities and Net Position</u>

- The increase in total assets by a net of $2.66 billion, including deferred outflows, was a result of the following:
    - Cash and investments increased by $964.4 million. This increase was primarily due to new money raised from bond issuances including the new City loan securitization transaction on April 19, 2018 and HPD grant funds received this fiscal year.
    - Mortgages, notes, loan participation interest receivable, and purpose investments increased by a net of $1.70 billion from FYE 2017 as a result of the Corporation's ongoing financing activities and the securitization of the City mortgage loans in April 2018.
    - Other assets increased by a net of $7.4 million from FYE 2017. This included an increase of $9.0 million of accrued mortgage and loan interest receivable. Other receivables which are mainly comprised of principal and interest billed on loans serviced for other entities, loans financed through HDC's participation in the CPC special purpose enterprise, servicing fees and low income housing tax credit monitoring fees increased by a net of $1.0 million. Capital assets and deferred charges decreased by a net of $2.6 million due to amortization.
    - Deferred outflow of resources decreased by a net of $2.2 million. The decrease was mainly due to the recognition of $1.7 million pension expense for a payment made subsequent to the pension liability valuation at FYE 2017. The loss on early debt

retirement due to an in-substance defeasance decreased by $0.5 million due to amortization.

- Total liabilities increased by a net of $2.49 billion, or 18.00%, primarily due to the following:
  - Bonds and Debt Obligations payable increased by a net of $984.8 million. The Corporation issued 14 new bond series and closed two new debt obligation funding loan agreements through the end of the third quarter. New money raised, including draws on previously issued series, totaled $1.64 billion for the period of November 1, 2017 to July 31, 2018. During this same period, $644.9 million of bond principal and debt obligation payments were made which included scheduled principal payments of $221.3 million and redemptions of $423.6 million. The Corporation also retired the 2008 Series L bonds in the amount of $3.1 million through an in-substance defeasance in this period. Additionally, bond premium of $3.0 million was amortized and $1.6 million of principal payments were made to the Federal Financing Bank.
  - A net increase of $1.45 billion in the Payable to New York City was mainly due to the following:
    - An increase in the City loan sale and Mitchell Lama loan participation program ("MLRP") of $501.1 million was primarily due to the acquisition by the Corporation of a 100% participation interest of a $667.1 million mortgage loan portfolio with the issuance of the 2018 Series B-1 & B-2 Bonds in April 2018.
    - An increase of $852.6 million related to HPD grant funds received for mortgage loans under Section 661 of the Private Housing Finance Law.
    - An increase of $87.7 million, mostly related to mortgage loan assignments to the Corporation pursuant to Purchase and Sale agreements between HPD and HDC.
    - An increase of $15.6 million in administering the construction and permanent loans on behalf of HPD.
    - A reduction of $6.4 million in the receivable from the City related to the reimbursement of the Stuyvesant Town Peter Cooper Village mortgage loan funding from the Corporate Services Fund. As of July 31, 2018, the reimbursement from the City was $97.6 million, and $45.6 million is still due to HDC.
    - A net decrease of $8.8 million in the Housing Assistance Corporation as a result of the evaporation of loan principal for Stuyvesant Town Peter Cooper Village in the amount of $7.2 million and the Tenant Assistant Contract ("TAC") payment of $2.0 million for Ruppert Yorkville, offset by $0.2 million of investment earnings distributed and $0.2 million mortgage interest transferred to bond program.
  - There was a net increase of $70.8 million in the Payable to Mortgagors as a result of the following:
    - Mortgage escrows and reserve for replacement funds held by the Corporation in its normal loan servicing function increased by a net of $49.4 million.
    - Prepaid mortgage principal and bond sinking funds held on behalf of mortgagors increased by a net of $10.9 million. This included a net increase of

$11.2 million on principal reserve funds and a decrease of $0.3 million of debt service funds held on behalf of mortgagors.

        - Community Development Block Grant ("CDBG") funds payable increased by $2.1 million. This was mainly due to the receipt of $54.7 million of additional funds during this period which was offset by $53.6 million of funds advanced to the projects. Also, during this period $1.0 million in investment earnings were distributed.
        - Developer's equity funds increased by $8.4 million.
    - Other liabilities decreased by a net of $23.8 million mainly due to the following:
        - Accrued Interest Payable decreased by $40.1 million from FYE 2017. This is the result of the timing in the semi-annual debt service payments.
        - Accounts and Other Payables increased slightly by $1.6 million. Payable to New York State bonds issuance fee increased by a net of $0.6 million and other related payables had a net increase of $1.0 million.
        - Deferred Fees increased by a net of $13.1 million mainly due to the amortization of $10.4 million of guaranty and other fees related to mortgagors. Bonds financing fees and deferred construction financing fees collected increased by $2.8 million compared to the same period last year.
        - Restricted earnings due to mortgagors increased by $1.6 million.

- The total net position (net assets), excluding the special item of $63.1 million, increased by $109.2 million. This is comprised of operating revenues of $354.3 million, non-operating revenues of $31.4 million and an offset of operating expenses totaling $276.5 million.

<u>Overview of Revenues and Expenses - Comparison of first 9-months of FY 2018 & FY 2017</u>

Excess of revenues over expenses was $109.2 million for the period November 1, 2017 through July 31, 2018 compared to the same period in FY 2017 when it was $171.1 million. This decrease was mainly the result of no grant revenues in FY 2018 compared to $69.6 million of grant revenues in FY 2017.

- Total operating revenues were $354.3 million, an increase of $34.3 million, or 10.73% from the same period in fiscal year 2017 as a result of the following:
    - Interest on loans increased from $252.4 million to $293.5 million compared to the same period last year. The increase of $41.2 million or 16.31% was a result of ongoing financing activities.
    - Fees and charges were $58.7 million, slightly down from $59.7 million a year ago, a decrease of $1.0 million or 1.67%. This decrease was mainly due to lower fees collected on loans closed during the period. Commitment, deferred construction and bond financing fees were up $1.7 million from a year ago. This was offset by a decrease in loan servicing and other fees of $0.7 million compared to the same period last year.
    - Income on loan participation interests decreased by $5.3 million to $0.6 million from $5.9 million a year ago.
    - Other income decreased by $0.5 million, resulting from a lower accrual due from HUD to cover debt service expenses on the NYCHA related bonds.

- Operating expenses increased by $39.7 million, compared to the same period in FY 2017 as a result of the following:
    - Bond and debt obligation interest and amortization for the first nine months of fiscal year 2018 was $237.4 million, an increase of $34.8 million from a year ago. The increase was mainly due to the issuance of new bonds, in addition to higher interest rates on the Variable Rate Demand Obligation bonds ("VRDO").
    - Debt issuance costs through the end of the third quarter were $10.0 million, an increase of $2.2 million from a year ago.
    - Trustee and other fees at the end of the third quarter were $7.1 million, an increase of $1.2 million from a year ago.
    - Corporate operating expenses were $4.2 million, an increase of $0.4 million from a year ago.
    - Salaries and related expenses were $17.8 million, an increase of $1.1 million or 6.78% compared to the same period last year.
- Total non-operating revenues decreased from $88.0 million to $31.4 million, a decrease of $56.6 million compared to the same period a year ago as a result of the following:
    - Realized investment earnings were $42.4 million, an increase of $19.1 million over the same period last year.
    - There was a decline in the fair market value on the investment portfolio of $8.8 million compared to a decrease of $5.2 million for the same period a year ago.
    - Amortization of the 2011 participation interest purchased cashflow and income distributed to HPD for the City Loan Sale Program increased by $2.5 million.
    - There were no grant revenues recognized in FY2018 which accounted for most of the decline in non-operating revenues.

and Subsidiaries
Net Position Summary
Current Period JUL-18
Unaudited

Program=Total All
(in thousands)

Assets

	July 31, 2018	October 31, 2017	Change
Current Assets:			
Cash	$ 327	$ 411	$ (84)
Investments	787,051	722,955	64,096
Receivables:			
Mortgage loans	442,833	120,215	322,618
Accrued interest	30,514	33,666	(3,152)
Notes	37,529	36,208	1,321
Other	12,264	11,977	287
Total receivables	523,140	202,066	321,074
Other assets	16	17	(1)
Total Current Assets	**1,310,534**	**925,449**	**385,085**
Noncurrent Assets:			
Restricted cash	13,336	13,571	(235)
Restricted investments	4,339,137	3,438,470	900,667
Purpose investment	29,260	29,783	(523)
Mortgage loans	303,529	476,779	(173,250)
Restricted receivables:			
Mortgage loans	11,048,493	10,055,830	992,663
Mortgage loan participation - Federal Financing Bank	282,664	199,988	82,676
Loan participation receivable - The City of NY	1,096,839	595,743	501,096
Accrued interest	36,608	24,476	12,132
Notes	552,462	589,990	(37,528)
Other	21,887	21,190	697
Total restricted receivables	13,038,953	11,487,217	1,551,736
Capital assets	1,897	2,338	(441)
Derivative instrument interest rate swaps	8,519	8,519	-
Other assets	2,823	4,968	(2,145)
Total Noncurrent Assets	**17,737,454**	**15,461,645**	**2,275,809**
Total Assets	**$ 19,047,988**	**$ 16,387,094**	**$ 2,660,894**
Deferred outflows of resources			
Interest rate caps	1,262	1,262	-
Deferred loss on early retirement of debt	5,842	6,366	(524)
Deferred outflows pension related	517	2,241	(1,724)
Deferred outflows related to OPEB plan	1,062	1,062	-
Total deferred outflows of resources	**$ 8,683**	**$ 10,931**	**$ (2,248)**

and Subsidiaries
Net Position Summary
Current Period JUL-18
Unaudited

Program=Total All
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ 690,631	$ 296,575	$ 394,056
Debt obligations payable	93	66	27
Loan participation payable to Federal Financing Bank	2,747	1,954	793
Accrued interest payable	64,792	104,916	(40,124)
Payable to mortgagors	164,549	162,992	1,557
Restricted earnings on investments	19,388	17,783	1,605
Accounts and other payables	25,008	23,401	1,607
Due to the United States Government	-	-	-
Total Current Liabilities	**967,208**	**607,687**	**359,521**
Noncurrent Liabilities:			
Bonds and debt obligations payable:			
Bonds payable (net)	10,441,291	10,075,122	366,169
Debt obligations payable	448,865	307,730	141,135
Loan participation payable to Federal Financing Bank	282,664	200,010	82,654
Payable to The City of New York:			
Loan participation due to The City of New York	1,096,839	595,743	501,096
HPD Grant Fund	1,655,684	803,119	852,565
Others	609,405	508,640	100,765
Payable to mortgagors	659,107	589,842	69,265
Net pension liability	10,991	10,991	-
Post employment benefits payable	12,671	12,671	-
Unearned revenues and other liabilities	106,180	93,033	13,147
Due to the United States Government	9	9	-
Total Noncurrent Liabilities	**15,323,706**	**13,196,910**	**2,126,796**
Total Liabilities	**16,290,914**	**13,804,597**	**2,486,317**
Deferred inflows from pension	743	743	-
Interest rate swap fair value	8,519	8,519	-
Total Deferred Inflows of Resources	9,262	9,262	-
Net Position:			
Restricted for bond obligations	1,812,349	1,537,607	274,742
Restricted for insurance requirement and others	74,731	71,192	3,539
Unrestricted	869,415	975,367	(105,952)
Total Net Position	**2,756,495**	**2,584,166**	**172,329**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 19,056,671**	**$ 16,398,025**	**$ 2,658,646**

and Subsidiaries
Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total All
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ 293,524	$ 252,361	$ 41,163
Fees and charges	58,744	59,741	(997)
Income on loan participation interests	565	5,878	(5,313)
Other	1,452	1,961	(509)
Total Operating Revenues	**354,285**	**319,941**	**34,344**
Operating Expenses			
Interest and amortization of bond premium and discount	237,400	202,629	34,771
Salaries and related expenses	17,781	16,652	1,129
Trustees' and other fees	7,128	5,913	1,215
Amortization of debt issuance costs	9,965	7,733	2,232
Corporate operating expenses	4,239	3,862	377
Total Operating Expenses	**276,513**	**236,789**	**39,724**
Operating Income (Loss)	**77,772**	**83,152**	**(5,380)**
Non-operating Revenues (Expenses)			
Earnings on investments	42,453	23,351	19,102
Unrealized gain (loss) on investment FMV	(8,790)	(5,211)	(3,579)
Loss on early retirement of debt	(129)	-	(129)
Other non-operating revenues (expenses), net	(2,093)	69,857	(71,950)
Operating transfers to (HDC) Corporate Services Fund	413	386	27
Operating transfers from REMIC Subsidiary	(413)	(386)	(27)
Total Non-operating Revenues (Expenses)	**31,441**	**87,997**	**(56,556)**
Income (Loss) before Special Item	**109,213**	**171,149**	**(61,936)**
Capital transfers	-	-	-
Loan participation agreement securitization proceeds (2018 Series B-1)	63,117	-	63,117
Extinguishment of debt	-	-	-
Change in Net Position	**172,330**	**171,149**	**1,181**
Total net position - beginning of year	2,584,165	2,374,687	209,478
Total Net Position - End of Year	**$ 2,756,495**	**$ 2,545,836**	**$ 210,659**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total HDC
(in thousands)

	July 31, 2018	October 31, 2017	Change
Assets			
Current Assets:			
Cash	$ 327	$ 411	$ (84)
Investments	787,051	722,955	64,096
Receivables:			
Mortgage loans	442,833	120,215	322,618
Accrued interest	30,514	33,811	(3,297)
Notes	37,529	36,208	1,321
Other	12,264	11,977	287
Total receivables	523,140	202,211	320,929
Other assets	16	17	(1)
Total Current Assets	**1,310,534**	**925,594**	**384,940**
Noncurrent Assets:			
Restricted cash	13,324	13,571	(247)
Restricted investments	4,200,014	3,301,202	898,812
Purpose investment	29,260	29,783	(523)
Mortgage loans	303,529	476,779	(173,250)
Restricted receivables:			
Mortgage loans	10,919,549	9,919,747	999,802
Mortgage loan participation - Federal Financing Bank	282,664	199,988	82,676
Loan participation receivable - The City of NY	1,096,839	595,743	501,096
Accrued interest	36,608	24,476	12,132
Notes	552,462	589,990	(37,528)
Other	21,887	21,190	697
Total restricted receivables	12,910,009	11,351,134	1,558,875
Unamortized issuance costs	-	-	-
Primary government/component unit receivable (payable)	(116)	19	(135)
Capital assets	1,897	2,338	(441)
Derivative instrument interest rate swaps	8,519	8,519	-
Other assets	2,823	4,968	(2,145)
Total Noncurrent Assets	**17,469,259**	**15,188,313**	**2,280,946**
Total Assets	**$ 18,779,793**	**$ 16,113,907**	**$ 2,665,886**
Deferred outflows of resources			
Interest rate caps	1,262	1,262	-
Deferred loss on early retirement of debt	5,842	6,366	(524)
Deferred outflows pension related	517	2,241	(1,724)
Deferred outflows related to OPEB plan	1,062	1,062	-
Total deferred outflows of resources	**$ 8,683**	**$ 10,931**	**$ (2,248)**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total HDC
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ 690,631	$ 296,575	$ 394,056
Debt obligations payable	93	66	27
Loan participation payable to Federal Financing Bank	2,747	1,954	793
Accrued interest payable	64,792	104,916	(40,124)
Payable to The City of New York	-	-	-
Payable to mortgagors	164,549	162,992	1,557
Restricted earnings on investments	19,388	17,740	1,648
Accounts and other payables	25,007	23,401	1,606
Due to the United States Government	-	-	-
Total Current Liabilities	**967,207**	**607,644**	**359,563**
Noncurrent Liabilities:			
Bonds and debt obligations payable:			
Bonds payable (net)	10,441,291	10,075,122	366,169
Debt obligations payable	448,865	307,730	141,135
Loan participation payable to Federal Financing Bank	282,664	200,010	82,654
Payable to The City of New York:			
Loan participation due to The City of New York	1,096,839	595,743	501,096
HPD Grant Fund	1,655,684	803,119	852,565
Others	467,514	357,937	109,577
Payable to mortgagors	659,107	589,698	69,409
Net pension liabilities	10,991	10,991	-
Post employment benefits payable	12,671	12,671	-
Unearned revenues and other liabilities	106,180	93,033	13,147
Due to the United States Government	9	9	-
Total Noncurrent Liabilities	**15,181,815**	**13,046,063**	**2,135,752**
Total Liabilities	**16,149,022**	**13,653,707**	**2,495,315**
Deferred inflows from pension	743	743	-
Interest rate swap fair value	8,519	8,519	-
Total Deferred Inflows of Resources	9,262	9,262	-
Net Position:			
Restricted for bond obligations	1,812,349	1,537,607	274,742
Restricted for insurance requirement and others	-	-	-
Unrestricted	817,843	924,262	(106,419)
Total Net Position	**2,630,192**	**2,461,869**	**168,323**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 18,788,476**	**$ 16,124,838**	**$ 2,663,638**

Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total HDC
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ 293,524	$ 252,361	$ 41,163
Fees and charges	55,924	57,607	(1,683)
Income on loan participation interests	565	5,878	(5,313)
Other	1,452	1,961	(509)
Total Operating Revenues	**351,465**	**317,807**	**33,658**
Operating Expenses			
Interest and amortization of bond premium and discount	237,400	202,629	34,771
Salaries and related expenses	17,781	16,652	1,129
Trustees' and other fees	7,128	5,913	1,215
Amortization of debt issuance costs	9,966	7,733	2,233
Corporate operating expenses	4,239	3,862	377
Total Operating Expenses	**276,514**	**236,789**	**39,725**
Operating Income (Loss)	**74,951**	**81,018**	**(6,067)**
Non-operating Revenues (Expenses)			
Earnings on investments	40,854	22,135	18,719
Unrealized gain (loss) on investment FMV	(8,790)	(5,655)	(3,135)
Loss on early retirement of debt	(129)	-	(129)
Other non-operating revenues (expenses), net	(2,093)	69,857	(71,950)
Operating transfers to (HDC) Corporate Services Fund	413	386	27
Operating transfers from REMIC Subsidiary	-	-	-
Total Non-operating Revenues (Expenses)	**30,255**	**86,723**	**(56,468)**
Income (Loss)	**105,206**	**167,741**	**(62,535)**
Capital transfers	-	-	-
Loan participation agreement securitization proceeds (2018 Series B-1)	63,117	-	63,117
Extinguishment of debt	-	-	-
Change in Net Position	**168,323**	**167,741**	**582**
Total net position - beginning of year	2,461,869	2,257,114	204,755
Total Net Position - End of Year	**$ 2,630,192**	**$ 2,424,855**	**$ 205,337**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total HRB
(in thousands)

Assets

	July 31, 2018	October 31, 2017	Change
Current Assets:			
Cash	$ -	$ -	$ -
Investments	287,436	327,886	(40,450)
Receivables:			
Mortgage loans	420,645	105,344	315,301
Accrued interest	18,270	15,616	2,654
Notes	-	-	-
Other	126	82	44
Total receivables	439,041	121,042	317,999
Other assets	-	-	-
Total Current Assets	**726,477**	**448,928**	**277,549**
Noncurrent Assets:			
Restricted cash	3,214	9,565	(6,351)
Restricted investments	1,991,167	1,672,566	318,601
Purpose investment	29,260	29,783	(523)
Mortgage loans	-	-	-
Restricted receivables:			
Mortgage loans	6,183,890	5,612,745	571,145
Mortgage loan participation - Federal Financing Bank	-	-	-
Loan participation receivable - The City of NY	1,096,839	595,743	501,096
Accrued interest	9,174	4,468	4,706
Notes	-	-	-
Other	-	-	-
Total restricted receivables	7,289,903	6,212,956	1,076,947
Unamortized issuance costs	-	-	-
Primary government/component unit receivable (payable)	(30,456)	(11,879)	(18,577)
Capital assets	-	-	-
Derivative instrument interest rate swaps	4,288	4,288	-
Other assets	2,824	4,969	(2,145)
Total Noncurrent Assets	**9,290,200**	**7,922,248**	**1,367,952**
Total Assets	**$ 10,016,677**	**$ 8,371,176**	**$ 1,645,501**
Deferred outflows of resources			
Interest rate cap	1,018	1,018	-
Deferred loss on early retirement of debt	-	-	-
Deferred outflows pension related	-	-	-
Deferred outflows related to OPEB plan	-	-	-
Total deferred outflows of resources	**$ 1,018**	**$ 1,018**	**$ -**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total HRB
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ 634,805	$ 247,485	$ 387,320
Debt obligations payable	-	-	-
Loan participation payable to Federal Financing Bank	-	-	-
Accrued interest payable	51,860	83,394	(31,534)
Payable to The City of New York	-	-	-
Payable to mortgagors	1,363	1,373	(10)
Restricted earnings on investments	81	41	40
Accounts and other payables	48	48	-
Due to the United States Government	-	-	-
Total Current Liabilities	**688,157**	**332,341**	**355,816**
Noncurrent Liabilities:			
Bonds and debt obligations payable:			
Bonds payable (net)	6,655,702	6,186,107	469,595
Debt obligations payable	-	-	-
Loan participation payable to Federal Financing Bank	-	-	-
Payable to The City of New York:			
Loan participation due to The City of New York	1,096,839	595,743	501,096
Others	173	173	-
Payable to mortgagors	10,109	9,063	1,046
Post employment benefits payable	-	-	-
Unearned revenues and other liabilities	76,079	61,506	14,573
Due to the United States Government	9	9	-
Total Noncurrent Liabilities	**7,838,911**	**6,852,601**	**986,310**
Total Liabilities	**8,527,068**	**7,184,942**	**1,342,126**
Deferred inflows from pension	-	-	-
Interest rate swap fair value	4,288	4,288	-
Total Deferred Inflows of Resources	4,288	4,288	-
Net Position:			
Restricted for bond obligations	1,486,339	1,182,964	303,375
Restricted for insurance requirement and others	-	-	-
Unrestricted	-	-	-
Total Net Position	**1,486,339**	**1,182,964**	**303,375**
Total Liabilities and Net Position	**$ 10,017,695**	**$ 8,372,194**	**$ 1,645,501**

Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total HRB
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ 166,714	$ 151,846	$ 14,868
Fees and charges	32,413	33,086	(673)
Income on loan participation interests	348	5,694	(5,346)
Other	478	239	239
Total Operating Revenues	**199,953**	**190,865**	**9,088**
Operating Expenses			
Interest and amortization of bond premium and discount	146,936	127,555	19,381
Salaries and related expenses	-	-	-
Trustees' and other fees	472	152	320
Amortization of debt issuance costs	9,010	7,013	1,997
Corporate operating expenses	-	-	-
Total Operating Expenses	**156,418**	**134,720**	**21,698**
Operating Income (Loss)	**43,535**	**56,145**	**(12,610)**
Non-operating Revenues (Expenses)			
Earnings on investments	26,313	14,729	11,584
Unrealized gain (loss) on investment FMV	908	(3,498)	4,406
Loss on early retirement of debt	(129)	-	(129)
Other non-operating revenues (expenses), net	(2,093)	237	(2,330)
Operating transfers to (HDC) Corporate Services Fund	(8,262)	(10,308)	2,046
Operating transfers from REMIC Subsidiary	-	-	-
Total Non-operating Revenues (Expenses)	**16,737**	**1,160**	**15,577**
Income (Loss)	**60,272**	**57,305**	**2,967**
Capital transfers	179,986	15,173	164,813
Loan participation agreement securitization proceeds (2018 Series B-1)	63,117	-	63,117
Extinguishment of debt	-	-	-
Change in Net Position	**303,375**	**72,478**	**230,897**
Total net position - beginning of year	1,182,964	1,091,987	90,977
Total Net Position - End of Year	**$ 1,486,339**	**$ 1,164,465**	**$ 321,874**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total HAC
(in thousands)

Assets

	July 31, 2018	October 31, 2017	Change
Current Assets:			
Cash	$ -	$ -	$ -
Investments	-	-	-
Receivables:			
Mortgage loans	-	-	-
Accrued interest	-	(145)	145
Notes	-	-	-
Other	-	-	-
Total receivables	-	(145)	145
Other assets	-	-	-
Total Current Assets	-	(145)	145
Noncurrent Assets:			
Restricted cash	11	-	11
Restricted investments	12,938	14,952	(2,014)
Purpose investment	-	-	-
Mortgage loans	-	-	-
Restricted receivables:			
Mortgage loans	128,944	136,083	(7,139)
Mortgage loan participation - Federal Financing Bank	-	-	-
Loan participation receivable - The City of NY	-	-	-
Accrued interest	-	-	-
Notes	-	-	-
Other	-	-	-
Total restricted receivables	128,944	136,083	(7,139)
Unamortized issuance costs	-	-	-
Primary government/component unit receivable (payable)	(2)	-	(2)
Capital assets	-	-	-
Other assets	-	-	-
Total Noncurrent Assets	**141,891**	**151,035**	**(9,144)**
Total Assets	**$ 141,891**	**$ 150,890**	**$ (8,999)**
Deferred outflows of resources			
Interest rate cap	-	-	-
Deferred loss on early retirement of debt	-	-	-
Deferred outflows pension related	-	-	-
Deferred outflows related to OPEB plan	-	-	-
Total deferred outflows of resources	$ -	$ -	$ -

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total HAC
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ -	$ -	$ -
Debt obligations payable			
Loan participation payable to Federal Financing Bank			
Accrued interest payable	-	-	-
Payable to The City of New York	-	-	-
Payable to mortgagors	-	-	-
Restricted earnings on investments	-	43	(43)
Accounts and other payables	-	-	-
Due to the United States Government	-	-	-
Total Current Liabilities	-	43	(43)
Noncurrent Liabilities:			
Bonds and debt obligations payable:			
Bonds payable (net)	-	-	-
Debt obligations payable	-	-	-
Loan participation payable to Federal Financing Bank	-	-	-
Payable to The City of New York:			
Loan participation due to The City of New York	-	-	-
Others	141,891	150,703	(8,812)
Payable to mortgagors	-	144	(144)
Post employment benefits payable	-	-	-
Unearned revenues and other liabilities	-	-	-
Due to the United States Government	-	-	-
Total Noncurrent Liabilities	141,891	150,847	(8,956)
Total Liabilities	141,891	150,890	(8,999)
Deferred inflows from pension	-	-	-
Interest rate swap fair value	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position:			
Restricted for bond obligations	-	-	-
Restricted for insurance requirement and others	-	-	-
Unrestricted	-	-	-
Total Net Position	-	-	-
Total Liabilities and Net Position	$ 141,891	$ 150,890	$ (8,999)

Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total HAC
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ -	$ -	$ -
Fees and charges	-	-	-
Income on loan participation interests	-	-	-
Other	-	-	-
Total Operating Revenues	-	-	-
Operating Expenses			
Interest and amortization of bond premium and discount	-	-	-
Salaries and related expenses	-	-	-
Trustees' and other fees	-	-	-
Amortization of debt issuance costs	-	-	-
Corporate operating expenses	-	-	-
Total Operating Expenses	-	-	-
Operating Income (Loss)	-	-	-
Non-operating Revenues (Expenses)			
Earnings on investments	3	-	3
Unrealized gain (loss) on investment FMV	-	(1)	1
Loss on early retirement of debt	-	-	-
Other non-operating revenues (expenses), net	-	-	-
Operating transfers to (HDC) Corporate Services Fund	-	-	-
Operating transfers from HAC Subsidiary	(3)	-	(3)
Total Non-operating Revenues (Expenses)	-	(1)	1
Income (Loss)	-	(1)	1
Capital transfers	-	-	-
Loan participation agreement resecuritization proceeds	-	-	-
Extinguishment of debt	-	-	-
Change in Net Position	-	(1)	1
Total net position - beginning of year	-	1	(1)
Total Net Position - End of Year	$ -	$ -	$ -

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total REMIC
(in thousands)

Assets

	July 31, 2018	October 31, 2017	Change
Current Assets:			
Cash	$ -	$ -	$ -
Investments	-	-	-
Receivables:			
Mortgage loans	-	-	-
Accrued interest	-	-	-
Notes	-	-	-
Other	-	-	-
Total receivables	-	-	-
Other assets	-	-	-
Total Current Assets	-	-	-
Noncurrent Assets:			
Restricted cash	1	-	1
Restricted investments	126,185	122,316	3,869
Purpose investment	-	-	-
Mortgage loans	-	-	-
Restricted receivables:			
Mortgage loans	-	-	-
Mortgage loan participation - Federal Financing Bank	-	-	-
Loan participation receivable - The City of NY	-	-	-
Accrued interest	-	-	-
Notes	-	-	-
Other	-	-	-
Total restricted receivables	-	-	-
Unamortized issuance costs	-	-	-
Primary government/component unit receivable (payable)	118	(19)	137
Capital assets	-	-	-
Other assets	-	-	-
Total Noncurrent Assets	**126,304**	**122,297**	**4,007**
Total Assets	**$ 126,304**	**$ 122,297**	**$ 4,007**
Deferred outflows of resources			
Interest rate cap	-	-	-
Deferred loss on early retirement of debt	-	-	-
Deferred outflows pension related	-	-	-
Deferred outflows related to OPEB plan	-	-	-
Total deferred outflows of resources	**$ -**	**$ -**	**$ -**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total REMIC
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ -	$ -	$ -
Debt obligations payable			
Loan participation payable to Federal Financing Bank			
Accrued interest payable	-	-	-
Payable to The City of New York	-	-	-
Payable to mortgagors	-	-	-
Restricted earnings on investments	-	-	-
Accounts and other payables	-	-	-
Due to the United States Government	-	-	-
Total Current Liabilities	-	-	-
Noncurrent Liabilities:			
Bonds and debt obligations payable:	-	-	-
Bonds payable (net)	-	-	-
Debt obligations payable	-	-	-
Loan participation payable to Federal Financing Bank	-	-	-
Payable to The City of New York:	-	-	
Loan participation due to The City of New York	-	-	-
Others	-	-	-
Payable to mortgagors	-	-	-
Post employment benefits payable	-	-	-
Unearned revenues and other liabilities	-	-	-
Due to the United States Government	-	-	-
Total Noncurrent Liabilities	-	-	-
Total Liabilities	-	-	-
Deferred inflows from pension	-	-	-
Interest rate swap fair value	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position:			
Restricted for bond obligations	-	-	-
Restricted for insurance requirement and others	74,731	71,192	3,539
Unrestricted	51,573	51,105	468
Total Net Position	**126,304**	**122,297**	**4,007**
Total Liabilities and Net Position	**$ 126,304**	**$ 122,297**	**$ 4,007**

Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total REMIC
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ -	$ -	$ -
Fees and charges	2,820	2,134	686
Income on loan participation interests	-	-	-
Other	-	-	-
Total Operating Revenues	**2,820**	**2,134**	**686**
Operating Expenses			
Interest and amortization of bond premium and discount	-	-	-
Salaries and related expenses	-	-	-
Trustees' and other fees	-	-	-
Amortization of debt issuance costs	-	-	-
Corporate operating expenses	-	-	-
Total Operating Expenses	-	-	-
Operating Income (Loss)	**2,820**	**2,134**	**686**
Non-operating Revenues (Expenses)			
Earnings on investments	1,597	1,216	381
Unrealized gain (loss) on investment FMV	-	444	(444)
Loss on early retirement of debt	-	-	-
Other non-operating revenues (expenses), net	-	-	-
Operating transfers to (HDC) Corporate Services Fund	(409)	(386)	(23)
Operating transfers from REMIC Subsidiary	-	-	-
Total Non-operating Revenues (Expenses)	**1,188**	**1,274**	**(86)**
Income (Loss)	**4,008**	**3,408**	**600**
Capital transfers	-	-	-
Loan participation agreement resecuritization proceeds	-	-	-
Extinguishment of debt	-	-	-
Change in Net Position	**4,008**	**3,408**	**600**
Total net position - beginning of year	122,296	117,572	4,724
Total Net Position - End of Year	**$ 126,304**	**$ 120,980**	**$ 5,324**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total NIBP
(in thousands)

Assets

	July 31, 2018	October 31, 2017	Change
Current Assets:			
Cash	$ -	$ -	$ -
Investments	6,863	10,110	(3,247)
Receivables:			
Mortgage loans	1,977	1,904	73
Accrued interest	567	572	(5)
Notes	-	-	-
Other	-	-	-
Total receivables	2,544	2,476	68
Other assets	-	-	-
Total Current Assets	**9,407**	**12,586**	**(3,179)**
Noncurrent Assets:			
Restricted cash	-	225	(225)
Restricted investments	4,744	4,707	37
Purpose investment	10,338	10,570	(232)
Mortgage loans	-	-	-
Restricted receivables:			
Mortgage loans	266,016	267,508	(1,492)
Mortgage loan participation - Federal Financing Bank	-	-	-
Loan participation receivable - The City of NY	-	-	-
Accrued interest	-	-	-
Notes	-	-	-
Other	-	-	-
Total restricted receivables	266,016	267,508	(1,492)
Unamortized issuance costs	-	-	-
Primary government/component unit receivable (payable)	(1,200)	(1,200)	-
Capital assets	-	-	-
Other assets	-	-	-
Total Noncurrent Assets	**279,898**	**281,810**	**(1,912)**
Total Assets	**$ 289,305**	**$ 294,396**	**$ (5,091)**
Deferred outflows of resources			
Interest rate cap	-	-	-
Deferred loss on early retirement of debt	-	-	-
Deferred outflows pension related	-	-	-
Deferred outflows related to OPEB plan	-	-	-
Total deferred outflows of resources	**$ -**	**$ -**	**$ -**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total NIBP
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ 3,480	$ 3,390	$ 90
Debt obligations payable			
Loan participation payable to Federal Financing Bank			
Accrued interest payable	1,860	3,762	(1,902)
Payable to The City of New York	-	-	-
Payable to mortgagors	-	-	-
Restricted earnings on investments	-	-	-
Accounts and other payables	-	-	-
Due to the United States Government	-	-	-
Total Current Liabilities	**5,340**	**7,152**	**(1,812)**
Noncurrent Liabilities:			
Bonds and debt obligations payable:			
Bonds payable (net)	280,340	283,820	(3,480)
Debt obligations payable	-	-	-
Loan participation payable to Federal Financing Bank	-	-	-
Payable to The City of New York:	-	-	
Loan participation due to The City of New York	-	-	-
Others	-	-	-
Payable to mortgagors	-	-	-
Post employment benefits payable	-	-	-
Unearned revenues and other liabilities	-	-	-
Due to the United States Government	-	-	-
Total Noncurrent Liabilities	**280,340**	**283,820**	**(3,480)**
Total Liabilities	**285,680**	**290,972**	**(5,292)**
Deferred inflows from pension	-	-	-
Interest rate swap fair value	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position:			
Restricted for bond obligations	3,625	3,424	201
Total Net Position	**3,625**	**3,424**	**201**
Total Liabilities and Net Position	**$ 289,305**	**$ 294,396**	**$ (5,091)**

Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total NIBP
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ 8,675	$ 8,740	$ (65)
Fees and charges	-	-	-
Income on loan participation interests	-	-	-
Other	-	-	-
Total Operating Revenues	**8,675**	**8,740**	**(65)**
Operating Expenses			
Interest and amortization of bond premium and discount	5,601	5,653	(52)
Salaries and related expenses	-	-	-
Trustees' and other fees	-	-	-
Amortization of debt issuance costs	-	-	-
Corporate operating expenses	-	-	-
Total Operating Expenses	**5,601**	**5,653**	**(52)**
Operating Income (Loss)	**3,074**	**3,087**	**(13)**
Non-operating Revenues (Expenses)			
Earnings on investments	572	544	28
Unrealized gain (loss) on investment FMV	-	-	-
Loss on early retirement of debt	-	-	-
Other non-operating revenues (expenses), net	-	-	-
Operating transfers to (HDC) Corporate Services Fund	-	-	-
Total Non-operating Revenues (Expenses)	**572**	**544**	**28**
Income (Loss)	**3,646**	**3,631**	**15**
Capital transfers	(3,445)	(7,439)	3,994
Loan participation agreement resecuritization proceeds	-	-	-
Extinguishment of debt	-	-	-
Change in Net Position	**201**	**(3,808)**	**4,009**
Total net position - beginning of year	3,424	6,021	(2,597)
Total Net Position - End of Year	**$ 3,625**	**$ 2,213**	**$ 1,412**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total MINI Open
(in thousands)

Assets

	July 31, 2018	October 31, 2017	Change
Current Assets:			
Cash	$ -	$ -	$ -
Investments	11,814	7,314	4,500
Receivables:			
Mortgage loans	4,713	3,443	1,270
Accrued interest	817	602	215
Notes	-	-	-
Other	-	-	-
Total receivables	5,530	4,045	1,485
Other assets	-	-	-
Total Current Assets	**17,344**	**11,359**	**5,985**
Noncurrent Assets:			
Restricted cash	-	-	-
Restricted investments	5,758	54,216	(48,458)
Purpose investment	-	-	-
Mortgage loans	-	-	-
Restricted receivables:			
Mortgage loans	162,237	119,553	42,684
Mortgage loan participation - Federal Financing Bank	-	-	-
Loan participation receivable - The City of NY	-	-	-
Accrued interest	938	-	938
Notes	-	-	-
Other	-	-	-
Total restricted receivables	163,175	119,553	43,622
Unamortized issuance costs	-	-	-
Primary government/component unit receivable (payable)	(4,037)	(4,038)	1
Capital assets	-	-	-
Other assets	-	-	-
Total Noncurrent Assets	**164,896**	**169,731**	**(4,835)**
Total Assets	**$ 182,240**	**$ 181,090**	**$ 1,150**
Deferred outflows of resources			
Interest rate cap	244	244	-
Deferred loss on early retirement of debt	-	-	-
Deferred outflows pension related	-	-	-
Deferred outflows related to OPEB plan	-	-	-
Total deferred outflows of resources	**$ 244**	**$ 244**	**$ -**

Net Position Summary
Current Period JUL-18
Unaudited

Program=Total MINI Open
(in thousands)

Liabilities and Net Position

	July 31, 2018	October 31, 2017	Change
Current Liabilities:			
Bonds payable (net)	$ 7,770	$ 7,095	$ 675
Debt obligations payable			
Loan participation payable to Federal Financing Bank			
Accrued interest payable	2,090	862	1,228
Payable to The City of New York	-	-	-
Payable to mortgagors	-	-	-
Restricted earnings on investments	-	-	-
Accounts and other payables	-	-	-
Due to the United States Government	-	-	-
Total Current Liabilities	**9,860**	**7,957**	**1,903**
Noncurrent Liabilities:			
Bonds and debt obligations payable:			
Bonds payable (net)	125,050	131,800	(6,750)
Debt obligations payable	-	-	-
Loan participation payable to Federal Financing Bank	-	-	-
Payable to The City of New York:	-	-	
Loan participation due to The City of New York	-	-	-
Others	-	-	-
Payable to mortgagors	-	-	-
Post employment benefits payable	-	-	-
Unearned revenues and other liabilities	-	-	-
Due to the United States Government	-	-	-
Total Noncurrent Liabilities	**125,050**	**131,800**	**(6,750)**
Total Liabilities	**134,910**	**139,757**	**(4,847)**
Deferred inflows from pension	-	-	-
Interest rate swap fair value	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position:			
Restricted for bond obligations	47,574	41,577	5,997
Restricted for insurance requirement and others	-	-	-
Unrestricted	-	-	-
Total Net Position	**47,574**	**41,577**	**5,997**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 182,484**	**$ 181,334**	**$ 1,150**

Statement of Revenue and Expenses Summary
Current Period JUL-18
Unaudited

Program=Total MINI Open
(in thousands)

	Q3 FY 2018 (11/01/17-07/31/18)	Q3 FY 2017 (11/01/16-07/31/17)	Change
Operating Revenues			
Interest on loans	$ 6,114	$ 4,607	$ 1,507
Fees and charges	-	-	-
Income on loan participation interests	-	-	-
Other	-	-	-
Total Operating Revenues	**6,114**	**4,607**	**1,507**
Operating Expenses			
Interest and amortization of bond premium and discount	3,456	2,608	848
Salaries and related expenses	-	-	-
Trustees' and other fees	-	-	-
Amortization of debt issuance costs	161	-	161
Corporate operating expenses	-	-	-
Total Operating Expenses	**3,617**	**2,608**	**1,009**
Operating Income (Loss)	**2,497**	**1,999**	**498**
Non-operating Revenues (Expenses)			
Earnings on investments	188	74	114
Unrealized gain (loss) on investment FMV	-	-	-
Loss on early retirement of debt	-	-	-
Other non-operating revenues (expenses), net	-	-	-
Operating transfers to (HDC) Corporate Services Fund	-	-	-
Total Non-operating Revenues (Expenses)	**188**	**74**	**114**
Income (Loss)	**2,685**	**2,073**	**612**
Capital transfers	3,312	(9)	3,321
Loan participation agreement resecuritization proceeds	-	-	-
Extinguishment of debt	-	-	-
Change in Net Position	**5,997**	**2,064**	**3,933**
Total net position - beginning of year	41,577	53,490	(11,913)
Total Net Position - End of Year	**$ 47,574**	**$ 55,554**	**$ (7,980)**

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

TO: Members of the Audit Committee

FROM: Ellen Duffy

SUBJECT: Debt Report for July 31, 2018

DATE: SEPTEMBER 19, 2018

Attached please find the Corporation's Debt Report as of July 31, 2018.

The last debt report presented to the Audit Committee was as of April 30, 2018. During this time, the Corporation issued seven series of Open Resolution Bonds totaling $742 million and one stand-alone series of bonds totaling $72.2 million.

There were bond redemptions in five series of Open Resolution bonds totaling $69.2 million and in one stand-alone series in the amount of $42.8 million.

The Corporation's debt outstanding as of July 31, 2018 is approximately $11.6 billion. The Corporation's statutory debt capacity was recently increased from $12.5 billion to $13.5 billion.

110 William Street, New York, NY 10038 tel: 212.227.5500 fax: 212.227.6865

HDC Debt – Monthly Report of July 31, 2018

'otal HDC Debt

)utstanding 'rincipal	Open Resolution Amount	Percent	New Issue Bond Program Amount	Percent	Stand-Alone Bonds Amount		Percent	MF Secured Resolution Amount	Percent	MF Pass-Thru Resolution Amount	Percent	Total HDC Bonds Amount	Percent
ixed Rate	5,238,065,000	74.77%	283,820,000	100%	1,768,414,769	(1)	43.46%	92,995,000	70%	63,733,631	100%	7,447,028,400.28	64.45%
'ar-Term	328,395,000	4.69%	-	0%	-		0.00%	-	0%	-	0%	328,395,000.00	2.84%
'ar-Index (2)	1,266,470,000	18.08%	-	0%	193,093,544	(3)	4.75%	39,825,000	30%	-	0%	1,499,388,544.43	12.98%
'RDO	172,280,000	2.46%	-	0%	2,107,275,000		51.79%	-	0%	-	0%	2,279,555,000.00	19.73%
'otal	7,005,210,000	100%	283,820,000	100%	4,068,783,314		100.00%	132,820,000	100%	63,733,631	100%	11,554,366,944.71	100.00%
iraw Down Bond Allocations												0.00	
iovernment Debt Obligation Allocation												26,888,264.98	
itatutory Limit												*12,500,000,000.00*	
:emaining Capacity												918,744,790.31	7.35%

'pen/Mini Variable Rate Exposure

eries	Bond Total	Mortgage Loan Balance		Bond Maturity	Rate Reset Period/ Index	Bond Tax Status	Average Bond Rate	Weighted Avg. Loan Rate	Weighted Avg. Spread (13)	Debt Service Coverage Ratio (13)
ar-Index										
)02 C	38,495,000	13,458,224		2034	Quarterly/ 3 M FHLB Swap Rate + 30 bps	Taxable	2.20%	7.39%	5.1943%	35.8462% (8,9)
)08 E	86,430,000	42,492,037.35		2037	Quarterly/ 3 M FHLB Swap Rate + 30 bps	Taxable	2.20%	3.27%	1.0667%	51.5598% (8,9)
)08 F	71,630,000	21,081,700	(4)	2041	Quarterly/ 3 M FHLB Swap Rate + 30 bps	Taxable	2.20%	4.98%	2.7817%	86.3018% (9)
)08 J	33,340,000	52,823,923		2043	Quarterly/ 3 M LIBOR + 61 bps	Taxable	2.97%	5.60%	2.6300%	158.4401%
)08 K	84,400,000	81,173,090		2043	Quarterly/ 3 M LIBOR + 61 bps	Taxable	2.97%	2.25%	-0.7213%	96.1766%
)09 I-2	25,000,000	77,786,484	(5)	2039	Quarterly/ 3 M LIBOR + 48 bps	Taxable	2.84%	1.22%	-1.6146%	311.1459%
)10 H	51,675,000	38,553,918		2040	Quarterly/ 3 M LIBOR + 54 bps	Taxable	2.90%	3.57%	0.6671%	74.6085%
)11 F-2	56,460,000	68,060,724	(4)	2040	Quarterly/ 3 M LIBOR + 48 bps	Taxable	2.84%	5.15%	2.3096%	120.5468%
)11 F-3	12,540,000	30,050,854		2040	Quarterly/ 3 M LIBOR + 48 bps	Taxable	2.84%	3.38%	0.5448%	239.6400%
)13 D-2	55,000,000	194,726,972		2038	Quarterly/ 3 M LIBOR + 65 bps	Taxable	3.01%	1.93%	-1.0782%	354.0490%
)14 B-2	50,000,000	76,204,887	(6)	2033	Quarterly/ 3 M LIBOR + 49 bps	Taxable	2.85%	1.09%	-1.7581%	152.4098%
)14 D-2	38,000,000	49,569,771		2037	Quarterly/ 3 M LIBOR + 49 bps	Taxable	2.85%	3.16%	0.3111%	130.4468%
)14 H-2	50,000,000	57,953,473	(7)	2044	Quarterly/ 3 M LIBOR + 47 bps	Taxable	2.83%	4.41%	1.5816%	125.4324% (9)
)15 B-2	33,000,000	52,604,980.98		2044	Quarterly/ 3 M LIBOR + 40 bps	Taxable	2.76%	2.23%	-0.5314%	159.4090%
)16 G-2	78,000,000	130,235,566.63		2045	Quarterly/ 3 M LIBOR + 51 bps	Taxable	2.87%	3.88%	1.0111%	178.3240% (9)
)17 B-2	61,500,000	78,758,905.63		2021	Quarterly/ 3 M LIBOR + 43 bps	Taxable	2.79%	5.10%	2.3157%	150.1789% (9)
)17 A-2-(Mini)	39,825,000	30,690,444.30		2041	Quarterly/ 3 M LIBOR + 41 bps	Taxable	2.77%	5.49%	2.7250%	82.3887% (9)
)18 B-2	100,000,000	224,354,901.68		2046	Quarterly/ 3 M LIBOR + 45 bps	Taxable	2.79%	0.94%	-1.8531%	226.4757%
otal	965,295,000	1,320,580,857								
ar-Index/VRDO Pass-Through										
)06 J-1	100,000,000	100,000,000	(10)	2046	Monthly/(LIBOR + 110bps)75%	Tax-Exempt	2.90%	2.90%	0.0000%	
)15 D-3	15,000,000	13,270,250	(10)	2020	VRDO (Citibank Liquidity)	Tax-Exempt	0.97%	0.97%	0.0000%	
)15 D-4	13,500,000	13,499,800	(10)	2020	VRDO (Wells Fargo Liquidity)	Tax-Exempt	0.97%	0.97%	0.0000%	
)16 J-1	161,500,000	79,416,521	(10)	2052	Quarterly/ 3 M LIBOR + 68 bps	Taxable	3.04%	3.04%	0.0000%	
)16 J-2	29,500,000	14,506,423	(10)	2052	Quarterly/ 3 M LIBOR + 68 bps	Tax-Exempt	3.04%	3.04%	0.0000%	
)17 A-3	50,000,000	34,383,667	(14)		Monthly/LIBOR*70% +54bps	Tax-Exempt	2.00%	2.20%	0.1955%	
)17 C-4	57,830,000	13,543,887	(10)		VRDO (Wells Fargo Liquidity)	Tax-Exempt	0.97%	0.97%	0.0000%	
)17 G-3	85,950,000	12,524,550.15		2057	VRDO (Wells Fargo Liquidity)	Tax-Exempt	1.03%	1.03%	0.0000%	
otal	513,280,000	281,145,098								

utstanding Interest Rate CAPs

utstanding Notional Amount With Goldman Sachs	(11)	156,745,000
rike Rate		7.3500%
aturity Date		11/1/2032
utstanding Notional Amount With PNC	(11)	50,000,000
rike Rate		4.50%-7.50%
aturity Date		11/1/2033
utstanding Notional Amount With Barclays	(11)	150,000,000
rike Rate		3.5000%
aturity Date		11/1/2020
utstanding Notional Amount With US Bank	(11)	39,825,000
rike Rate		3.2500%
aturity Date		2/1/2023
)C Short-Term Assets	(12)	142,012,864
dge Ratio: Short-Term Assets/Variable Debt		27.11%

Outstanding Interest Rate SWAPs

Outstanding Notional Amount With Wells Fargo	(11)	65,630,000
Swap Rate		2.2400%
Forward Start Date		8/1/2019
Maturity Date		5/1/2047
Outstanding Notional Amount With PNC	(11)	85,000,000
Swap Rate		2.0290%
Forward Start Date		5/1/2018
Maturity Date		11/1/2035
Outstanding Notional Amount With PNC	(11)	50,000,000
Swap Rate		1.2028%
Forward Start Date		6/1/2017
Maturity Date		8/1/2020
Outstanding Notional Amount With Wells Fargo	(11)	54,126,321
Swap Rate		2.9840%
Forward Start Date		2/1/2021
Maturity Date		5/1/2048
Outstanding Notional Amount With PNC	(11)	100,000,000
Swap Rate		3.0949%
Forward Start Date		2/1/2019
Maturity Date		5/1/2046

18 Volume Cap

'C Allocation – January	298,818,555
'S Allocation – May	250,000,000
ed up to 6/30	(540,585,000)
lance Available 6/30/18	8,233,555

Open Reso Bonds*

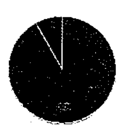


*Chart includes NIBP

Rates of the Index Floating Bonds:

3 M FHLB Swap Rate	current (08/15/2018)	2.11
3 M LIBOR -	current (08/13/2018)	2.31
1 M LIBOR -	current (08/13/2018)	2.06
7 D SIFMA -	current (08/09/2018)	1.45

Debt Issuance / Key Events

Debt Issuance in July:	**117,459,854.26**
2018 E	18,230,000.00
2018 G	98,245,000.00
Remarketing in July:	**0.00**
Draw Down Advances in July:	**984,854.26**
38 Sixth Ave #2	
La Casa Del Mundo	110,667.95
MHANY	143,606.04
Prospect Plaza	436,735.82
Jamaica	
Draper Hall	
Stanley Commons	
535 Carlton #2	293,844.45
Redemption in July:	**57,290,000.00**
2008 H-2-A	14,540,000.00
Draper Hall	42,750,000.00

tes

Includes Debt Obligation issued pursuant to a Funding Loan Agreement. A) Harlem Dowling: $12.85mm VC Allocated; $12.85mm o/s B) Stanley Commons: $40.2mm VC Allocated; $39,598,928 o/s C) Draper Hall: $42.75mm VC Allocated; $42.75MM o/s D) La Casa Del Mundo: $19.21mm VC Allocated; $18,561,347 o/s E-1) MHANY: $450K Taxable Allocated; $450K o/s E-2) MHANY: $32.55mm VC Allocated; $30,867,575 o/s F) Prospect Plaza 3: $33.19mm VC Allocated; $27,850,340 o/s G) One Flushing: $23.6mm VC Allocated; $10,910,000 o/s.

Includes 2006 J-1 in an amount of $100,000,000 which has been walled off from the Open Resolution.

Includes DD Bonds (A & D) & Debt Obligation (B & C). A) 250 Ashland: $33mm VC Allocated; $33mm o/s B-1) Pacific Park 535 Carlton #1: $150K VC Allocated; $150K o/s B-2) Pacific Park 535 Carlton #2: $23.85mm VC Allocated; $17918,545 o/s C-1) 38 Sixth Avenue: $50K VC Allocated; $50K o/s C-2) 38 Sixth Avenue #2: $28.95mm VC Allocated; $28.95mm o/s D) 148th Street Jamaica: $22.13mm VC Allocated; $22.13mm o/s.

One loan (Franklin Plaza) is currently advancing.

The mortgages are collateral for both I-1 (50,000,000 outstanding)(fixed) and I-2 (variable).

Collateral from refunded 2006 Series A loan pool. These Mortgage balances will be updated on a semi-annual basis (1/31 and 7/31). The 2014 series B mortgage loans are securing both 2014 B-1 (82,375,000 outstanding, fixed) and B-2 (50,000,000 outstanding, variable).

Three loans (Crotona Terrace, 3160 Park Avenue 1B, Ryerson Towers) are currently advancing.

Prepayments in this series have been releveraged in other securitizations including 2013 D, 2014 D, 2015 B, 2016 G and 2017 B; Aggregate DSCR based on these 7 series is 150.2764%.

DSCR is calculated using all cash based assets underlying the series.

) The bond is structured as a pass-thru deal and the borrower is responsible for the bond interest, which is fully capitalized.

) Interest rate hedges are not legally tied to the associated bond series, therefore provides a hedge to the full Open Resolution variable rate portfolio.

) Includes only those assets for which HDC keeps the earnings.

) Overcollateralized to offset lower weighted average spread.

) This series was directly placed with Bank of America.

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

TO: Members of the Audit Committee

FROM: Ellen Duffy

SUBJECT: Investment Report for September 10, 2018

DATE: SEPTEMBER 19, 2018

Attached please find HDC's investment report as of September 10, 2018. Funds under management totaled approximately $5.1 billion. This report reflects routine investment activity.

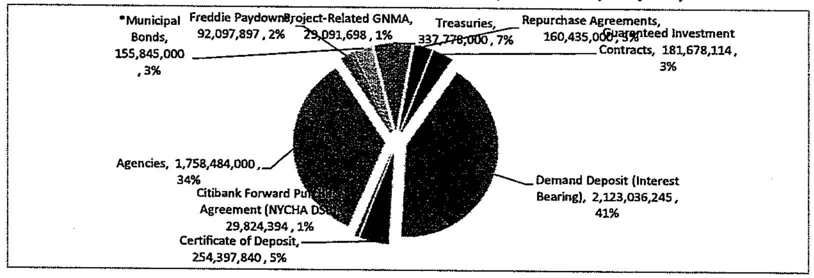
110 William Street, New York, NY 10038 tel: 212.227.5500 fax: 212.227.6865

	9/10/2018	8/28/2018	Weekly Change	10/31/2017	Change 10/31/2017 to Current	10/31/2016
Total Investments	5,122,668,187	5,081,925,855	40,742,332	4,209,594,605	913,073,582	3,444,740,628
Investments by Pool:						
Open Resolution Revenue	247,510,820	229,373,285	18,137,535	269,248,862	(21,738,042)	276,744,431
Project-Related GNMAs	29,091,698	29,091,698	-	29,672,230	(580,532)	30,338,668
Open Resolution DSR	143,297,693	143,285,753	11,941	124,554,856	18,742,838	114,471,579
Open Resolution Bond Proceeds	1,556,452,974	1,580,864,438	(24,411,464)	1,484,466,277	71,986,698	1,055,951,826
Open Resolution Redemption	25,455,886	25,455,832	54	38,630,000	(13,174,114)	112,244,900
Open Resolution Prepayment	137,104,650	79,138,931	57,965,719	26,631,775	110,472,875	90,892,478
Debt Paydown Reserve Fund	-	-	-	147,422	(147,422)	15,512,677
Non Bonded Proceeds	343,259	342,676	583	338,374	4,884	336,144
Mitchell-Lama Prepayment	2,292,565	2,289,245	3,320	105,267	2,187,298	1,916,967
NYCHA (Stand Alone, All Funds)	38,128,194	38,119,594	8,600	37,228,914	899,280	73,037,609
HDC Pass Through	3,321,188	3,279,164	42,023	2,385,194	935,994	1,472,388
HPD Participating Loan (Schermerhorn)	27,990,588	28,081,919	(91,332)	13,489,684	14,500,903	203,120
HPD Grant Funds (Harp Proceeds)	3,630,233	3,624,948	5,285	3,495,993	134,240	3,369,780
Bond Proceeds, Non-OR	88,976,885	92,165,502	(3,188,617)	39,081,718	49,895,167	57,100,275
Bond Revenue Funds, Non-OR	155,562,734	154,087,132	1,475,602	125,476,547	30,086,186	119,361,288
Subtotal, Bond-Related	**2,459,159,366**	**2,409,200,117**	**49,959,249**	**2,194,953,112**	**264,206,254**	**1,952,954,130**
HPD Funds						
HPD Grant Funds (Section 661)	253,813,524	248,670,094	5,143,431	215,184,390	38,629,135	195,680,920
Escrows (HDC retains earnings)	1,037,822,158	1,046,225,411	(8,403,253)	516,028,252	521,793,906	183,065,341
Reserves for Replacement, Escrows	57,905,929	55,941,628	1,964,301	48,194,848	9,711,081	42,916,288
	349,402,324	349,245,277	157,047	322,500,312	26,902,012	241,842,594
Subtotal, Loan Servicing	**1,698,943,935**	**1,700,082,409**	**(1,138,474)**	**1,101,907,801**	**597,036,134**	**663,505,143**
Housing Assistance Corp.	12,748,605	12,729,033	19,572	14,943,835	(2,195,230)	990,130
REMIC	126,840,592	126,654,554	186,038	122,139,173	4,701,420	117,828,947
Mitchell-Lama Claim Payment Fund	36,000	36,000	-	131,000	(95,000)	363,000
Construction Loan Mortgagor Equity	15,393,135	15,516,337	(123,202)	4,566,485	10,826,651	6,927,746
Community Development Block Grant	75,260,902	76,363,525	(1,102,623)	79,577,200	(4,316,298)	1,820,213
Corporate Services – 421a Funds	99,435,414	99,468,098	(32,684)	132,866,169	(33,430,755)	107,808,244
Corporate Services – DOJ	8,109,848	8,095,712	14,136	10,423,674	(2,313,825)	
Corporate Services – Committed to HDC Loans	27,216,831	31,040,639	(3,823,808)	64,594,284	(37,377,453)	112,752,640
Corporate Services – Committed to HDC Open Res	156,151,346	148,697,669	7,453,677	107,329,383	48,821,964	79,906,339
Corporate Services – General/Operating***	187,619,973	198,755,302	(11,135,329)	143,812,849	43,807,124	145,445,795
Corporate Services – Revolving/Warehousing	191,150	190,826	324	188,431	2,720	186,941
Corporate Services – Future Mitchell Lama Loan Fund	45,633,611	45,631,818	1,793	45,583,075	50,535	45,491,413
Corporate Services – Mitchell Lama Repair Fund	8,032,860	8,026,825	6,034	7,984,093	48,766	7,932,461
Corporate Services – HPD 2004 M.O.U.	27,403	22,994	4,409	27,366	37	78,394
Corporate Services – HUD Multi-Family Loan Fund	4,275,214	4,271,205	4,008	4,356,074	(80,860)	4,114,470
Corporate Services – HPD 15 Year Reserves	1,997,766	1,996,139	1,627	942,247	1,055,520	1,251,790
Corporate Services – OPEB****	8,435,000	8,435,000	-	8,435,000	-	8,435,000
Corporate Services – NYCEEC	982,332	980,654	1,678	986,738	(4,406)	1,006,037
Corporate Services – Designated and Restricted / Rating and Reserves **	186,176,905	185,730,998	445,907	163,846,618	22,330,287	171,132,132
Subtotal, HDC Non-Bond Programs	**964,564,887**	**972,643,329**	**(8,078,442)**	**912,733,692**	**51,831,195**	**828,281,356**
Total, All Pools	**5,122,668,187**	**5,081,925,855**	**40,742,332**	**4,209,594,605**	**913,073,582**	**3,444,740,628**

* This amount represents the 2nd mortgage payoffs from the Mitchell Lama closing held by HDC prior to transfer to REMIC trustee
** 96,000,000 Rating Agency Reserve
** 4,233,750 2014 B DSR
** 8,273,750 2018 B DSR
** 15,000,000 HDC Risk Sharing Reserves COOP City (139)
** 14,155,556 HDC Financial Guaranty Reserves NYCHA Tax credit (140)
** 2,250,000 PCN Risk Sharing Reserve (139)
** 2,500,000 CPC Risk Sharing Reserve (139)
** 8,135,200 FHA Risk Sharing Reserve (139)
** 23,579,250 Working Capital
** 11,563,916.32 Green Swap (178)
*** 3M Self Insurance Reserve for Errors and Ommissions
*** 19M Six Month Operating Reserve
**** OPEB Cash Balance 85,446.47

	9/10/2018	8/28/2018 Percentage of Type of Securities Held	8/28/2018	Weekly Change	10/31/2017	Change 10/31/2017 to Current
Total Investments	**5,122,668,187**		**5,081,925,855**	**40,742,332**	**4,209,594,605**	**913,073,582**
Investments by Security:						
Repurchase Agreements	160,435,000	3.13%	162,615,000	(2,180,000)	196,184,000	(35,749,000)
Guaranteed Investment Contracts	181,678,114	3.55%	183,615,628	(1,937,513)	128,846,085	52,832,029
Demand Deposit (Interest Bearing)	2,123,036,245	41.44%	2,077,817,199	45,219,046	1,675,716,136	447,320,108
Certificate of Deposit	254,397,840	4.97%	254,146,040	251,800	296,571,059	(42,173,220)
Citibank Forward Purchase Agreement (NYCHA DSR)	29,824,394	0.58%	29,824,394	-	29,824,394	-
Agencies	1,758,484,000	34.33%	1,758,484,000	-	1,240,545,000	517,939,000
Freddie Paydowns	92,097,897	1.80%	92,097,897	-	102,153,700	(10,055,803)
Project-Related GNMA	29,091,698	0.57%	29,091,698	-	29,672,230	(580,532)
*Municipal Bonds	155,845,000	3.04%	155,845,000	-	136,015,000	19,830,000
Treasuries	337,778,000	6.59%	338,389,000	(611,000)	374,067,000	(36,289,000)
Total	**5,122,668,187**	**100.00%**	**5,081,925,855**	**40,742,332**	**4,209,594,605**	**913,073,582**

*VRDB $52 Million



Diversification Details:		**Amount Outstanding**
Repurchase Agreements:		
Chase Securities, Inc.		-
Citigroup		-
Daiwa Securities		95,087,000
		-
Mizuho Securities Usa, Inc.		65,348,000
	Total	**160,435,000**

Guaranteed Investment Contracts		**Uncollateralized**	**%**	**Collateralized**	**%**	**Total**
Bank Of America		-	0.00%	-	0.00%	-
Bayerische Landesbank		10,347,091	6.30%	-	-	10,347,091
Credit Agricole CIB NEW YORK \Calyon		-	0.00%	-	-	-
Deutsche Bank Ag New York -GIC PROVIDER		-	0.00%	17,402,061	100.00%	17,402,061
Rabobank International		5,304,123	3.23%	-	-	5,304,123
RBC Capital Markets Corporation		-	0.00%	-	-	-
Societe Generale Gic		1,108,458	0.67%	-	-	1,108,458
Toronto-Dominion Bank c/o TD Security-GIC		147,516,381	89.80%	-	-	147,516,381
Westdeutsche Landesbank		-	0.00%	-	0.00%	-
	Total	**164,276,053**	**100.00%**	**17,402,061**	**100.00%**	**181,678,114**

*Weighted Avg for NYCB & STER

Demand Deposit (Interest Bearing)					**Interest Rate**	**Weighted Avg.**
Customer Bank		302,081,215	14.23%	5.897%	2.05%	0.29%
Empire National Bank		80,009,117	3.77%	1.562%	1.80%	0.07%
Flushing Commercial Bank ICS		87,874,218	4.14%	1.715%	2.00%	0.08%
Flushing Commercial Bank Non-ICS		178,000,000	8.38%	3.475%	3.00%	0.25%
NYC Community Bank		291,586,546	13.73%	5.692%	2.22%	0.30%
Bridge Hampton National Bank		28,714,373	1.35%	0.561%	2.00%	0.03%
Santander Bank		28,933,179	1.36%	0.565%	2.00%	0.03%
Signature		398,002,113	18.75%	7.769%	2.00%	0.37%
Lakeland Bank		23,089,472	1.09%	0.451%	1.70%	0.02%
Bank of the Ozarks		219,623,076	10.34%	4.287%	2.10%	0.22%
US Bank		93,489,308	4.40%	1.825%	1.50%	0.07%
Sterling National Bank		391,633,629	18.45%	7.645%	2.46%	0.45%
	Total	**2,123,036,245**	**100.00%**	**41.444%**		**2.18%**

Note : Does not include DDA accounts that reconcile to zero.

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To:	Members of the Audit Committee
From:	Mary Hom
Date:	September 14, 2018
Re:	Counterparty Credit Risk Exposure

I have attached an unaudited report detailing the Corporation's counterparty exposure as of August 31, 2018.

Please let me know if you have any questions.

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Counterparty Credit Risk Exposure Report as of August 31, 2018
(UNAUDITED)

Counterparty	Moody's	S&P	Construction LOC	Permanent Enhancement	Investment	Liquidity Providers	TOTAL COUNTERPARTY EXPOSURE	% Total Counterparty Exposure
Bank of America NA	Aa3	A+	$379,395,000	$26,455,000			$405,850,000	3.08%
Bank of New York Mellon NA	Aa1	AA-	$376,275,000				$376,275,000	2.86%
Bank of the Ozarks	NR	NR			$219,935,060		$219,935,060	1.67%
Bayerische Landesbank	Aaa	NR			$10,057,213		$10,057,213	0.08%
Bridgehampton National Bank	NR	NR			$28,482,478		$28,482,478	0.22%
Capital One Bank	A1	BBB+		$22,700,000			$22,700,000	0.17%
Citibank NA	A1	A+	$788,355,000	$205,453,363	$29,824,394	$15,000,000	$1,038,632,757	7.89%
Customers Bank	NR	NR			$301,228,371		$301,228,371	2.29%
Daiwa Securities	A3	A			$92,810,000		$92,810,000	0.70%
Deutsche Bank	A3	BBB+		$55,000,000	$17,402,061		$72,402,061	0.55%
Dormitory Authority of the State of NY (DASNY)	Aa1	AAA			$12,345,000		$12,345,000	0.09%
Empire National Bank	NR	NR			$80,188,302		$80,188,302	0.61%
Flushing Bank	NR	NR			$178,000,000		$178,000,000	1.35%
Goldman Sachs Bank	A1	A+	$191,000,000				$191,000,000	1.45%
HDC	Aa2	AA	$202,970,000				$202,970,000	1.54%
JPMorgan Chase Bank NA	Aa2	A+	$395,415,000	$9,610,000			$405,025,000	3.07%
Lakeland Bank	NR	NR			$23,786,114		$23,786,114	0.18%
Landesbank Baden-Wuerttemberg	Aa3	NR		$70,000,000			$70,000,000	0.53%
Mizuho Corporate Bank/Mizuho Securities	A1	A			$64,466,000		$64,466,000	0.49%
NYC GO	Aa2	AA			$19,800,000		$19,800,000	0.15%
NYC Transitional Finance Authority	Aa1	AAA			$61,425,000		$61,425,000	0.47%
NY Community Bank	A2	BBB			$500,913,357		$500,913,357	3.80%
NYS HFA	NR	A			$62,000,000		$62,000,000	0.47%
Promontory (FDIC-insured)	Aaa	AA+			$91,391,985		$91,391,985	0.69%
Rabobank	Aa3	A+			$5,259,065		$5,259,065	0.04%
REMIC	NR	AA		$262,927,668			$262,927,668	2.00%
Santander Bank NA	A2	A-			$28,884,085		$28,884,085	0.22%
Signature Bank	NR	NR			$379,540,303		$379,540,303	2.88%
Societe Generale	A1	A			$1,013,281		$1,013,281	0.01%
SONYMA	Aaa/Aa1	NR		$485,930,706	$275,000		$486,205,706	3.69%
Sterling National Bank	NR	NR			$395,242,830		$395,242,830	3.00%
SunTrust Bank	A1	A-		$100,000,000			$100,000,000	0.76%
TD Bank NA	Aa2	AA-	$88,910,000		$147,516,381		$236,426,381	1.79%
US Bank	Aa1	AA-			$97,489,445		$97,489,445	0.74%
US Agency:	***Aaa***	***AA+***	***$379,080,000***	***$3,215,277,515***	***$1,879,673,595***		***$5,474,031,110***	***41.56%***
FFCB					$157,854,000		$157,854,000	1.20%
FHA/HUD			$0	$283,889,134			$283,889,134	2.16%
FHLB			$316,735,000		$407,000,000		$723,735,000	5.49%
FHLMC			***$0***	***$972,197,468***	***$1,148,497,897***		***$2,120,695,365***	***16.10%***
FNMA			***$62,345,000***	***$1,959,190,913***	***$137,230,000***		***$2,158,765,913***	***16.39%***
GNMA					$29,091,698		$29,091,698	0.22%
US Treasury	Aaa	AA+			$339,158,000		$339,158,000	2.57%
Wells Fargo Bank NA	Aa1	A+	$676,455,000			$157,280,000	$833,735,000	6.33%
TOTAL			**$3,477,855,000**	**$4,453,354,252**	**$5,068,107,320**	**$172,280,000**	**$13,171,596,572**	**100.00%**
***Counterparty Exposures Above 10% Are Highlighted**								

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NYC HDC
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Counterparty Credit Risk Exposure Report as of August 31, 2018

(UNAUDITED)

Municipal Investments:

Issuer	Amount
Dormitory Authority of the State of NY	$12,345,000
NYC GO	$19,800,000
NYC TFA	$61,425,000
NYS HFA	$62,000,000
SONYMA	$275,000
Total Municipal Investments	**$155,845,000**

Exposure to Counterparties Rated A-Minus and Below, or Not-Rated:

Counterparty	Type of Exposure	Amount	% Total Counterparty Exposure
Bank of the Ozarks*	Money Market	$219,935,060	1.67%
Bridgehampton National Bank*	Money Market	$28,482,478	0.22%
Capital One Bank	Permanent Enhancement	$22,700,000	0.17%
Customers Bank*	Money Market	$301,228,371	2.29%
Daiwa Securities*	Repo	$92,810,000	0.70%
Deutsche Bank*	Repo/Perm Enhancement	$72,402,061	0.55%
Empire National Bank*	Money Market	$80,188,302	0.61%
Flushing Bank*	Money Market	$178,000,000	1.35%
Lakeland Bank*	Money Market	$23,786,114	0.18%
NY Community Bank*	Money Market	$500,913,357	3.80%
Santander Bank*	Money Market	$28,884,085	0.22%
Signature Bank*	Money Market	$379,540,303	2.88%
Sterling National Bank*	Money Market	$395,242,830	3.00%
SunTrust Bank	Permanent Enhancement	$100,000,000	0.76%
TOTAL		**$2,424,112,961**	**18.40%**

**Fully- or over-collateralized by FHLB LOC and/or US Treasury/Agency securities*

Country Exposure (Ex-U.S.):

Country	Type	$ Amount	% Total Counterparty Exposure
Canada (TD Bank)	LOC/Liq	$236,426,381	1.79%
France (Societe Generale)	GIC	$1,013,281	0.01%
Germany (Bayerische Landesbank/Deutsche/LBW)	GIC/LOC	$152,459,274	1.16%
Japan (Mizuho/Daiwa)	RP/LOC	$157,276,000	1.19%
Netherlands (Rabobank Nederland)	GIC	$5,259,065	0.04%
Spain (Santander)	MM	$28,884,085	0.22%
TOTAL		**$581,318,086**	**4.41%**

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Credit Enhancement Diversification as of August 31, 2018

(UNAUDITED)

CONSTRUCTION PROJECTS

			Enhancement During Construction:			Expected Permanent Enhancement:		
Provider	Moody's	S&P	Number of Projects	LOC Amount	% of Total During Construction	Number of Projects	Expected Permanent Enhanced or Insured Amount	% of Total During Permanent
Bank of America	Aa3	A+	13	$379,395,000	10.91%	0	$0	0.00%
Bank of New York Mellon	Aa1	AA-	9	$376,275,000	10.82%	0	$0	0.00%
Citibank	A1	A+	21	$788,355,000	22.67%	2	$156,240,000	15.59%
FHA	Aaa	AA+	0	$0	0.00%	21	$363,157,500	36.24%
FHLB	Aaa	AA+	12	$316,735,000	9.11%	0	$0	0.00%
FHLMC	Aaa	AA+	0	$0	0.00%	1	$158,000,000	15.77%
FNMA	Aaa	AA+	1	$62,345,000	1.79%	1	$38,135,000	3.81%
Goldman Sachs Bank	A1	A+	1	$191,000,000	5.49%	0	$0	0.00%
HDC	Aa2	AA	11	$202,970,000	5.84%	0	$0	0.00%
JPMorgan Chase	Aa2	A+	16	$395,415,000	11.37%	0	$0	0.00%
NONE	NR	NR	4	$0	0.00%	3	$0	0.00%
REMIC	NR	AA	0	$0	0.00%	70	$172,330,903	17.20%
SONYMA*	Aa1	NR	0	$0	0.00%	11	$114,315,000	11.41%
TD Bank NA	Aa2	AA-	3	$88,910,000	2.56%	0	$0	0.00%
Wells Fargo	Aa1	A+	16	$676,455,000	19.45%	0	$0	0.00%
TOTAL			**107**	**$3,477,855,000**	**100.00%**	**109**	**$1,002,178,403**	**100.00%**

In Construction:

Rating	% of Total
AAA	0.00%
AA	30.11%
A	69.89%
TOTAL	**100.00%**

PERMANENT LOANS WITH ENHANCEMENT

Provider	Moody's	S&P	Number of Projects	Enhanced Amount	% of Total Permanent Enhanced Amount
Bank of America	Aa3	A+	2	$26,455,000	0.59%
Capital One	A1	BBB+	1	$22,700,000	0.51%
Citibank	A1	A+	30	$205,453,363	4.61%
Deutsche Bank	A3	BBB+	1	$55,000,000	1.24%
FHA	Aaa	AA+	25	$283,889,134	6.37%
FHLMC	Aaa	AA+	32	$972,197,468	21.83%
FNMA	Aaa	AA+	50	$1,959,190,913	43.99%
JPMorgan Chase	Aa2	A+	2	$9,610,000	0.22%
Landesbank Baden Wuer	Aa3	NR	1	$70,000,000	1.57%
REMIC*	NR	AA	208	$262,927,668	5.90%
SONYMA	Aa1	NR	72	$485,930,706	10.91%
SunTrust Bank	A1	A-	1	$100,000,000	2.25%
TOTAL			**425**	**$4,453,354,252**	**100.00%**

In Permanent:

Rating	% of Total
AAA	0.00%
AA	90.59%
A	7.67%
BBB	1.74%
TOTAL	**100.00%**

**Unenhanced portion totals approximately $1 billion*

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Investment Summary as of August 31, 2018

(UNAUDITED)

Investment Securities & Repo-By Rating:

			NRSRO Rating-August 31, 2018:				
Counterparty	**Type**	**Amount**	**AAA**	**AA**	**A**	**BBB***	**NR***
Bank of the Ozarks	MM	$219,935,060					$219,935,060
Bayerische Landesbank (guaranteed)	GIC	$10,057,213	$10,057,213				
Bridgehampton National Bank	MM	$28,482,478					$28,482,478
Citibank NA	FPA	$29,824,394			$29,824,394		
Customers Bank	MM	$301,228,371					$301,228,371
Daiwa Securities	REPO	$92,810,000			$92,810,000		
Deutsche Bank	REPO	$17,402,061				$17,402,061	
Dormitory Authority of the State of NY	MUNI	$12,345,000		$12,345,000			
Empire National Bank	MM	$80,188,302					$80,188,302
Flushing Bank	MM	$178,000,000					$178,000,000
Lakeland Bank	MM	$23,786,114					$23,786,114
Mizuho Securities	REPO	$64,466,000			$64,466,000		
NYC GO	MUNI	$19,800,000		$19,800,000			
NYC TFA	MUNI	$61,425,000		$61,425,000			
NY Community Bank	MM	$500,913,357				$500,913,357	
NYS HFA	MUNI	$62,000,000			$62,000,000		
Promontory	MM	$91,391,985		$91,391,985			
Rabobank	GIC	$5,259,065			$5,259,065		
Santander Bank NA	MM	$28,884,085			$28,884,085		
Signature Bank	MM	$379,540,303					$379,540,303
Societe Generale	GIC	$1,013,281			$1,013,281		
SONYMA	MUNI	$275,000	$275,000				
Sterling National Bank	MM	$395,242,830					$395,242,830
TD Bank	GIC	$147,516,381		$147,516,381			
US Bank	MM	$97,489,445		$97,489,445			
US Agency	US Agency	$1,879,673,595		$1,879,673,595			
US Treasury	US Treasury	$339,158,000		$339,158,000			
		$5,068,107,320	**$10,332,213**	**$2,648,799,406**	**$284,256,825**	**$518,315,418**	**$1,606,403,458**
% of Total		*100.00%*	*0.20%*	*52.26%*	*5.61%*	*10.23%*	*31.70%*

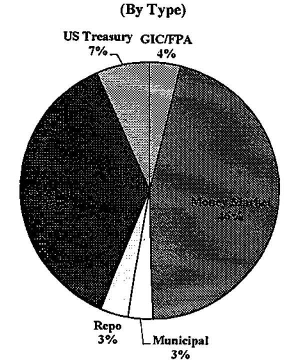
***BBB and NR exposures are fully-collateralized**

Weighted Average Maturity (Years):	1.51

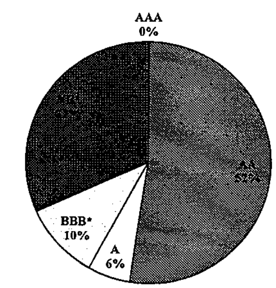
Investment Portfolio-By Type of Investment:

	% Total	Amount
GIC/FPA	3.82%	$193,670,334
Money Market	45.88%	$2,325,082,330
Municipal	3.08%	$155,845,000
Repo	3.45%	$174,678,061
US Agency	37.09%	$1,879,673,595
US Treasury	6.69%	$339,158,000
Total	**100.00%**	**$5,068,107,320**

INVESTMENT PORTFOLIO
(By Type)



INVESTMENT PORTFOLIO
(By Rating)



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NYC HDC NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Liquidity Providers as of August 31, 2018
(UNAUDITED)

CITIBANK

Issue	Amount
2015 D-3	$15,000,000
	$15,000,000

WELLS FARGO BANK

Issue	Amount
2015 D-4	$13,500,000
2017 C-4	$57,830,000
2017 G-3	$85,950,000
	$157,280,000

Diversification:	Amount	% Total
Citibank	$15,000,000	8.71%
Wells Fargo Bank	$157,280,000	91.29%
TOTAL	**$172,280,000**	**100.00%**

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NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

TO: ALEX MEDINA, VP, COMPLIANCE

FROM: SHIRLEY JÁRVIS, VP, INTERNAL AUDIT *SmJ*

SUBJECT: 2016 LIHTC COMPLIANCE MONITORING REVIEW

DATE: SEPTEMBER 12, 2018

Internal Audit has completed its 2016 LIHTC Compliance Monitoring Review.

I. Background

The Asset Management Compliance Group (CG) is responsible for monitoring all Low Income Housing Tax Credit (LIHTC) projects' compliance to the LIHTC requirements according to Section 1.42-5 of the IRS regulations. The Memorandum of Understanding (MOU) agreement between HDC and HPD describes the compliance monitoring procedures. The CG monitors certain deadlines for marketing, lease-up, investor expectations for tax credit delivery, etc. The staff, comprised of six Compliance Specialists (CS), monitors compliance for approximately 304 projects in the LIHTC portfolio (as of March 1, 2017). In addition to monitoring compliance to the LIHTC program requirements, the CG monitors compliance to HDC Regulatory Agreement requirements for other programs financed by HDC such as the Low Income Affordable Marketplace Program (LAMP) and the New Housing Opportunities Program (NHOP).

Our review of the LIHTC compliance monitoring focused on the following areas:

- **Annual Owner's Certification (AOC) Reviews**
  The Compliance Group must perform annual reviews of project owners' certifications and the required supporting documentation. Owners of projects that received LIHTC credits from HPD must submit certifications annually to HDC during the 15 year compliance period by a date established by HDC. Project owners are required to certify annually, according to IRS requirements, for the preceding 12 month period, commencing two years after the placed in service (PIS) date of the last building in the project. In accordance to CG's policy and procedures, owners are required to submit the information electronically per the HDC checklist of required items, no later than 45 days from the AOC request letter date. The AOC packages must include the following required forms relating to certifications:
    - Temporary or Permanent Certificate of Occupancy
    - Applicable IRS forms 8609/8703 for each building

- Reports of violations relating to building codes, health, and safety issues and statements of corrective action
- Detailed project and tenant data, in Excel format, to meet HUD reporting requirements

- **<u>Annual Onsite Audits and Inspections</u>**
  The Compliance Group must perform onsite file reviews of owner's management records, perform unit inspections of at least 20% of LIHTC units and review the tenant files for those units. The project owners requiring the initial audit/inspection (also 2 years after the PIS date) and subsequently every 3 years through the end of the 15th compliance year are notified of scheduled audits in the AOC request letter. During the LIHTC compliance review year when the units are inspected, all LIHTC project buildings must also be physically inspected. The onsite annual physical inspections are coordinated with and performed by Asset Management's Engineering Group (EG).

- **<u>Compliance Reporting</u>**
  CG must promptly provide the AOC review letters and/or audit reports to the managing agents to disclose non-compliance issues, such as failure to correctly complete or document annual certifications, violations of the local or the Uniform Physical Condition Standards Inspection (UPCS) code and Vacant Unit Rule. If findings or deficiencies are reported, management must respond within 30 days of the non-compliance notice letter or report issue date and the response must include the corrective action(s) to be taken. The project owners are allowed a period of time (Correction Period) to supply missing certifications, permit HDC to perform reviews and/or bring the project into conformance with IRS provisions up to ninety days from CG's written notice to the owner. CG may extend the correction period up to 180 days or 6 months, at its sole discretion, for good cause. CG must report the identified non-compliance issue(s) to the IRS using Form 8823, regardless of whether the issue has been corrected or not, and the date the project ceased to comply, at the end of the corrective period.

- **<u>Compliance Monitoring Fee</u>**
  HDC charges project owners a fee to monitor compliance to LIHTC regulations. The fee for all projects, except NYCHA projects, is calculated based on the maximum gross rent, size of units, number of LIHTC units, times .0075% to a maximum of $7,500. NYCHA pays a flat fee of $250,000 annually for compliance monitoring of all NYCHA projects receiving LIHTC's. The fee invoice is submitted to project owners with the AOC request letter and is due forty-five days (45) after the invoice date.

II. Audit Objectives

The objectives of the audit were to determine if adequate controls were in place to ensure that the IRS regulations regarding the compliance monitoring activities were being followed.

Specifically:

1. Determine if the LIHTC owners were notified timely of deadlines, tracked for compliance, and if projects were found with non-compliance issues, were reported in accordance with the IRS/MOU Compliance Monitoring requirements.

2. Determine if all LIHTC project buildings/units were inspected according to the IRS and HUD reporting requirements.
3. Determine if LIHTC monitoring fees were accurately calculated, billed, and collected.

III. Audit Scope and Methodology

The audit focused on CG's compliance monitoring activities from January 1, 2014 to March 1, 2017 for LIHTC project owners' compliance periods from January 1, 2013 to December 31, 2015.

We performed the following:

1. Reviewed the IRS, MOU, and CG Monitoring Procedures for LIHTC program requirements.
2. Interviewed staff, performed walkthroughs and reviewed flowchart and risk assessment for 2016 LIHTC compliance review processes provided by CG management.
3. Performed analytical reviews to determine population of LIHTC projects and CG's compliance monitoring activities for selected owners' compliance years 2013 – 2015, including the timeliness of notifications, tracking, and reporting the noncompliance of project owners.
4. Reviewed LIHTC compliance reviews: AOC and Audits for selected project owners' compliance years.
5. Reconciled the Annual Physical Inspections (API) reports completed by EG for LIHTC project buildings requiring the initial or 3 year inspections during 2014 - 2016.
6. Reviewed the 2015 LIHTC Monitoring Fees calculation for 294 projects charged and reconciled to invoices and receipts recorded in the General Ledger (GL) for fiscal year-end October 31, 2016.

IV. Audit Results:

Upon completion of the audit, we noted no matters involving internal controls that we considered material weaknesses. Except for the items noted below, generally the Compliance Group monitors compliance of owners with LIHTC program requirements by reviewing the submitted annual certifications, performing onsite audits of selected tenant files and conducting unit inspections.

The results of the audit were discussed with CG management during the course of the audit. Our comments, as well as your responses to them, are summarized below.

Observation 1: Timeliness of notifications of LIHTC compliance reviews to Owners/Managing Agents for Documentation Requirements

Criteria:

In accordance with CG's Compliance Monitoring Procedures, written notifications (AOC request letters) must be promptly sent to project owners that received an allocation of LIHTC tax credits from HPD. CG must establish deadlines for all owners to timely submit the AOC packages with LIHTC fee payments. In addition, they must give reasonable notice (e.g., 30 days' notice of inspection and review) to owners of the scheduled onsite audits so that owners may assemble records.

Condition:
We reviewed CG's tracking schedules for LIHTC Compliance Reviews: AOC and audits scheduled during 2014 to 2016. The AOC request letters were emailed/mailed to 65 - 69 managing agents to certify owner's compliance years from 2013 to 2015. However, the written notices allowed certifications and payments of LIHTC fees to be delayed for submissions over the 45 days from notice and the payment due date. For example, 92 of 294 projects (31%) required to certify in 2016 for compliance year 2015 were allowed between 52 to 157 days to submit the AOC packages. In addition, 49 of the 111 projects notified about the scheduled onsite audit/inspection were given 4 to 7 months advance notice to prepare.

Cause:
The main reasons for the staggered deadlines and deadlines overlapping to the following compliance year were due to the increasing size of LIHTC portfolio and insufficient staffing to perform the additional workload for the AOCs and scheduled audits/inspections per LIHTC compliance review year.

Effect:
The completion of required compliance reviews/audits by Compliance Specialists each year will continue to be delayed and overlap later into the following compliance year.

Recommendation:
Evaluate staffing needs and the feasibility of a new compliance monitoring system to ensure that deadlines provided to project owners to submit AOC with supporting documentation and notification of onsite audits are consistent across the LIHTC portfolio.

Management Response:
The CG has modified its written notification polices and has begun emailing our Annual Owner Certification Packages (AOCP) to all required owner/agents in December of the audit year being reviewed. In this way all owners are given 45 days to provide all requested information, including the LIHTC monitoring fees. To address for the high volume of simultaneous submissions, the CG is scheduling LIHTC audits later in the calendar year (majority commencing in the middle of the second quarter of the respective calendar year). This will allow staff more scheduled time to focus on the processing and ultimately closing of these AOCP. However, the CG will continue to notify owner/agents of scheduled audits with the AOCP. This practice does not provide an advantage to any agent as the IRS requires that all certification functions be completed within the calendar year being audited. Rather, it serves as a means to manage a high volume of audits and create fixed audit dates that are typically not subject to change. This, along with the fact that owners are not aware of which files and units will be audited until the actual site visit, ensures that all developments are treated equitably.

HDC has also contracted with Prolink Solutions, Inc. to automate the groups' primary responsibilities and thereby create better efficiency. This system will allow us, among other things, to more effectively review the AOCP. Another benefit will be the ability for owners to upload the specific audit documents required for each LIHTC audit into a secure server. The staff will thereby be able to perform many audits in-house and focus only on the required *documentation. These changes will improve staff efficiency and allow for deadlines to be more consistently met as well as help avoid functions overlapping into the following compliance year.*

Lastly, the CG has hired an additional compliance specialist bringing our current total compliance specialists to seven (7).

Observation 2: Timeliness of Issued AOC Review Letters and Audit Reports/Unit Inspections Results

Criteria:
CG must provide prompt written notice to the project owners if owners fail to certify; submit inaccurate or incomplete certifications; the certifications and documentation discloses non-compliance with the LIHTC requirements; do not provide complete management records, including selected tenant files and the supporting documentation; or CG is not permitted to inspect units under Section 1.42(e) (2).

Condition:
We calculated an estimate of elapsed time between the AOC due date and scheduled Audit date and the issue date of the AOC Review Letter/Audit Report to quantify the timeframe of the completed LIHTC compliance reviews. The results are summarized in the following table:

ELAPSED TIME TO LIHTC AOC LETTER/AUDIT REPORT ISSUED AS OF 3/1/2017	PER OWNER'S COMPLIANCE YEAR					
	2013		2014		2015	
	AOC	AUDIT	AOC	AUDIT	AOC	AUDIT
REVIEWS COMPLETED UNDER 90 DAYS (3 MONTHS	112	66	76	88	50	79
REVIEWS COMPLETED BET. 91 -180 DAYS (3 - 6 MONTHS)	92	14	64	1	51	3
REVIEWS COMPLETED OVER 180 DAYS (6 MONTHS)	32	1	106		65	
AOC REVIEW LETTER OR/AND AUDIT REPORT WERE PENDING ISSUANCE – OVER 1 TO 3 YEARS	30	7	30		129	29
TOTAL LIHTC AOC DUE/AUDIT REPORTS	**266**	**88**	**276**	**89**	**295**	**111**

Cause:
LIHTC project owners were allowed to submit AOC packages, later than the 45 days deadline, and when findings were noted during audits/unit inspections, owners were also provided additional time for management responses and/or corrective actions to be implemented, which caused further delays for CG staff to complete the LIHTC compliance reviews and issue the AOC compliance letters and/or close-out letters for audits in a timely manner.

Effect:
There are significant delays for CG staff to complete the LIHTC compliance reviews and promptly send the written notice to project owners.

Recommendation:
Enforce the deadlines and timeframes established by the compliance monitoring procedures to ensure each LIHTC project is monitored and tracked for non-compliance in a timely manner.

Management Response:
The referenced addition of a staff member, the earlier and uniform outreach for AOCP information, moving audit reviews to later in the calendar year, and automation of work by Prolink will help to improve the CG's review and response timelines. These changes will help ensure that established deadlines are met on a more regular basis and help to avoid backlogs. However, HDC will continue to work with our partners and grant extensions for due cause on a case by case basis as the code allows the agency to extend deadlines and correction periods. As not all projects or issues are comparable, it is important that the CG implement discretionary measures as needed.

Lastly, our reporting is now exclusively electronic. This combined with the creation of response templates will help tighten required timeframes. Prolink will further streamline these tasks.

Observation 3: Accuracy and Timeliness of LIHTC Monitoring Fees Calculated, Billed, and Collected

Criteria:
As part of the LIHTC Compliance Monitoring Procedures, annually CG management must determine the number of projects that must be removed and added to LIHTC portfolio. The actual LIHTC fees are calculated, based on maximum gross rent times the number of bedrooms times the total number of LIHTC units multiplied by .0075% per project. The fee charged cannot be greater than $7,500. The invoices for the LIHTC fee are attached to the AOC request letters and are emailed/mailed to the properties for payment due no later than 45 days from the invoice date.

Condition:
We determined that 2015 LIHTC monitoring fees accrued and collected totaling $1.9 million were recorded in the GL for fiscal year-ending October 31, 2016. We noted, however, that the payment of LIHTC fee by 206 project owners were submitted over the 45 days payment date; and for 98 of those projects, the fees were paid between 5 and 9 months after the invoice date.

Cause:
Invoices are sent with AOC request letters. The due dates for the AOC are usually greater than the 45 day payment due date on the invoice. The projects usually send in the payment with the AOC and, as a result, the payments are late.

Effect:
Late payments of the LIHTC monitoring fee reduce cash flow.

Recommendation:
Develop a process for ensuring that invoices are sent out and collected on-time. Evaluate whether sending invoices separately from AOC request letters would help facilitate the invoice process.

Management Response:
The CG works with HDC's IT department to generate the LIHTC compliance monitoring fee invoices. These invoices are generated when IT updates Oracle pursuant to the breakdown of monitoring fees provided to them annually by the CG. As noted in this report, the prior CG protocols had been to have the AOCP notices staggered throughout the calendar year. However, the invoices created by Oracle were issued at the same time and all had the same due dates. Given the staggering of the AOCP, their due dates have never correlated with those noted on the monitoring fee invoices. To help address this concern, the CG notified all agents that their current AOCP (for calendar year 2017) would be due on 2/5/18 (or 45 days from the date of the notification). Although this has helped to create more uniformity, the current monitoring fee invoices issued all indicate a due date of 2/14/18. As IT advised that they cannot hard code invoice due dates unless we establish a universal due date for all subsequent years, it is not possible to consistently synch a project's AOCP due date to invoices generated by Oracle. In addition, the due dates on the AOCP are always subject to extensions on an as needed basis. A perfect "billing" model does not exist within the CG. As such, we will explore other possible options within HDC's billing systems for the processing and oversight of these fees.

Cc: Eric Enderlin, President
Paula Roy Carethers, EVP, Real Estate
Theresa Gigliello, SVP, Portfolio Management
Jim Quinlivan, SVP for Administration

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

TO: LISA GEARY, VP, CASH MANAGEMENT

FROM: SHIRLEY JARVIS, VP, INTERNAL AUDIT

SUBJECT: 2018 CASH MANAGEMENT - ACCOUNTS RECEIVABLE AUDIT

DATE: JUNE 18, 2018

Internal Audit has completed its 2018 Accounts Receivable Audit.

I. Background

The Accounts Receivable (AR) department of the Cash Management (CM) division is responsible for collecting, identifying and applying cash, checks, wires and letters of credit to the appropriate accounts.

Information Systems:
The Accounts Receivable Administrator processes all mortgage-related receipts in the Benedict Mortgage system and all miscellaneous receipts into the Oracle AR module. CM uses the SymPro system for real-time management of cash and investment activity. After receipts are entered into the Benedict and Oracle AR, the information is uploaded into SymPro on a daily basis. Accounting runs a General Ledger (GL) interface between SymPro and the Oracle GL in order to post the receipts into the GL.

The receipts are entered into the appropriate AR system by the AR Administrator daily. There are four different types of receipts:

1. **Lock Box Accounts/Construction Loan Demand Deposit Accounts (DDA)** – Receipts by checks are sent daily to the Lock box accounts and wires are sent through the Federal Reserve System to the corresponding account number.
2. **Checks sent to HDC** – All checks mailed to HDC are posted in the daily check log. Checks representing mortgage payments are then mailed to the Wells Fargo Lock Box for processing.
3. **Letter of Credit (LOC)** – Some bond issues pay their debt service from direct pay letter of credit. Once the amount has been verified between the CM Administrator and the Trustee, the Trustee will draw on the letter of credit. The money will be received by wire directly into the bond programs account.
4. **Miscellaneous** – All other receipts, including reimbursements to HDC, commitment fees, HPD Grants funds, and all other fees that are not collected as part of the mortgage.

II. <u>Audit Objectives</u>

The objectives of the audit were to:

1. Determine whether adequate controls exist over the AR receivable function.
2. Ensure that receipts were properly processed, reconciled and accurately recorded.
3. Determine if unapplied receipts were reviewed and monitored.

III. <u>Audit Scope and Methodology</u>

The audit focused on receipts processed in AR for the month of October 2017.

We performed the following:

- Interviewed staff, performed walkthroughs and created flowcharts of the processes, including documenting the risks and controls.
- Selected all lockbox receipts and miscellaneous receipts processed during the month of October and tested the accuracy of the data and the proper recording of the cash receipts in the GL.
- Tested whether all unapplied receipts for October were reviewed and monitored on a timely basis.

IV. <u>Audit Results:</u>

Upon completion of the audit, we noted no matters involving internal controls that we considered material weaknesses. We found that the Accounts Receivable transactions were properly processed in accordance with the procedures. With respect to the specific audit results, we found that the receipts selected for review were accurately processed, the unapplied receipts were reviewed and monitored on a regular basis and the receipts were accurately recorded in the GL.

Cc: Eric Enderlin, President
Richard Froehlich, EVP, COO and General Counsel
Ellen Duffy, SVP Debt Issuance/Finance
Jim Quinlivan, SVP for Administration
Mary John, VP and Controller
Gene Yee, VP, Capital Markets
Nancy Wolf, Senior AR Administrator

NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTEROFFICE MEMORANDUM

TO:	DENIS BELIC, VP OF HOUSING QUALITY AND CONSTRUCTION
FROM:	SHIRLEY JARVIS, VP INTERNAL AUDIT *SmJ.*
SUBJECT:	2018 CONSTRUCTION LOAN MONITORING REPORT
DATE:	MAY 16, 2018

Internal Audit has completed its 2018 Construction Loan Monitoring Report.

I. Background

After the closing of a project, HDC Construction Loan Monitoring reviews the blueprints/plans submitted by the owner and monitors the progress of the construction project, per the plans. The HDC Engineer organizes and conducts a kick-off meeting at the beginning of construction with all relevant parties. They conduct bi-weekly meeting with all participants and conduct site inspections to verify that work is progressing on time and within budget. They evaluate any proposed change orders to the contract and attend when the site is testing for inspection, when necessary. They coordinate and review all payment applications to ensure the work was completed, as described and to ensure all invoices, lien waivers and payment applications are accurate and approve the payment request.

II. Audit Objectives

To determine compliance with HDC construction loan monitoring guidelines. Specifically, to ensure the following:

1. Engineer performed site visit to verify work was completed for which payment was requested.
2. Payment requests were verified and reviewed for accuracy by the engineer.
3. The application and certification for payment (AIA 702/703 Forms) had appropriate signatures.
4. Lien waivers were received, were accurate and signed.
5. Change orders (AIA 701 Forms) were reviewed and signed by appropriate parties (i.e., architect, contractor and owner).

III. <u>Audit Scope and Methodology</u>

The audit scope covered the period of September 2017 through February 2018. We performed this audit by:

- Reviewing Preservation Program guidelines pertaining to Construction/Rehabilitation Review & Monitoring Requirements (post-closing).
- Interviewing key personnel and management to gain an understanding of how construction loan monitoring is performed.
- Selecting a sample of projects to ensure that the required documentation was submitted and reviewed prior to approval of payment to general contractor.

IV. <u>Audit Results:</u>

Upon completion of the audit, we noted no matters involving internal controls that we considered material weaknesses. Based on our review of documentation, we determined that engineers performed site visits to verify that work was completed for which payment was requested prior to approval; payment requests were reviewed for accuracy; the application and certification for payment had appropriate signatures; lien waivers were received, were accurate and signed; and change order request forms had appropriate signatures.

The results of the audit were discussed with you during the course of the audit and at the closing meeting held on May 7, 2018. The meeting was attended by Denis Belic, Vice President of Housing Quality and Construction, Susan O'Neill, Vice President of Preservation Programs and members of the Internal Audit staff. Our comments, as well as your response to them, are summarized below.

Enhancement Opportunity 1: HDC Engineer Memo

Observation:
The HDC Engineer's memo to the VP, Preservation Programs, varies among the engineers as to what information is included.

Criteria:
The HDC Engineer's memo to the VP, Preservation Programs, is the approval document for release of funds to the general contractor to indicate the work was completed.

Risk:
The differing information in the memo can lead to confusion as to what exactly is required information and what are the relevant details needed to approve the release payment.

Recommendation:
The memo should be more consistent among engineers and include the approved amount for the payment release, the date of the meetings held with the relevant parties to indicate the site inspection, the retainage amount, the balance of the loan, including retainage, percentage of work complete and the change orders being approved for that release, if applicable.

Management Response:

During the Audit process, it became clear that payment request memos varied in the information provided and needed to be more consistent. I am in agreement with the changes in the memo recommended by Internal Audit. My division will be implementing a revised memo starting in June. The updated memo will have a revised format and will contain a consistent set of information in compliance with Internal Audit recommendations. A copy of the revised memo will be provided to Internal Audit prior to the audit's close out.

Cc: Eric Enderlin, President
Paula Roy Carethers, EVP, Real Estate
Theresa Gigliello, SVP, Portfolio Management
Jim Quinlivan, SVP for Administration
Susan O'Neill, VP, Preservation Program