Combined Schedule of Investments

New York City Housing Development Corporation
October 31, 2008
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

New York City Housing Development Corporation

Combined Schedule of Investments

October 31, 2008

Contents

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Report of Independent Accountants

New York City Housing Development Corporation
New York, New York

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the New York City Housing Development Corporation (the Corporation), a component unit of the City of New York, as of and for the year ended October 31, 2008, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated February 12, 2009. We also have audited the accompanying Combined Schedule of Investments of the Corporation as of October 31, 2008. This schedule is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Investments is free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the Combined Schedule of Investments of the Corporation at October 31, 2008, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2009 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Ernst + Young LLP

February 12, 2009

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

New York City Housing Development Corporation
New York, New York

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of the New York City Housing Development Corporation (the Corporation) and its discretely presented component units, as of and for the year ended October 31, 2008, and have issued our report thereon dated February 12, 2009. We have also audited the Combined Schedule of Investments as of October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards for financial and compliance audits contained in the Investment Guidelines for Public Authorities, issued by the Office of the State Comptroller of the State of New York.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more that a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the members of the Corporation, others within the entity and the Office of the State Comptroller of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 12, 2009

New York City Housing Development Corporation

Combined Schedule of Investments

October 31, 2008
(In Thousands of Dollars)

Purpose investments	$ 194,866
Restricted investments	1,229,985
Unrestricted investments	202,358
Total investments	$ 1,627,209

The accompanying notes are an integral part of this schedule.

New York City Housing Development Corporation

Notes to Combined Schedule of Investments

October 31, 2008

1. Background and Organization

The accompanying combined schedule of investments includes the investments of the New York City Housing Development Corporation (the Corporation or HDC) and its component units, the Housing Assistance Corporation (HAC) and the New York City Residential Mortgage Insurance Corporation (REMIC).

HDC is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the State). The Corporation is also a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the Code). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the Act) of the State and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding.

The Corporation was created to encourage the investment of private capital through low-interest mortgage loans in order to increase the supply of safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise. To accomplish its objectives, the Corporation is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or the City of New York (the City).

Pursuant to Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, the Corporation's financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation. HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate-income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments. As a subsidiary of HDC, HAC's functions are administered by the Corporation and its Board Members substantially overlap with HDC's Board Members, so it is reported as a discretely presented component unit in HDC's financial statements.

1. Background and Organization (continued)

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation (Old REMIC), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

2. Summary of Significant Accounting Policies for Investments

Investments

Short-term bank deposits and investments with stated maturities of 90 days or less are reported as Cash and Cash Equivalents and are not included in the combined schedule of investments. All investments with maturities longer than 90 days are reported as investments in the combined schedule of investments and are carried at fair value, except for investment agreements. The Corporation's investment agreements can take the form of open time deposits or fixed repurchase agreements and are reported in the combined schedule of investments at an amount equal to principal and accrued interest.

Purpose Investments

As part of its financing activities, HDC has made five housing development loans that are secured by GNMA certificates rather than mortgages on the related properties. The GNMA certificates provide payments at such times and in such amounts as to fully repay the respective HDC loans, and are the only source of repayment for these loans. As such, the GNMA certificates are treated under U.S. Treasury regulations as acquired program obligations. The GNMA certificates are classified in the combined schedule of investments as purpose investments and identified separately from other investments and restricted investments in the financial statements.

The Corporation's policy is to record GNMAs at amortized cost, which amounted to $194,866,000 at October 31, 2008. The fair value of these purpose investments amounted to $189,683,000 at October 31, 2008.

3. Investments

The Corporation is authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation by the Members of the Corporation on an annual basis, through the annual adoption of written investment guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee, whose members include the Executive Vice President for Capital Markets, the Chief Financial Officer, the Deputy Chief Financial Officer, the Controller, and the Vice President for Cash Management. The Corporation principally invests in securities of the United States and its agencies, highly rated commercial paper, open time deposits (OTDs) in the form of investment agreements, demand accounts, and repurchase agreements. Additionally, in fiscal year 2008, during the market crisis, HDC invested in municipal bonds of New York State and New York City, consistent with the Corporate Statute and Investment Guidelines. The Corporation did not enter into any reverse repurchase agreements during the year ended October 31, 2008. According to management, the Corporation is not in violation of any provisions of the foregoing policies.

All investment transactions are recorded on the trade date. Investments, other than purpose investments, at October 31, 2008 were as follows:

Investment Type	Carrying Value 2008	Investment Maturities at October 31, 2008 (in Years) Less than 1	1-5	6-10	More than 10
	(In Thousands)				
Open time deposits	$ 781,739	$ 230,296	$ 482,288	$ 42,941	$ 26,214
Fixed repurchase agreements	330,195	330,195	–	–	–
Money market	243,270	243,270	–	–	–
NYS/NYC Municipal bonds*	217,706	–	–	16,977	200,729
U.S. Treasury (bonds, bills, notes)	166,291	162,452	88	–	3,751
FHLMC	150,579	–	52,438	2,387	95,754
Certificate of deposit	106,067	106,067	–	–	–
FHLB	56,750	50,256	–	1,148	5,346
FNMA	43,219	20,621	9,062	3,347	10,189
Term repurchase agreements	31,636	–	30,446	1,190	–
Other	15,975	2,470	10,278	3,227	–
Total	2,143,427	1,145,627	584,600	71,217	341,983
Less amounts classified as cash equivalents	(711,084)	(711,084)	–	–	–
Total investments	$ 1,432,343	$ 434,543	$ 584,600	$ 71,217	$ 341,983

* *Note: These are Variable Rate Demand Obligation (VRDO) instruments, which can be put weekly.*

3. Investments (continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation's Investment Guidelines charge the Investment Committee with "determining appropriate investment instruments based on length of time funds are available for investment purposes" among other factors. Thus, maturities are matched to the Corporation's liquidity needs.

Credit Risk: The Corporation's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment.

Investments in Fannie Mae, Freddie Mac and FHLB are implicitly guaranteed by the U.S. government and are classified as U.S. Agency securities. They carry ratings equivalent to the credit ratings for the U.S. government. As of October 31, 2008, the credit ratings for the U.S. government were rated in the highest category of AAA and Aaa (as applicable) by Standard & Poor's and Moody's Investors Service, respectively.

Ratings for investments in NYS/NYC municipal bonds are based on the issuers rating for its general obligation debt or the rating of their letter-of-credit providers, as the case may be. The letter-of-credit providers ratings carried a range from AAA to A, and Aaa to Aa2, by Standard & Poor's and Moody's Investors Service, respectively. The remaining investments, short term and long term, that were rated by Standard & Poor's and/or Moody's Investors Service were rated from AAA to BBB, and Aaa to A2. Some investments were not rated by Fitch Ratings. Of the investments that were rated by Fitch Ratings, they carried ratings from AAA to A-. Money Market, Open Time Deposits and Repurchase Agreements in the form of OTDs are not rated, however, the providers are rated.

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Corporation, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation. At October 31, 2008, the Corporation was not exposed to custodial credit risk on its investment securities.

3. Investments (continued)

On September 15, 2008, investment bank, Lehman Brothers Holdings Inc. filed for Chapter 11 bankruptcy. At the time, HDC had a $15,083,000 investment in Repurchase Agreements that was issued by Lehman Brothers and its subsidiary. Although Lehman Brothers, as the counterparty, failed to fulfill its responsibility when the investment matured on September 19, 2008; at no time, was HDC exposed to any custodial credit risk because the related collateral was held by HDC's trustee and not by Lehman Brothers. As a result of this failed delivery, HDC sold the collateral, a Treasury Inflation Protected Security ("TIPS") to recover its investment. The proceeds from the sale of the collateral were more than enough to recover the investment and the excess proceeds of $147,000 were set aside as a liability. As of October 31, 2008, HDC's legal department is reviewing and awaiting legal notice from the bankruptcy court regarding the disposition of the excess proceeds.

As of October 31, 2008, open time deposits in the amount of $99,757,000, repurchase agreements in the amount of $361,831,000 and demand accounts in the amount of $242,622,000 were collateralized by high quality instruments such as US Treasury Notes, US Treasury Bills and Agency investments held by the Corporation's agent in the name of the Corporation. All such investments are not subject to custodial credit risk.

Concentration of Credit Risk: The Corporation reviews its credit concentration monthly and under current policy limits exposure to any one commercial paper provider to $25 million. The Corporation's Credit Risk unit monitors concentration risk amongst issuers and reports to the Members of the Corporation's Audit Committee.

The following table shows issuers that represent 5% or more of the total investments at October 31, 2008 (*$ In Thousands*):

Issuer	Dollar Amount	Percentage
RBC Capital Markets	$ 273,160	12.7%
Calyon	259,876	12.1
HSBC	233,238	10.9
Merrill Lynch	215,048	10.0
NYS HFA	166,446	7.8
FHLMC	150,579	7.0
Signature Bank	115,451	5.4