Combined Schedule of Investments

New York City Housing Development Corporation
October 31, 2010
With Report of Independent Auditors

Ernst & Young LLP

New York City Housing Development Corporation

Combined Schedule of Investments

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Contents

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Report of Independent Auditors

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, 2010, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated January 18, 2011. We also have audited the accompanying Combined Schedule of Investments of the Corporation as of October 31, 2010. 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, 2010, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2011 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

January 18, 2011

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement 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, 2010, and have issued our report thereon dated January 18, 2011. We have also audited the Combined Schedule of Investments (the "schedule") as of October 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting with respect to the schedule 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 with respect to the schedule.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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 the New York State Comptroller's investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

January 18, 2011

New York City Housing Development Corporation

Combined Schedule of Investments

October 31, 2010
(In Thousands of Dollars)

Purpose investments	$ 190,631
Restricted investments	1,265,461
Unrestricted investments	66,075
Total investments	$ 1,522,167

The accompanying notes are an integral part of this schedule.

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.

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 schedule.

The Corporation's policy is to record GNMAs at amortized cost, which amounted to $190,631,000 at October 31, 2010. The fair value of these purpose investments amounted to $201,900,000 at October 31, 2010.

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. 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. In fiscal year 2010, HDC continued investing 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, 2010. 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, 2010 were as follows:

Investment Type	Carrying Value 2010	Investment Maturities at October 31, 2010 (in Years) Less than 1	1-5	6-10	More than 10
			(In Thousands)		
Money Market	$ 673,846	$ 673,846	$ –	$ –	$ –
Open Time Deposits	415,821	25,572	358,724	–	31,525
Fixed Repurchase Agreements	320,025	320,025	–	–	–
U.S. Treasury (Bonds, Notes, Bills, Strips)	727,695	720,800	1,952	598	4,345
FHLMC	192,830	128,121	40,931	–	23,778
FHLB	78,203	–	–	–	78,203
Certificates of deposit	68,703	–	68,703	–	–
NYS/NYC Municipal Bonds*	63,015	10,443	23,434	–	29,138
Farmer MAC	72,045	72,045	–	–	–
Federal Farm Credit Bond	47,459		44,009	3,450	–
FNMA	93,849	1,260	79,945	–	12,644
Term repurchase agreements	27,730	–	26,540	1,190	–
Other	4,306	1,254	3,052	–	–
Total	2,785,527	1,953,366	647,290	5,238	179,633
Less amounts classified as cash equivalents	(1,453,991)	(1,453,991)	–	–	–
Total investments	$ 1,331,536	$ 499,375	$ 647,290	$ 5,238	$ 179,633

* *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 by making decisions based on a review of ratings, collateral, and diversification requirements that vary according to the type of investment.

As of October 31, 2010, investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and Federal Home Loan Bank ("FHLB") were rated in the highest long-term or short-term ratings category by Standard & Poor's and/or Moody's Investors Service (Fannie Mae, Freddie Mac, FHLB, Farmer Mac and Federal Farm Credit Bond are collectively referred to as "Agency"). These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. Some investments were not rated by Fitch Ratings. Of the investments that were rated by Fitch Ratings, they carried ratings from AAA to BBB-. Money Markets are not rated, however, the providers are rated.

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, 2010, the credit ratings for the U.S. government securities were 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 AA, 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 Baa1. Some investments were not rated by Fitch Ratings. Of the investments that were rated by Fitch Ratings, they carried ratings from AAA to BBB-. Money Market, Open Time Deposits and Fixed and Term Repurchase Agreements in the form of OTDs are not rated, however, the providers are rated.

3. Investments (continued)

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, and accordingly, the Corporation was not exposed to custodial credit risk on its investment securities.

On September 15, 2008, Lehman Brothers Holdings Inc. ("LBI") filed for Chapter 11 bankruptcy. At the time, HDC had a $15,083,000 investment in Repurchase Agreements that was issued by LBI and its' subsidiary. Although LBI, 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 on these investment was held by HDC's trustee and not by LBI. 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. On August 9, 2010, based on the Release Agreement between James W. Giddens as Trustee for Lehman Brothers Inc. and New York City Housing Development Corporation, HDC remitted this amount to the bankruptcy trustee of LBI and has no further obligation relating to this matter.

As of October 31, 2010, open time deposits in the amount of $26,091,000, repurchase agreements in the amount of $347,755,000, certificates of deposit in the amount of $68,702,000 and demand accounts in the amount of $673,847,000 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.

3. Investments (continued)

The following table shows issuers that represent 5% or more of the total investments at October 31, 2010 *($ In Thousands)*:

Issuer	Dollar Amount	Percentage
Credit Agricole	$ 370,368	13.30%
HSBC	234,607	8.42
Wachovia	197,521	7.09
FHLMC	192,830	6.92
Signature Bank	165,143	5.93
Daiwa Securities	148,621	5.34
Mizuho Securities USA, Inc.	146,967	5.28

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