



SCHEDULE OF INVESTMENTS

State of New York Mortgage Agency
(A Component Unit of the State of New York)
October 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP



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

Schedule of Investments

Years Ended October 31, 2012 and 2011

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Report of Independent Auditors

State of New York Mortgage Agency
New York, New York

We have audited the financial statements of the State of New York Mortgage Agency (a component unit of the State of New York) (the “Agency”) as of and for the years ended October 31, 2012 and 2011, and have issued our report thereon dated January 29, 2013. We also have audited the accompanying Schedule of Investments of the Agency as of October 31, 2012 and 2011. This schedule is the responsibility of the Agency’s management. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Agency’s internal control over financial reporting. Our audits 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 Agency’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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the investments of the Agency at October 31, 2012 and 2011, in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013 on our consideration of the Agency’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



January 29, 2013

**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***

State of New York Mortgage Agency
New York, New York

We have audited the financial statements of the State of New York Mortgage Agency (a component unit of the State of New York) (the “Agency”), as of and for the year ended October 31, 2012, and have issued our report thereon dated January 29, 2013. We have also audited the Schedule of Investments of the Agency as of October 31, 2012. 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

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency’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 Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

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 Agency'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 investment policies established by the Agency and the New York State Comptroller 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 Board of Directors, 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 29, 2013

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

Schedule of Investments
(In Thousands of Dollars)

	October 31	
	2012	2011
Restricted	\$ 2,270,753	\$ 2,179,336
Unrestricted	17,348	11,990
Total investments	<u>\$ 2,288,101</u>	<u>\$ 2,191,326</u>

The accompanying notes are an integral part of this schedule.

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

Notes to Schedule of Investments

October 31, 2012

1. Background and Organization

The State of New York Mortgage Agency (the “Agency”) is a public benefit corporation of the State of New York (the “State”) created by statute in 1970 and for financial reporting purposes is a component unit of the State. The purpose of the Agency is to make mortgages available to low and moderate income first time homebuyers and to other qualifying homebuyers through its various mortgage programs. The Agency provides mortgage insurance for qualifying real property loans through its Mortgage Insurance Program and to provide credit support for obligations of the Convention Center Development Corporation. Under State statutes, the Agency’s operating provisions are subject to periodic legislative renewal. Also, as of January 1, 1991, certain participants in the Low Interest Rate Program may be subject to Federal recapture provisions enacted under federal law. The Agency is exempt from Federal, State and local income taxes. The financial statements of the Agency include the accounts of the respective bondholder funds as well as the Mortgage Insurance Fund and the General Operating Fund.

Pursuant to the general resolutions for the Agency’s bond issues and in accordance with the Mortgage Insurance Program legislation, separate funds have been established to record all transactions relating to each of the bond resolutions and for the Mortgage Insurance Program. Generally, the Mortgage Insurance Fund and each bond fund’s assets are available only for the purposes specified under the respective bond resolutions and/or pursuant to the Agency’s enabling legislation.

In April 2009, the Agency’s statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation (“HESC”) in developing a new program to offer education loans to eligible students attending colleges and universities in New York State (“Student Loan Program”).

2. Summary of Significant Accounting Policies

Investments

Investments, other than investment agreements, are recorded at their fair values, which are based on quoted market prices and matrix pricing for securities that do not trade actively. Investment agreements are reported at amortized cost. For the purpose of financial statement presentation, the Agency does not consider any of its investments to be cash equivalents.

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

3. Investments

The Agency's investments at October 31, 2012 and 2011 consisted of the following:

Category	October 31, 2012			
	Time Deposits, Money Market and Savings Accounts	U.S. Treasury Obligations	U.S. Government Agencies	Total Fair Value
	<i>(\$ in 000s)</i>			
Invested revenues	\$ 2,662	\$ 300,027	\$ 367	\$ 303,056
Mortgage insurance reserves	-	1,537,990	105,678	1,643,668
Mortgage acquisition and other bond proceeds	-	138,437	-	138,437
Bondholder reserves	48,973	153,967	-	202,940
Total	\$ 51,635	\$ 2,130,421	\$ 106,045	\$ 2,288,101

Category	October 31, 2011			
	Time Deposits, Money Market and Savings Accounts	U.S. Treasury Obligations	U.S. Government Agencies	Total Fair Value
	<i>(\$ in 000s)</i>			
Invested revenues	\$ 1,756	\$ 314,081	\$ 346	\$ 316,183
Mortgage insurance reserves	-	1,438,879	192,740	1,631,619
Mortgage acquisition and other bond proceeds	-	35,489	-	35,489
Bondholder reserves	48,973	152,575	6,487	208,035
Total	\$ 50,729	\$ 1,941,024	\$ 199,573	\$ 2,191,326

Agency funds are invested in accordance with the investment guidelines approved annually by the Agency's board, which are in compliance with the New York State Comptroller's Investment Guidelines.

All of the above investments of the Agency that are securities are in registered form, and the securities are held by its agents or by the trustee under the applicable bond resolution, in the Agency's name. The agents or their custodians take possession of the securities.

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Notes to Schedule of Investments (continued)

3. Investments (continued)

Permitted Investments

All bond proceeds and revenues can only be invested in Securities [defined as (i) obligations the principal of and interest on which are guaranteed by the United States of America; (ii) obligations of the United States of America; (iii) obligations the principal of and interest on which are guaranteed by the State; (iv) obligations of the State; (v) obligations of any agency of the United States of America; (vi) obligations of any agency of the State; (vii) obligations the principal of and interest on which are guaranteed by an agency or instrumentally of the United States of America; (viii) obligations of FNMA], Time Deposits and Certificates of Deposit. Securities are only purchased from Primary Dealers, and Securities are delivered to the applicable Custodian/Trustee who records the investment.

Collateralized Time Deposit Agreements and Certificates of Deposit may only be entered into with banks or trustees rated at least within the second highest rating category without regard to gradations within such category by Moody's Investors Service or Standard & Poor's. Collateralized Time Deposit Agreements and certificates of deposit are collateralized at a minimum of 103% of the principal amount of the agreement and marked to market weekly.

The collateral consists of United States government obligations, other securities the principal of and interest on which are guaranteed by the United States, Government National Mortgage Association obligations and obligations of agencies and instrumentalities of the Congress of the United States and obligations of FNMA. The collateral shall be delivered to the Custodian and held for the benefit of the Agency.

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Notes to Schedule of Investments (continued)

3. Investments (continued)

Investment maturities in years at October 31, 2012 are as follows:

	October 31, 2012				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
	<i>(\$ in 000s)</i>				
Time deposits	\$ 43,339	\$ —	\$ —	\$ —	\$ 43,339
Trust savings accounts/CDs	2,662	2,662	—	—	—
Municipal bonds	368	—	—	—	368
U.S. Treasury bills	479,397	479,397	—	—	—
U.S. Treasury notes and bonds	1,651,024	521,587	772,652	356,785	—
U.S. Government agencies	111,311	56,017	49,770	5,524	—
Total	\$ 2,288,101	\$ 1,059,663	\$ 822,422	\$ 362,309	\$ 43,707

Interest Rate Risk

The Agency's exposure to fair value losses arising from rising interest rates is limited by the short term duration of 46% and 51% of the Agency's investments for fiscal years ended 2012 and 2011, respectively.

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