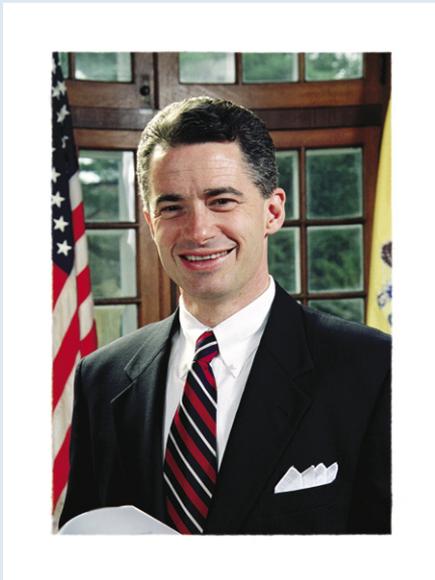




New Jersey Housing and Mortgage Finance Agency
2002 Annual Report

Cover photo: The Gramajo family, Luis, Maritza and little Victoria, enjoy their north Trenton home thanks to the HMFA One Hundred Percent Mortgage Program, which requires no down payment or mortgage insurance..

Message from the Governor



Dear Friends,

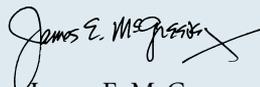
When we think of home, we don't simply picture bricks and mortar. Instead, we each conjure up warm images of our street, our neighborhood and our town. Homes build stronger communities, which are vital to moving New Jersey's economy forward and making our State a place where people want to live and work.

With your support, the New Jersey Housing and Mortgage Finance Agency (HMFA) enjoyed another successful year of creating affordable housing. Through innovative financing programs and below market-rate mortgages, HMFA has, in 2002 alone, helped thousands of New Jersey families move into new or rehabilitated houses and apartments.

Despite this impressive progress, more steps must be taken to ensure that our hard-working citizens can afford decent housing in New Jersey, one of the most expensive states in which to own a home or rent an apartment. That is why we have come up with a plan to assist 20,000 working families get homes. HMFA will participate in development that meets the goals of Smart Growth, ensuring that new construction is undertaken only where it makes sense and that older buildings are rehabilitated and adapted into housing.

By continuing to work closely with municipalities, developers, nonprofit organizations and residents, HMFA will help re-ignite a sense of community and give entire neighborhoods the chance to return to their original splendor.

With all good wishes,


James E. McGreevey

Message from the Chairman



The New Jersey Housing and Mortgage Finance Agency is dedicated to building families and communities – not just apartments and houses. Whether HMFA is investing in new construction or in the rehabilitation of existing structures, the overall impact a housing development will have on an area and its residents is always considered. We recognize that the futures of our cities and suburbs are linked, and that changes made in one town affect neighboring municipalities.

Our goal at HMFA is to revitalize our cities, older suburbs and rural centers, while ensuring that every New Jersey family has a safe place to call home. Many of our hard-working families struggle just to make ends meet, placing the dream

of homeownership out of reach. Simply coming up with the monthly rent can be a challenge – an astounding 40 percent of New Jersey renters can't afford a typical, two-bedroom apartment. Skyrocketing housing costs put even our most vulnerable residents at risk, as the limited incomes of seniors and adults with disabilities often force them into unsatisfactory living conditions.

As we move forward, it is crucial that HMFA continues providing affordable housing and creating livable neighborhoods that offer the amenities families need. With every apartment we finance and every mortgage we lend, HMFA is making a real difference in the lives of New Jersey residents.

Susan Bass Levin
Susan Bass Levin

Message from the Executive Director



With your support, the New Jersey Housing and Mortgage Finance Agency enjoyed another successful year. Our goal is not only to create homes, but to do so while protecting the natural fabric of our communities and bringing new life to New Jersey's cities and towns.

By offering financing for construction and rehabilitation, HMFA helped create affordable rental apartments for low- and middle-income residents. Many of our most vulnerable citizens, including seniors and adults with special needs, moved

into new or rehabilitated buildings that not only contain living space, but also provide the amenities and services that enable residents to live an enhanced, more independent quality of life. Through our homebuyer mortgage program, families who never thought they could afford a place of their own moved into their first homes.

Governor McGreevey has charged HMFA with the task of helping 20,000 working families get homes. This is a challenge we eagerly accept and will surely meet.

C. Sean Closkey
C. Sean Closkey

Our Mission

The People We Serve:

The New Jersey Housing and Mortgage Finance Agency (HMFA) programs are designed to help educate and make available home ownership and housing opportunities to New Jersey residents in order to improve their living conditions and other related quality of life issues.

Our Expertise:

New Jersey HMFA responds to the needs of its citizens by implementing creative programs and establishing alliances that:

- fund affordable home mortgages for first-time home buyers;
- promote construction and rehabilitation of rental housing;
- encourage mixed-income, owner-occupied housing growth as a means to stabilize urban neighborhoods;
- advance the growth and development of municipalities;
- contribute to the quality of life of older adults, the disabled and those with special housing needs; and
- formulate partnerships to foster the economic development of New Jersey and the personal development of its citizens.

Our Resources:

The New Jersey Housing and Mortgage Finance Agency raises program funds by:

- selling taxable and tax-exempt bonds to private sector investors in national financial markets;
- applying for and administering federal and state grants and housing assistance programs; and
- fostering cooperative relationships with state, municipal, not-for-profit agencies and foundations.

New Jersey Housing and Mortgage Finance Agency does not rely on any direct funding from the State treasury to meet its core operating or administrative expenses. The Agency does rely on favorable federal and state housing legislation to contribute to the vitality of the State's economy and the quality of life of its citizens.

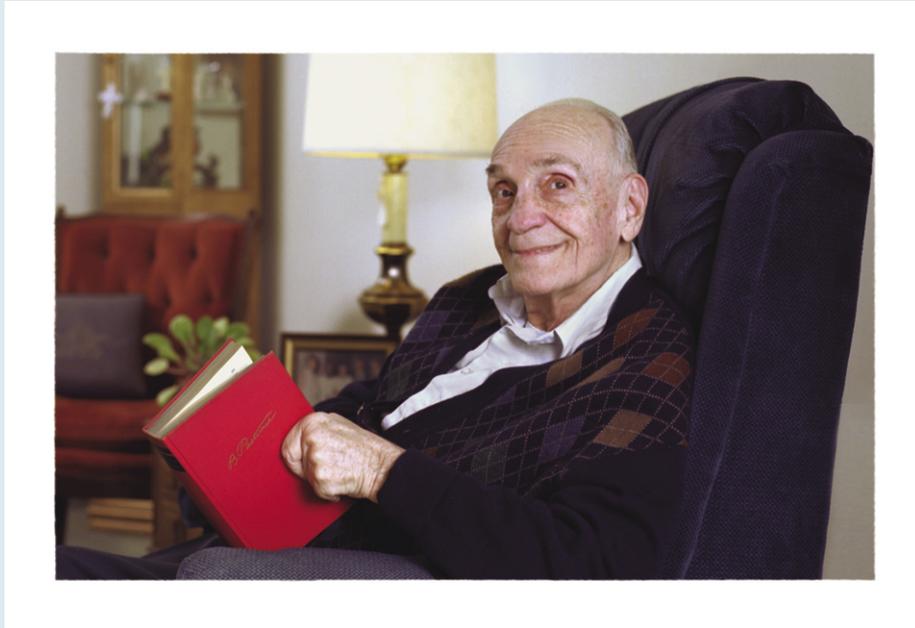
HMFA Bond Issuance 1990 - Present

Series	Economic Refunding	New Money / Replacement Refunding	Total
1990 Series E & F	\$0	\$297,945,000	\$297,945,000
1993 Series G & H	72,911,474	110,488,526	183,400,000
1994 Series I & J	0	105,600,000	105,600,000
1994 Series K	0	80,075,000	80,075,000
1994 Series L & M	0	150,000,000	150,000,000
1995 Series N & O	0	105,840,000	105,840,000
1996 Series P & Q	0	75,000,000	75,000,000
1996 Series R & S	0	125,000,000	125,000,000
1997 Series T & U	0	200,000,000	200,000,000
1998 Series V, W, X & Y	121,065,000	100,000,000	221,065,000
1999 Series Z & AA	116,180,000	158,050,000	274,230,000
2000 Series BB & CC	0	150,000,000	150,000,000
Total	\$310,156,474	\$1,657,998,526	\$1,968,155,000
1991 Series A	\$84,840,000	\$0	84,840,000
1991 Series 1 (Presidential Plaza)	142,235,000	0	142,235,000
1991 Series A	0	7,865,000	7,865,000
1991 Series B	0	14,935,000	14,935,000
1991 Series C & D	0	8,310,000	8,310,000
1992 Series 1	278,045,000	0	278,045,000
1992 Series A	8,630,000	0	8,630,000
1992 Series A, B, C & D	150,280,000	0	150,280,000
1992 Series E	0	14,585,000	14,585,000
1995 Series A, B & C	173,500,000	0	173,500,000
1996 Series A & B	0	47,535,000	47,535,000
1997 Series A, B, C	0	107,655,000	107,655,000
1999 Series A, B, C	0	37,715,000	37,715,000
2000 Series A, B, C	63,855,000	89,685,000	153,540,000
2000 Series E1, E2, F, G	111,790,000	13,275,000	125,065,000
2001 Series A,B,C		109,275,000	109,275,000
2002 Series A, B, C ,D,E,F&G	285,345,000	0	285,345,000
Total	\$1,298,520,000	\$450,835,000	\$1,749,355,000

2002 Year in Review

- Provided homeownership opportunities to more than 3,500 families, issuing more than 576 million in loans
- Committed nearly \$31 million to produce homes for 502 families in New Jersey's urban areas
- Allocated \$21.3 million in federal Low-Income Housing Tax Credits to generate \$182 million in private investment to provide affordable apartments for more than 3,400 families
- Committed \$148.9 million to provide affordable rental housing opportunities for 2,700 families
- In collaboration with the Department of Human Services' Division of Mental Health Services, allocated \$3 million to finance community-based, affordable housing for persons with developmental disabilities
- Launched the Market Oriented Neighborhood Investment (MONI) program, which is designed to promote diversity, stimulate economic growth and stabilize communities in targeted New Jersey neighborhoods
- Honored by *Professional Builder* magazine, the National Association of Home Builders and the U.S. Department of Housing and Urban Development (HUD) with the "Best in American Living" award for Mount Prospect Heights Townhomes in Newark
- Closed a \$1 million loan to Habitat for Humanity to defray the costs of land acquisition, construction and other low-income housing development costs
- Completed an economic refunding of several older multi-family bond issues
- Through A Better Camden Corporation (ABC), a subsidiary of HMFA, demolished more than 50 unsafe and abandoned properties in Camden
- Implemented the Lease Purchase Program allowing renters to transition into HMFA-foreclosed homes, while saving for downpayment costs
- Entered into 38 additional contracts under the U.S. Department of Housing and Urban Development's Contract Administration initiative, bringing the total number of HMFA/HUD contracts to 233, representing 19,450 housing units

Multi-Family



*S*pend a day at Heritage at Clara Barton, an assisted-living facility in Edison, New Jersey, and you're bound to run into Bob Andich. For three and a half years, Bob has called Heritage at Clara Barton home. When he can't be found in his one-bedroom apartment, the 70-year-old hunting enthusiast might be eating a meal in the complex's dining room, baking a cake in cooking class, enjoying a friend's birthday party, undergoing a monthly wellness check or participating in a council meeting. As Bob will tell you, there is plenty at Heritage at Clara Barton to keep residents happy, busy and healthy so they can enjoy their senior years.

2002 Multi-Family Production

County	Mortgages	Units
Atlantic	\$17,147,513	226
Bergen	7,319,523	60
Burlington	3,838,721	99
Camden	3,915,620	154
Cumberland	1,551,076	113
Gloucester	8,478,274	101
Essex	21,897,996	281
Hudson	1,789,000	70
Mercer	18,287,357	234
Middlesex	12,543,010	249
Monmouth	3,257,376	94
Ocean	4,524,184	99
Passaic	9,584,408	126
Salem	12,218,712	284
Somerset	3,920,596	100
Union	18,625,053	405
Total	\$148,898,419	2,695

Every day, families are opening the door to safe, affordable apartments thanks to HMFA’s commitment to multi-family housing production. In 2002, HMFA closed \$109 million in loans to construct or renovate rental apartment developments throughout New Jersey and committed \$148.9 million to create new housing opportunities. Together, these investments provide housing for more than 3,200 families in towns and cities such as Fort Lee, Jersey City, Elizabeth, Mt. Laurel, West Windsor and Bordentown.

HMFA is particularly concerned with ensuring that our State’s most vulnerable residents, including seniors and adults with special needs, are able to afford comfortable and safe housing. Today, many seniors choose assisted- and independent-living facilities that offer quality apartments in conjunction with health services and various amenities. In 2002, HMFA invested \$2.7 million to help 230 seniors opt for these types of housing facilities. The Agency also revised its Assisted Living Underwriting Guidelines to reflect national industry trends and to safeguard HMFA’s portfolio for future investments. In addition, HMFA and the Department of Human Services’ Division of Mental Health allocated \$3 million to assist with the development of community-based, affordable housing for people with developmental disabilities.

Multi-family developments are an integral part of New Jersey’s affordable housing solution. HMFA will continue to be a catalyst for the creation of housing for low- and moderate-income families and seniors in municipalities throughout the Garden State.

Tax Credits



Cornelius O'Brien and Jim Schaefer can't pinpoint when they first met, but they agree it was a very long time ago. The two were reunited when they moved into the tax credit-financed Judith B. Flicker Residences in Voorhees, New Jersey, which serves adults with neurological disabilities. "We're popular," they exclaim as they sit in the lobby, greeting everyone who comes through the door. When not acting as the unofficial "Mayor of Flicker," Jim can be found in the pool practicing for the Special Olympics. Cornelius also spends time in the pool room, either watching his friends swim or working on the aquatic-themed mural the residents are busy creating. Both men happily report that Flicker is a great place to live, offering them the independence they like, the help they need and the activities they enjoy.

2002 Tax Credit Awards

County	Allocations	Units
Burlington	\$1,713,803	198
Cumberland	2,852,803	191
Essex	3,169,608	227
Hudson	1,501,914	105
Mercer	370,695	22
Monmouth	1,015,092	94
Ocean	1,212,630	135
Passaic	552,518	33
Salem	592,283	40
Somerset	139,790	18
Union	2,100,000	168
Total	\$15,221,136	1,231

Since its inception in 1986, the federal Low-Income Housing Tax Credit Program has funded more than 380 developments, providing 21,000 families with a place to call home.

As the agency charged with administering the program, HMFA oversees the competitive application process and awards tax credits to attract private investor equity. The credits, each a dollar-for-dollar reduction in federal tax liability, help ease the debt burden incurred in the construction and rehabilitation development process. Consequently, less rental income is necessary for development operations, enabling owners to offer affordable monthly rental fees.

In 2002, HMFA allocated \$15.2 million in competitive tax credits and \$6.1 million in non-competitive credits to create affordable apartments for 3,408 families, seniors and the developmentally disabled. Together, these tax credit allocations generated \$182 million in equity investment.

Meeting the diverse needs of New Jersey residents, nearly 77 percent of tax credits were allocated to family developments, while 23 percent helped fund housing for seniors. Municipalities throughout New Jersey also are benefiting from the credits, including Cresskill, East Orange, Camden, Carney's Point and Atlantic City.

Single Family



*B*etween cooking 3-year-old Damon's hot dogs and caring for newborn David, Patrolman Damon Farms still finds some time to appreciate his new status as homeowner. "All my hard work throughout the month goes toward benefiting my financial situation," he points out, "instead of someone else's." After shopping around for a mortgage, Damon and his wife Donna realized they could save a lot of money, and even afford a higher-priced home, by taking advantage of the low interest rate offered through HMFA's Police and Firemen's Retirement System Mortgage Program. Now, the younger Damon loves having his own room, a big yard and a safe place to ride his bike. And his father enjoys the fiscal independence – and hard work – that accompany homeownership. "Now, all the Home Depot clerks know me by name," Damon laughs.

2002 Single Family Production

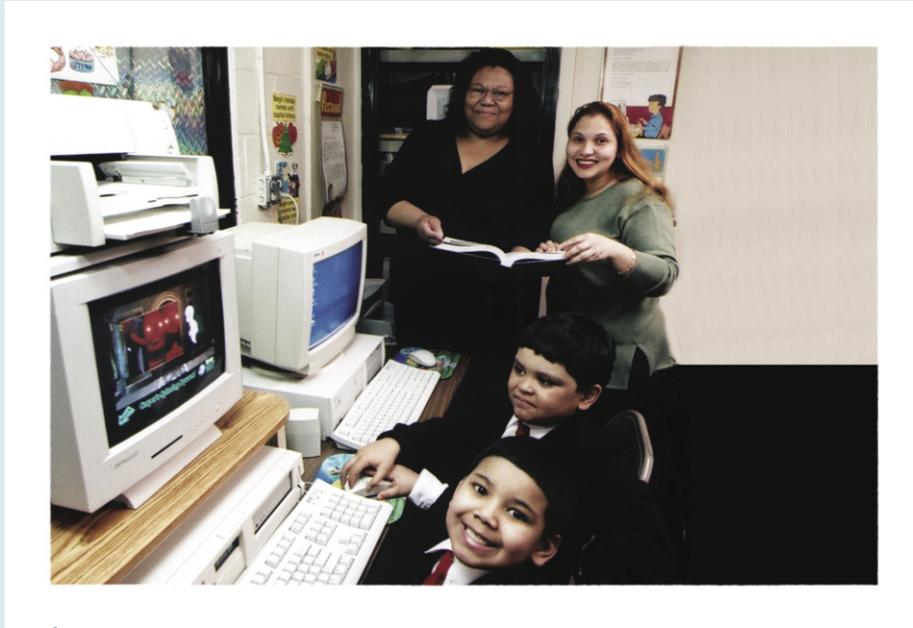
County	Mortgage Amounts	Number of Loans
Atlantic	\$25,404,894	194
Bergen	61,967,006	320
Burlington	34,524,851	241
Camden	20,244,906	190
Cape May	5,077,954	32
Cumberland	8,105,586	76
Essex	29,927,780	181
Gloucester	15,741,721	120
Hudson	10,402,889	58
Hunterdon	13,655,171	70
Mercer	27,242,768	194
Middlesex	49,610,730	299
Monmouth	44,724,986	257
Morris	50,887,958	264
Ocean	56,073,111	354
Passaic	33,193,762	181
Salem	3,663,821	36
Somerset	17,282,725	97
Sussex	15,974,764	95
Union	38,297,366	215
Warren	14,434,437	84
Total	\$576,439,186	3,558

Buying a home is one of the largest investments a family will make. In 2002, HMFA was instrumental in making the dream of homeownership a reality for more than 3,500 New Jersey families by closing \$576 million in loans. A record 2,800 of our State's bravest residents took advantage of HMFA's Police and Firemen's Retirement System Mortgage Program to purchase or refinance homes at our historically low rates. In addition, New Jersey seniors benefited from HMFA's Reverse Mortgage Program to tap into the equity from their homes, while adults with special needs used our mortgages to become homeowners, many for the first time.

Strategic partnerships with other government agencies continued to be an efficient and effective use of resources. Since insufficient housing often prohibits potential parents from committing to adoption, HMFA, working with the Department of Human Services, loaned \$3.3 million from our Homeownership for Permanency Program to help children and their adopting parents find a place to call home.

In our ongoing effort to revitalize New Jersey's cities and bring a mix of market-rate and affordable homeownership opportunities to our urban areas, HMFA provided nearly \$31 million in construction financing and subsidies to create 502 homes in neighborhoods that needed a boost. Additionally, aiming to revive the mixed-use vitality of our traditional downtowns and pedestrian communities, HMFA committed \$2.2 million to rehabilitate residential properties that offer ground-floor commercial opportunities.

Property Management



“I feel happy, at peace and secure here,” says Jesus Osorio, a 23-year resident of Martin De Porres Village in Paterson, New Jersey. An active volunteer in the community, Jesus has seen many improvements to the complex over the years, especially the addition and growth of the Village Learning Center. Housed in one of the development’s eight buildings, the Center provides free homework help and supervised games for kids from first grade through high school. Aida Santana, a nine-year resident who also works in the Center, feels the services provided help children, including her 10-year-old son Joel, succeed in school. By providing “a safe environment for the kids,” well-maintained apartments and affordable rents, Martin De Porres Village has established a loyal following. As Aida happily exclaims, “I enjoy living here... I will stay here for the rest of my life.”

2002 Property Management Portfolio

County	Number of Units Managed
Atlantic	1828
Bergen	1344
Burlington	315
Camden	3973
Cape May	206
Cumberland	593
Essex	11505
Gloucester	368
Hudson	6561
Hunterdon	61
Mercer	2786
Middlesex	1379
Monmouth	3105
Morris	461
Ocean	418
Passaic	2220
Salem	120
Somerset	401
Sussex	404
Union	2536
Total	40,584

HMFA believes not only in providing more affordable housing for New Jersey families, but in ensuring that existing housing remains comfortable, safe and attractive. Leading this effort is HMFA's Property Management division, which oversees 245 developments that house nearly 41,000 families throughout the State. Experienced housing management officers and occupancy specialists conduct physical inspections, review financial records, answer tenant complaints, and approve and monitor major building improvements and repairs. Each property is evaluated annually to determine its performance. Under our watch, the number of properties receiving "excellent" ratings has increased by 20 percent.

HMFA goes one step further to ensure that properties are well maintained by offering property owners low-interest loans to make necessary repairs. In 2002, the Agency allocated \$13 million to 15 developments for improvements such as furnace maintenance, elevator repairs, roof replacements and window upgrades.

Under the Agency's contract with HUD, its Property Management division's Contract Administration department oversees an additional 19,450 apartments in HUD's Section 8 Program. The Contract Administration team is responsible for a variety of tasks, from reviewing the physical condition of the units to assessing management practices.

Historic Preservation



*D*evelopers are seeing potential in New Jersey's urban areas, and Burlington City is no exception. In 2002, construction on the historic Metropolitan Inn transformed the historic, but abandoned, building into 16 apartments for low-income seniors. The fascinating history of the Inn makes this preservation project especially meaningful. The Metropolitan Inn was built in 1856 on the site of the old Blue Anchor Tavern, where New Jersey's Provincial Congress met in 1776 to formally declare independence from Great Britain. A variety of high-profile guests spent nights at the Inn, from opera singers to some of our most admired political leaders. And while President Abraham Lincoln and General Ulysses S. Grant joined together to end the Civil War, they had a war of their own at the Metropolitan Inn – engaging in a now legendary arm-wrestling match.

Gone are the days when massive urban renewal projects bulldozed neighborhoods in the name of “progress.” A new era recognizes that the preservation of neighborhoods is the soundest investment we can make. In 2002, HMFA provided \$19.4 million in funding and \$3 million in subsidy to create more than 260 apartments that preserve the architectural workmanship and detailing of the past, while meeting the community’s present needs.

Clare Estates in Bordentown once served as a monastery for the Sisters of St. Francis. Today, seniors call the building home, residing in new and renovated apartments offering both assisted- and independent-living. As the city of Camden works to improve its waterfront, the transformation of the historic RCA Victor Building into 341 upscale loft apartments continues. In the City of Salem, developers are building on the success of Salem Historic Homes I to create an additional 40 apartments for families. In Paterson’s historic Roger Millwright area, 34 affordable apartments will be created for working families. Low-income seniors in Burlington City welcomed 36 affordable units in the newly converted J. Frank Budd Building, which once served as home to one of the country’s largest shoe manufacturers.

HMFA is proud of these projects and will continue preserving New Jersey’s history, while investing in its future.

Reaching Out to Communities



I am committed to providing the bricks and mortar to make a difference,” Governor McGreevey declared at the September 2002 James E. McGreevey Conference on Housing and Community Development. Setting an upbeat tone for the conference, the Governor went on to announce, “We have a plan that will assist 20,000 working families get homes.” A record 1,500 of New Jersey’s affordable housing and community development professionals attended the conference sponsored by HMFA and DCA to learn about the Governor’s new housing initiatives and discuss ideas that will impact and improve housing options throughout the Garden State. Dedicated to neighborhood revitalization, Smart Growth and preservation, the gathering offered something for anyone who shares an enthusiasm for producing affordable housing for New Jersey residents.

HMFA is committed not just to building and renovating housing, but also to being active participants in improving New Jersey's neighborhoods. In Camden, for instance, we've taken on a substantial role in the effort to revitalize the city by working on specific areas in need. Recognizing that dilapidated structures add to the depression of the area and present public safety risks, A Better Camden Corporation (ABC), a wholly owned subsidiary of HMFA, began demolishing abandoned buildings, while aiding in the acquisition of neglected properties and vacant lots with an eye toward future redevelopment.

In an effort to reach out to families who think they could never afford to own a home, HMFA participated in housing fairs across the State in 2002. Covering topics such as the home buying process, overcoming bad credit and how to work with key real estate experts, our housing experts helped countless people take one step closer to owning their own home. People left the fairs with a copy of our popular brochure, "Understanding the Home Buying Process," an easy-to-understand yet comprehensive guide that has been a valuable resource for potential homebuyers.

Just as HMFA is dedicated to improving our neighborhoods, the Agency staff is committed to lending a helping hand to the New Jersey community at large and, more specifically, the capital city in which we work. Continuing a 10-year tradition, 20 employees participated in Harrison Elementary School's "Reading Buddies" program, acting as mentors and reading/writing coaches. Several members of our staff hit the streets for the Mercer County American Heart Walk, raising money to combat heart disease. At HMFA's semi-annual blood drives, other staff members literally gave of themselves. Our employees further showed their generosity during the holiday season, when they donated money and food for the Trenton Soup Kitchen, contributed warm winter coats to those living in agency developments and purchased new toys for children through the Salvation Army "Angel Tree" program.

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NEW JERSEY DEPARTMENT OF
COMMUNITY AFFAIRS



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New Jersey Housing and Mortgage Finance Agency

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