

Submitted to

Honorable Rudolph W. Giuliani, Mayor

Honorable Alan G. Hevesi, Comptroller

Honorable Joseph J. Lhota, Director of Management and Budget

Submitted by

The Chairperson and Members of The New York City

Housing Development Corporation

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**RICHARD T.
ROBERTS**

On behalf of the Members of the New York City Housing Development Corporation ("HDC" or the "Corporation") and its subsidiary corporations, including the New York City Residential Mortgage Insurance Corporation ("REMIC"), I am pleased to submit the 1997 Annual Report. The past year marked a turning point for HDC, one in which competing demands for tax-exempt bond allocations required the Corporation to be extremely creative in order to be able to maximize the use of an increasingly scarce resource. As this year's Annual Report demonstrates, we are proud to state that we were able to successfully meet many of the challenges facing HDC.

In calendar year 1997, HDC issued \$51,650,000 of new tax-exempt bonds which successfully enabled the Corporation to provide financing for seventeen developments containing 856 units of newly constructed or substantially rehabilitated 100% low-income rental housing. The projects are located throughout the Bronx, Brooklyn, Manhattan and Staten Island. The Corporation also continued to expand its Affordable Housing Permanent Loan Program ("AHPLP") in 1997. For the third time, the Members authorized the staff to commit an additional \$15,000,000 of its unrestricted reserves to fund AHPLP loans for rehabilitated low and moderate income housing, bringing the Corporation's total commitment to \$45,000,000 in the last three years.

By privately placing \$30,000,000 of taxable bonds with the Federal Home Loan Bank of New York, HDC was able to insure that funds would be available for this latest round of the AHPLP as well as a new pilot program designed to spur the creation of moderate and middle-income rental and cooperative housing. This new initiative will rely on the Corporation's ability both to raise long-term capital at attractive interest rates and to provide limited subsidies in order to make the production of housing affordable to families earning from \$30,000 to \$70,000/year economically feasible. Finally, the Corporation continued to provide Seed Money Loans to support the New York City Department of Housing Preservation and Development's low-income housing initiatives which rely upon not-for-profit sponsors.

REMIC also had a very successful 1997. Keeping pace with last year's dramatic increase in activity, REMIC committed to provide insurance for nearly \$20,000,000 in mortgage financing for affordable housing developments containing nearly 1,200 units. REMIC's continued financial strength was reaffirmed by Fitch Investors Service, which upgraded REMIC's rating to AA—from A+ in May.

This year's Annual Report highlights three areas in which the Corporation's ingenuity was a critical factor in finding a solution to a particularly difficult problem. In two instances, the Corporation was able to utilize a combination of its resources and creativity to finance 100% low-income rental housing developments, making their construction possible. In the third instance, HDC demonstrated its ability to help rescue an existing Federally subsidized project in need of restructuring.

In 1997, HDC sold ten series of bonds to finance seventeen developments throughout the City. These seventeen projects, which ranged in scope from the rehabilitation of a 9-unit building in Harlem to the new construction of two 126-unit developments in the South Bronx, will contain a total of 864 apartments, all of

which are to be occupied by households earning less than 60% of the New York City median income. The feasibility of virtually all of the projects had been predicated upon their receipt of Federal Low-Income Housing Tax Credits from the State of New York's discretionary allocation. However, due to intense demand for Tax Credits, the State was unable to make allocations to these projects.

In the first half of 1997, the lack of Tax Credits placed in jeopardy eight of the developments which were also to receive subsidies from HPD through its Participation Loan Program. However, HDC knew that if it were able to finance at least half the projects' cost with tax-exempt bonds, the developments would be able to qualify for the "as-of-right" Tax Credits that come with private activity tax-exempt bonds. Working with a bonding allocation provided by Mayor Giuliani, HDC was able to develop a unique package to accomplish the financing.

In June 1997, the Corporation issued \$13,050,000 of tax-exempt private activity bonds to provide permanent mortgages for the eight projects. Simultaneously, HDC issued \$12,215,000 of tax-exempt refunding bonds. By utilizing the interest rate savings generated by the refunding for the benefit of the new bond issue, HDC was able to lower the annual interest rates on the eight new mortgages we committed to make to as low as 3%. As a result, the Corporation was able to finance at least half of each project's cost with tax-exempt proceeds and qualify each project for Tax Credits sufficient to make their rehabilitation feasible.

In the fall of 1997, the Corporation was approached by several developers who also wished to produce 100% low-income housing. Like the first group of projects which had sought Tax Credits from the State, these projects had also failed to receive allocations. Unlike the first group of projects which received PLP subsidies from HPD, these developments were intended to generate certificates which would enable newly constructed market rate developments in mid-Manhattan to receive partial real estate tax-exemptions pursuant to the City's §421-a Program. The demand for these §421-a Certificates has recently increased, reflecting the remarkable renaissance of the City of New York. In fact, 1997 was the first year since the beginning of the 1990s that low-income housing outside of mid-Manhattan has been created through the §421-a Certificate Program and the Corporation played an integral role.

As it has become routine, working against an end of the year deadline, the Corporation sold \$38,600,000 in tax-exempt bonds in the last week of December. In order to provide financing for the nine projects, HDC actually sold nine separate tax-exempt bond issues ranging in size from \$600,000 to \$8,100,000. These nine bond issues were backed by letters-of-credit from three different commercial banks.

The nine projects will directly provide 592 units of low-income housing. In turn, the §421-a Certificates generated by these low-income developments will help make possible the creation of more than 2,800 units of market-rate housing, strengthening the City's economy and tax base in both the short and long term. As the City's economy continues to grow, the Corporation will seek to replicate this innovative financing in 1998, creating affordable housing, while stimulating the supply of market-rate housing to accommodate the thousands of job-seekers flocking to New York to find employment in the City's growing new industries.

There are more than 350 housing developments in the City of New York with mortgages insured by the United States Department of Housing and Urban Development ("HUD") which also receive project based rental subsidies through HUD's Section 8 program. These developments contain approximately 50,000 units of low-income housing. In many instances, they were the focal point of the City's efforts to rebuild neighborhoods otherwise abandoned in the 1970's.

Now these aging projects are no longer the centerpieces around which urban revitalization efforts are organized, but rather potential problems which must be carefully monitored to ensure that they do not become examples of decline, threatening billions of dollars of recent public and private investment in the surrounding affordable housing stock. The problems confronting many of these developments will likely be compounded in the near future, as Congress has determined it is unwilling to renew many expiring Section 8 subsidy contracts at current rent levels. Reduced federal funding will likely limit the ability of these developments to attract new capital necessary to keep them in good repair.

In 1997, the Corporation began to work with the owners of several Section 8 subsidized developments facing significant physical problems and management deficiencies. Most were not in HDC's current portfolio. The history of Lexington Gardens, one development financed by the Corporation, whose problems were successfully resolved is related herein. HDC's ability to deal positively with Lexington Gardens will help the Corporation as it attempts to take on the daunting challenge presented by the Federal government's decision to dramatically restructure its role in the provision of affordable housing.

In September, the Members approved the establishment of a new pilot program designed to spur the creation of moderate and middle-income rental and limited equity cooperative housing. The Corporation's ability to undertake this new initiative, which is intended to make the production of new and rehabilitated housing for families earning from \$30,000 to \$70,000/year feasible, is made possible by the strength of HDC and the City. The Corporation's financial integrity enables HDC to raise both long-term capital at low interest rates and provide the limited subsidies needed to make such projects in neighborhoods like Flushing, Baychester and Windsor Terrace feasible. The vigor of the City's resurgent economy has given local lenders the confidence to provide construction financing for projects targeted to such families for the first time since the 1980's. As the year ended, we were pleased at the response to this new initiative and we expect to finance up to 1,000 affordable units in 1998.

Creating new rental housing for working families is only one of our ambitious goals for 1998. We look forward to working with HPD and the New York City Partnership to make the City's ANCHOR Program, one of whose goals is to stimulate the creation of owner-occupied housing in Central Harlem, a reality. In 1998, we also plan to redouble our commitment to helping the City in its efforts to prevent the abandonment of the privately owned stock of low-income rental housing. We intend to bring the same level of creativity to meeting these challenges as we have in meeting past ones in order to create new housing and build and stabilize neighborhoods.



Richard T. Roberts



Anita Pins
Construction Lender – Alhambra Project
Mortgage Officer of Community Preservation Corporation

"The Alhambra just wasn't feasible without an allocation of Tax Credits. Tax-exempt bond financing provided by HDC enabled the project to qualify for 'as-of-right' Tax Credits."

Anita Pins



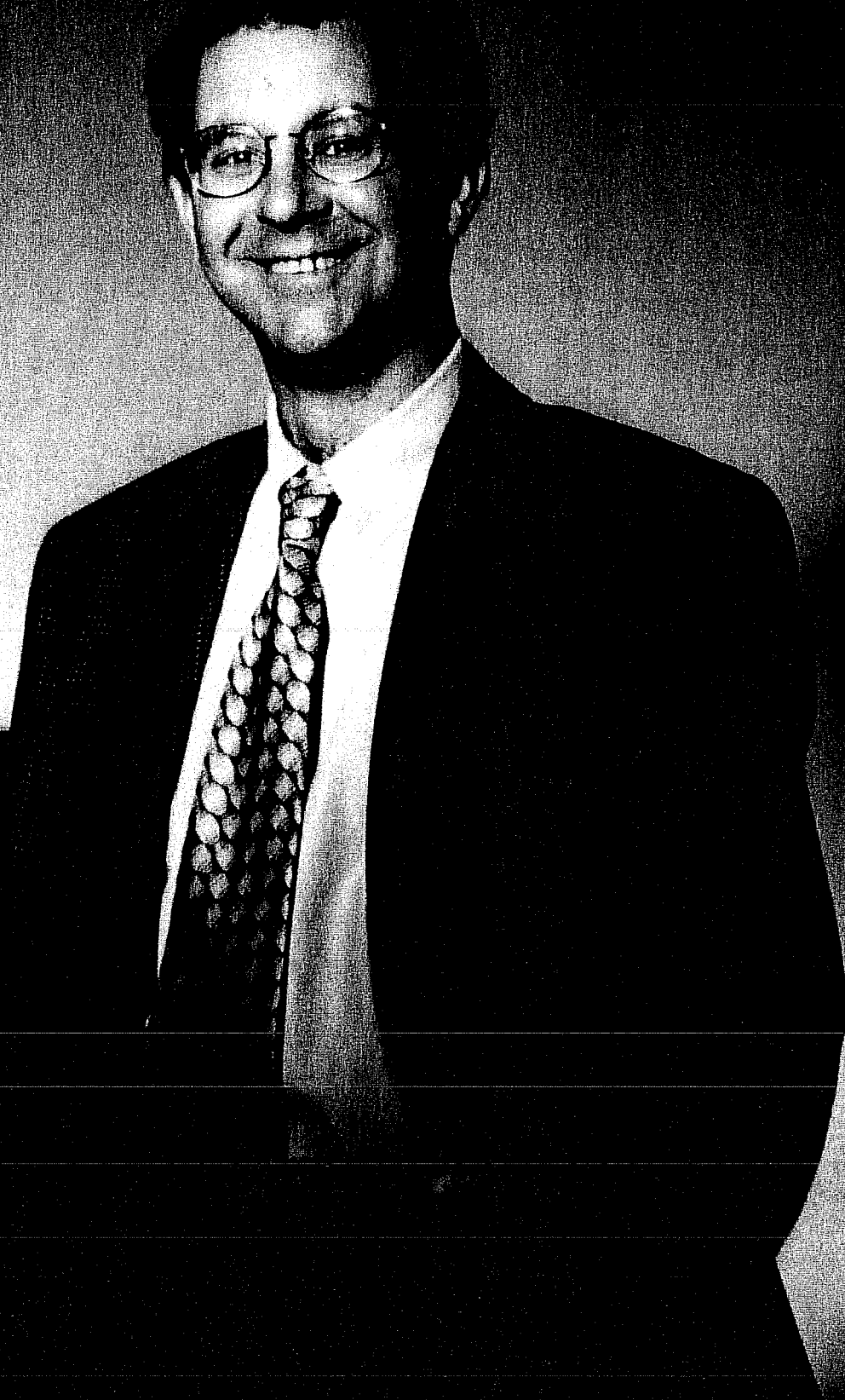
Tom Anderson
Developer of the Alhambra
President of Anderson Associates

In June 1997, the Corporation played a pivotal role in financing the substantial rehabilitation of eight vacant buildings into 264 units of low-income rental projects. These eight projects had all received financing commitments from conventional lenders and the City's Department of Housing Preservation and Development ("HPD"). Those commitments, though, were all based upon the developments' receipt of Federal Low-Income Housing Tax Credits allocated by the State. However, due to intense competition for Tax Credit allocations statewide, none of these developments were granted any Tax Credits.

To enable the developers of these eight projects located in Harlem and Brooklyn to raise the equity necessary to finance the rehabilitation, HDC proposed issuing \$13,050,000 of tax-exempt bonds subject to the Tax-Exempt Private Activity Bond Volume Cap. By utilizing tax-exempt bonds to provide the permanent debt for the projects, HDC could enable them to qualify for the as-of-right Tax Credits that are available to developments financed with tax-exempt obligations.

In order to do so, at least half the cost of each project must be funded with the proceeds of the tax-exempt bonds. However, because the projects were to be fully occupied by low-income families paying below market rents, they could not support mortgages equaling half the cost of substantially renovating these vacant buildings even at tax-exempt bond rates.

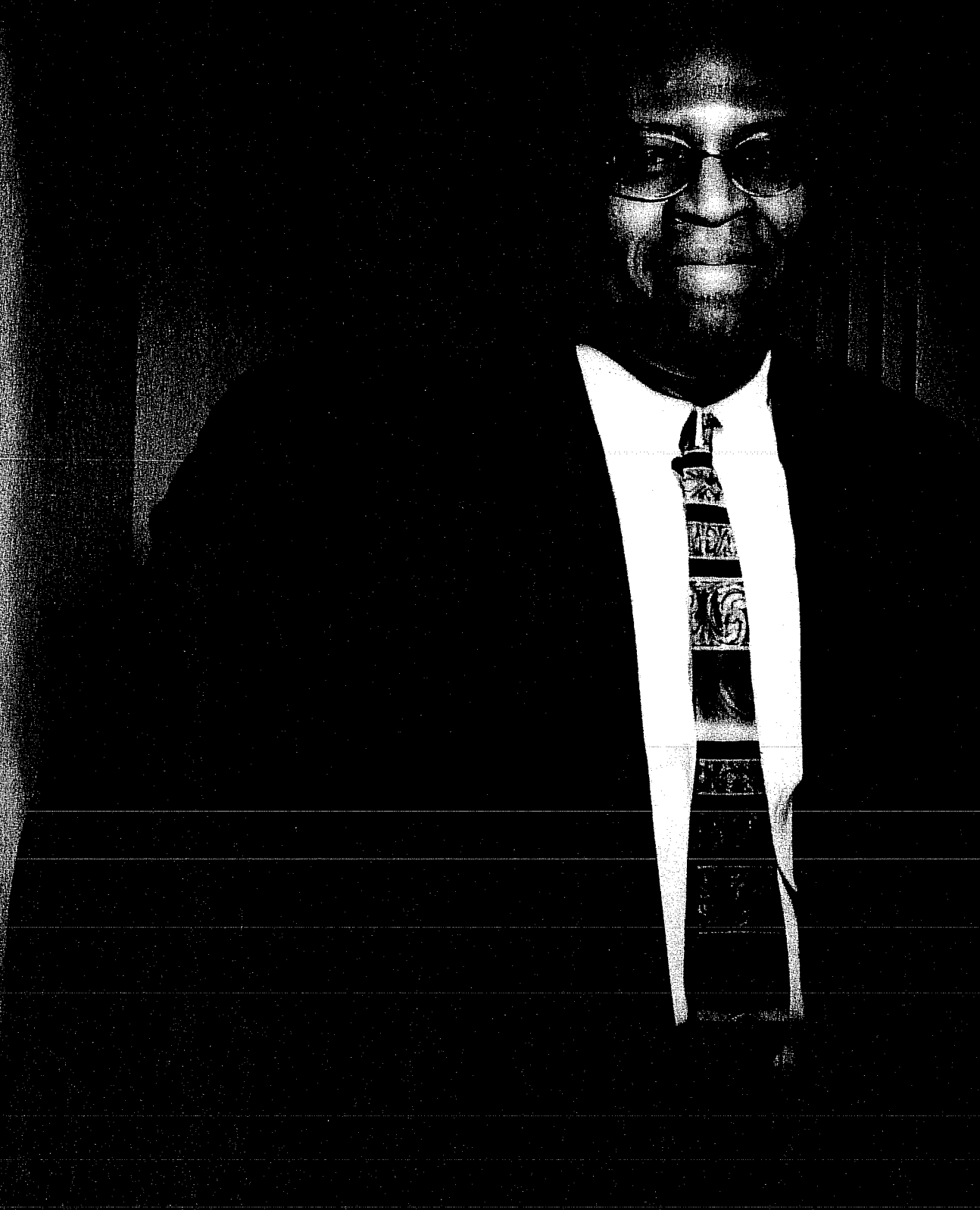
HDC, though, was able to come up with a solution for this problem. By issuing bonds to refund other outstanding obligations of HDC, the Corporation was able to generate substantial savings which we then utilized to make long-term fixed-rate mortgages for the eight new projects at rates as low as 3%. With these extraordinarily low mortgage rates, the projects became able to support mortgages large enough to enable them to qualify for the full amount of Low-Income Housing Tax Credits they needed to be economically feasible. In some instances, HPD was even able to reduce the amount of scarce direct subsidy dollars which the developers needed to complete the renovations.



Ronald Moelis
Developer of 3716-20 Third Avenue
President of L & M Equity Participants

"HDC was able to put together this complex transaction in less than a month after it got a tax-exempt bond allocation from the City and State."

Ronald Moelis



Alfred Thompson
Co-Developer of 3716-20 Third Avenue
Executive Director of Food First, Inc.

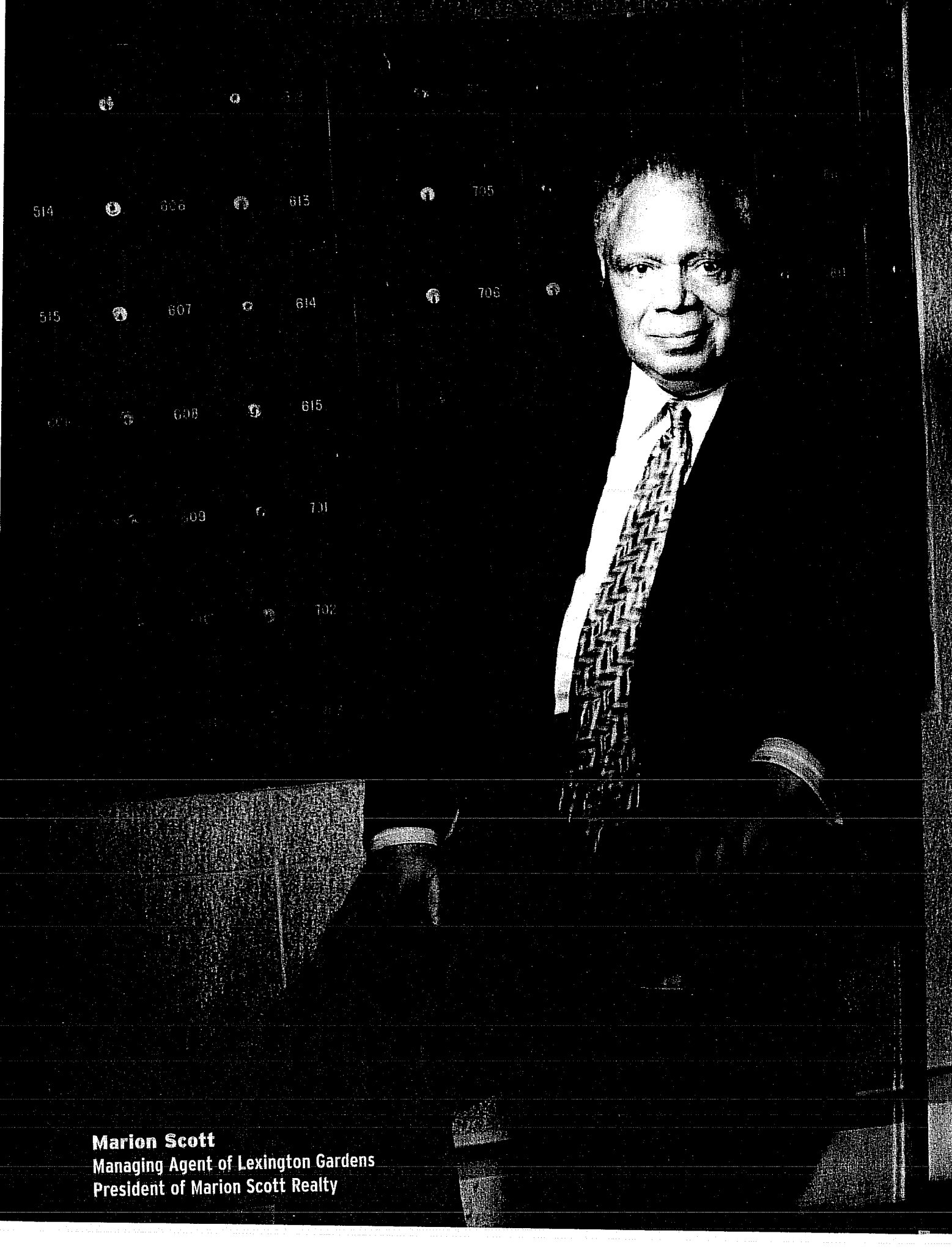
§421-A NEGOTIABLE CERTIFICATE PROGRAM ⁽¹⁰⁾

Through this program, developers of low-income housing outside of mid-Manhattan are typically granted the ability to provide five Section 421-a Certificates for every low-income unit produced. In turn, each such certificate enables the developer of a market rate unit of housing in Manhattan, south of 96th Street, to receive a ten-year partial exemption from an increase in real estate taxes which resulted from the new construction of housing there.

In order to be able to claim this real estate tax-exemption, developers of mid-Manhattan market rate housing enter into agreements with the developers of low-income housing to purchase the Negotiable Certificates that their low-income buildings generate. However, the price which market rate developers will pay for the Section 421-a Certificates is not great enough to cover the cost of constructing low-income housing and the rules governing the Certificate Program require the low-income buildings to be debt free when completed.

In order to raise equity to provide the balance of funds necessary to construct or rehabilitate the low-income projects, the developers had applied for Federal Low-Income Housing Tax Credits. However, like the developers of the vacant building projects, the 421-a Negotiable Certificate developers were unable to obtain Tax Credits due to intense competition.

In the fall, HDC began to work with the developers to provide construction financing for the projects through the issuance of tax-exempt bonds, while we attempted to secure an allocation of Tax-Exempt Private Activity Bond Volume Cap from the City and State. In December, HDC was able to obtain enough "Cap" from both the State and City to finance the nine developments. Working against an end of the year deadline and working with the developers, three different banks providing letters of credit to secure the bond issues and HPD, the Corporation was able to complete nine bond issues ranging in size from \$600,000 to \$8,100,000, all in the last week of 1997.



Marion Scott
Managing Agent of Lexington Gardens
President of Marion Scott Realty

**"Without HDC's
financing package,
we would not have
been able to turn
Lexington Gardens
around by our-
selves."**

Marion Scott



Rochelle Prinz
Director, Project Management Multifamily HUB
U.S. Department of Housing and Urban Development

In the past year, HDC completed action to restore Lexington Gardens, a 100-unit Section 8 assisted housing development in East Harlem. Working with the United States Department of Housing and Urban Development and a new managing general partner which the Corporation was able to persuade to take over management of the property, HDC was able to arrange a workout strategy which preserved the physical and financial integrity of this valuable low-income housing resource.

The process of working out Lexington Gardens was a lengthy and arduous one, beginning in 1995 when HDC's annual inspection found that the then general partner and managing agent had allowed the property to deteriorate into an unsatisfactory condition. In addition, the development had become a haven for illegal drug use and distribution.

Utilizing various "carrot and stick" approaches, HDC was able to force a change in the managing agent of the property as well as convince the limited partners of the property to replace the managing general partner with a responsible entity, Marion Scott Realty. HDC then worked with HUD and Mr. Scott to develop a plan to restore the physical and financial integrity of Lexington Gardens. The final plan included funding for more than \$650,000 in capital improvements and increased rental subsidies to pay for 24-hour security. By agreeing to increase our insured loan to the project by an additional \$400,000, HDC was able to leverage an additional \$250,000 equity investment in Lexington Gardens from the new managing general partner to repair the project.

By the end of 1997, the property was repaired and passed housing quality inspections. The threat of a mortgage default costing the Federal mortgage insurance program more than \$7,000,000 had been averted. In the future, saving the portfolio of Section 8 assisted Federally insured housing is going to be a monumental undertaking, particularly as the Congress and HUD attempt to reduce subsidy outlays. HDC's efforts at Lexington Gardens will help to provide a model for future affordable housing restructurings.



RICHARD T. ROBERTS
Chairperson and Member ex-officio.

Mr. Roberts was appointed Commissioner of HPD effective March 3, 1997. Mr. Roberts also serves as Chairperson and President of the Corporation. He most recently served as Vice President of Government and Community Relations at the Mount Sinai Medical Center. Prior to that, Mr. Roberts was an Assistant to the Mayor of the City of New York from 1994 to 1995. From January 1993 to 1994, Mr. Roberts served as Vice President of The Edison Project, a private enterprise which manages public schools. Mr. Roberts started his career in 1989 as an associate at the law firm of Davis Polk & Wardwell. Mr. Roberts is a graduate of Yale University and Yale Law School and is a member of the New York Bar. He also serves as a trustee of the Brooklyn Children's Museum.



BILL GREEN
Vice Chairperson and Member, serving pursuant to law.

Mr. Green has served as a Board member of The Housing Partnership Development Corporation since 1993. Mr. Green has also served as a Board member of the General American Investors Company, a New York Stock Exchange listed closed-end investment company, since January 1993. Previously, he represented New York's 15th Congressional District in the U.S. House of Representatives for eight terms, from February 14, 1978 to January 1993. From 1981 to 1992, he served on the House Appropriations Committee and was the Ranking Republican Member of its Veterans Affairs, Housing and Urban Development, and Independent Agencies Subcommittee. Mr. Green co-chaired the National Commission on Severely Distressed Public Housing from 1991 to 1992. Prior to his election to the Congress, from 1970 to 1977, he was the Regional Administrator of the U.S. Department of Housing and Urban Development for the federal region which included New York, New Jersey, Puerto Rico and the Virgin Islands. Before that Mr. Green was a member of the New York State Assembly from 1965 to 1968. From 1961 to 1964, he served as Chief Counsel to the New York Joint Legislative Committee on Housing and Urban Development. Mr. Green has also been an attorney in private practice in New York City.



JOSEPH J. LHOTA
Member ex-officio.

Mr. Lhota was appointed Director of the Office of Management and Budget in December 1995. He most recently served as Commissioner of Finance. Prior to that, Mr. Lhota served as Chief of Staff to the Deputy Mayor for Finance and Economic Development. Prior to entering government service, Mr. Lhota was an investment banker with CS First Boston Corporation and PaineWebber Incorporated. He received his Bachelor of Science Degree from Georgetown University and an MBA from Harvard Business School.



ALFRED C. CERULLO, III
Member ex-officio.

Mr. Cerullo was re-appointed Commissioner of Finance effective January 1998. Prior to that he held the position of Deputy Campaign Manager for Mayor Rudolph W. Giuliani. He previously served as Commissioner of Finance from December 1995 to July 1997 as well as Commissioner of the New York City Department of Consumer Affairs from February 1994 to June 1996. Prior to that, Mr. Cerullo represented portions of the mid-island and the south shore communities of Staten Island in the New York City Council for four years. During his tenure on the City Council, he served as the legislative body's Republican Leader and was an active member of the Council Committee on Finance, and budget negotiation team. From 1986 to 1990, he served as Legal Counsel to the Minority Leader of the City Council. He is a graduate of St. John's University and the St. John's University School of Law.



HARRY E. GOULD, JR.
Member, term expires December 31, 1999.

Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation, the largest privately owned independent distributor of printing paper in the United States. He was Chairman and President of Cinema Group, Inc., a major independent film financing and production company, from 1982 to May 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. He is a member of the Board of Directors of Domtar, Inc., a Canadian manufacturer of paper products and construction materials. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was a member and served on the Executive Committee of the President's Export Council, and was Chairman of the Export Expansion Subcommittee from 1977-1980. He is a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee. He is a member of the Board of Directors of the USO of Metropolitan New York, United Cerebral Palsy Research and Educational Foundation and the National Multiple Sclerosis Society of New York and is a Trustee of the Riverdale Country School. He is also a member of the Board of Trustees of the American Management Association.



CHARLES G. MOERDLER
Member, term expires January 1, 1999.

Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to 1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of Elections in 1974, Member of the New York City Air Pollution Control Board from 1966 to 1967 and Special Counsel to the New York State Assembly, Committee on Judiciary in 1961 and Committee on The City of New York in 1960. Mr. Moerdler also serves as a Trustee of St. Barnabas Hospital and served on the Board of Overseers of the Jewish Theological Seminary of America. He served as a Trustee of Long Island University from 1985 to 1991 and on the Advisory Board of the School of International Affairs, Columbia University from 1976 to 1979. Mr. Moerdler is a graduate of Long Island University and Fordham Law School, where he was an Associate Editor of the Fordham Law Review.



MICHAEL W. KELLY
Member, term expires January 1, 2001.

Mr. Kelly is Managing Director of Ambac Capital Corporation and oversees the financial derivatives and reinvestments businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.



BARBARA UDELL*
President

Ms. Udell was appointed President effective June 13, 1994. During the two years prior to her appointment as President, she held the position of Vice President of Citicorp, where she headed a real estate securitization group. From 1971 to 1991, Ms. Udell was an investment banker for Dillon, Read & Co. Inc., where she provided corporate, municipal and real estate finance services. Ms. Udell

also serves as President of the New York City Residential Mortgage Insurance Corporation.



MARTIN I. SIROKA*
Vice President and General Counsel

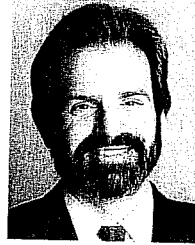
Mr. Siroka, an attorney and member of the New York Bar, assumed the role of Vice President and General Counsel in January 1987. He previously served the Corporation as Deputy General Counsel and Secretary. Prior to joining the Corporation in 1982, he held various legal positions with HPD.



ABRAHAM J. GREENSTEIN*
Executive Vice President

Mr. Greenstein was appointed Executive Vice President effective September 1, 1988. Mr. Greenstein joined the Corporation in January 1983, and was appointed Vice President-Treasurer of the Corporation in April 1983, and Senior Vice President for Finance in February 1985. Prior to joining the Corporation, Mr. Greenstein served in the New York State Comptroller's Office for 10

years, where he was responsible for the development of financial analysis for the Office of the Special Deputy Comptroller, the State agency established to monitor the City's financial operations for the Financial Control Board and the Municipal Assistance Corporation for the City. Mr. Greenstein also serves as the President of the Housing New York Corporation.



DAVID S. BOCCIO
Vice President and Deputy General Counsel

Mr. Boccio was appointed to the position of Vice President effective March 27, 1996. He also serves as Deputy General Counsel, a position he has held since January 1987. Mr. Boccio served as Secretary of the Corporation from 1987 through March 1996. Prior to joining the Corporation in 1986, he was associated with a law firm in Washington, D.C. He is a member of the New York, Maryland and District of Columbia Bars.



CHARLES A. BRASS
Vice President for Development

Mr. Brass was appointed Vice President for Development on December 13, 1991. He joined the Corporation in March 1984 and had held various positions in the Development Department until his appointment as Vice President. From 1981 to 1984, Mr. Brass worked for HPD's Development and Policy Departments. Mr. Brass is the Immediate Past President of the Association of Local Housing

Finance Agencies ("ALHFA"). He has also served on the Board of Directors of ALHFA since 1988.



WILLIAM A. MELTZER
Deputy General Counsel and Secretary

Mr. Meltzer, an attorney and member of the New York Bar, joined the Corporation in September 1994 as Assistant General Counsel and was appointed Deputy General Counsel and Secretary in March 1996. Prior to joining the Corporation, he was associated with law firms and the Federal Deposit Insurance Corporation in New York City.

*In April and May 1998, Barbara Udell, Abraham Greenstein and Martin Siroka resigned from the Corporation. Their joint leadership was instrumental in enabling HDC and its subsidiary corporations to provide affordable housing for tens of thousands of New Yorkers. The Corporation thanks them and wishes them well in their new endeavors.

MITCHELL-LAMA PROGRAM

Project Name	Original Loan Amount	Number of Units
Brooklyn		
Linden Plaza	\$ 50,345,450	1,527
Manhattan		
Independence Plaza	\$ 64,594,680	1,332
Knickerbocker Plaza	24,844,100	578
North Waterside	12,859,300	370
Waterside	61,577,000	1,100
Yorkville Towers	62,717,942	1,258
Queens		
Kew Gardens Hills	\$ 10,367,000	1,269
Ocean Park	18,265,900	602
Total	\$ 305,571,372	8,036

MITCHELL-LAMA (223-F) REFINANCINGS

Project Name	Original Loan Amount	Number of Units
Bronx		
Einstein Staff Housing	\$ 8,783,100	634
Boulevard Towers I	3,299,300	329
Boulevard Towers II	6,764,600	356
Bruckner Towers	2,656,500	208
Candia House	1,406,600	103
Carol Gardens	3,330,000	314
Corlear Gardens	972,100	117
Delos House	1,557,100	124
Fordham Towers	1,296,100	168
Janel Towers	3,916,200	229
Keith Plaza	6,819,800	301
Kelly Towers	4,528,800	301
Kingsbridge Apts.	2,000,000	90
Kingsbridge Arms	769,700	105
Montefiore Hospital II	7,662,400	398
Noble Mansion	2,618,800	236
Robert Fulton Terrace	2,357,900	320
Scott Towers	2,748,700	351
Stevenson Commons	25,000,000	947
University River View	5,798,800	225
Woodstock Terrace	2,213,400	319
Brooklyn		
Atlantic Plaza Towers	\$ 5,375,400	716
Atlantic Terminal 2C	4,677,500	200
Atlantic Terminal 4A	6,949,400	304
Brighton House	1,477,000	191
Cadman Plaza North	2,081,300	250
Cadman Towers	9,487,100	421
Contello III	1,277,900	160

MITCHELL-LAMA (223-F) REFINANCINGS CONT'D

Project Name	Original Loan Amount	Number of Units
Crown Gardens	5,882,600	238
Essex Terrace	1,750,000	104
Middagh Street Apts.	1,008,800	43
Prospect Towers	2,193,800	153
Tivoli Towers	8,098,200	302
Manhattan		
1199 Plaza	\$ 39,920,500	1,586
Beckman Staff Residence	1,226,300	90
Bethune Towers	1,518,400	133
Clinton Towers	10,298,500	396
Columbus House	3,502,500	248
Columbus Manor	2,500,000	202
Columbus Park	1,467,900	162
Confucius Plaza	23,390,400	760
Cooper-Gramercy	4,766,100	167
East Midtown Plaza	17,157,400	746
Esplanade Gardens	14,437,500	1,870
Glenn Gardens	8,196,000	266
Goddard Towers	2,381,600	193
Gouveneur Gardens	5,993,600	778
Heywood Towers	5,398,100	188
Hudsonview Terrace	11,546,500	395
Jefferson Towers	1,619,000	189
Lands End I	7,226,800	250
Leader House	6,269,400	279
Lincoln-Amsterdam	6,031,500	186
New Amsterdam House	6,461,300	228
RNA House	1,841,600	207
Riverbend	8,267,900	622
Riverside Park	26,028,300	1,190
Rosalie Manning Apts.	903,800	108
Ruppert House	16,778,000	652
St. Martin's Tower	2,865,500	179
Strycker's Bay	1,971,800	233
Tower West	3,996,100	216
Town House West	1,100,000	47
Tri-Faith House	1,494,800	147
Trinity House	2,540,500	199
Village East Towers	3,560,600	434
Washington Sq., S.E.	1,905,200	174
West Side Manor	3,147,200	245
West Village	12,034,500	420
Westview Apartments	1,656,000	137
Westwood House	1,500,000	124

MITCHELL-LAMA (223-F) REFINANCINGS CONT'D

Project Name	Original Loan Amount	Number of Units
Queens		
Bay Towers	\$ 5,476,900	374
Bridgeview III	1,951,600	170
Court Plaza	5,370,800	246
Dayton Towers	14,871,800	1,752
Forest Hills Crescent	1,757,600	240
Goodwill Terrace	3,606,100	207
Seaview Towers	13,264,700	461
Sky View Towers	3,910,900	232
Staten Island		
North Shore Plaza	\$ 17,156,100	535
Total	\$ 487,026,500	28,120

SECTION 8 PROGRAM

Project Name	Original Loan Amount	Number of Units
Bronx		
2404,2412,2416 Crotona	\$ 3,222,800	74
Academy Gardens	18,120,300	471
Brookhaven I	5,673,500	95
Clinton Arms	4,962,700	86
Felisa Rincon de Gautier Houses	7,420,400	109
McGee Hill Apts.	3,677,200	59
McKinley Manor	3,738,100	60
Miramar Court	4,895,900	90
Rainbow Plaza	9,088,200	127
SEBCO/Banana Kelly	4,510,200	65
Target V - Phase I	5,552,100	83
Thessalonica Courts	13,940,000	192
Villa Alejandrina	4,084,600	71
Washington Plaza	4,954,000	75
Woodycrest Court II	3,199,800	58
Brooklyn		
1650 President Street	\$ 2,411,200	48
Boro Park Courts	8,459,100	131
Crown Heights Dev. 1	2,197,400	36
Crown Heights Dev. 2	1,744,700	32
Fulton Park Sites 7 & 8	13,780,700	209
La Cabana	9,603,700	167
President Arms Apts.	1,326,500	32
Prospect Arms Apts.	3,505,700	91
Manhattan		
Caparra La Nueva	\$ 5,908,800	84
Charles Hills Towers	7,373,200	101
Cooper Square	10,678,100	146
Ennis Francis Houses	16,794,100	230
Hamilton Heights Terrace	8,654,300	132

Lenoxville	5,584,700	118
Lexington Gardens	7,749,800	108
Lower East Side-Phase II	5,665,000	100
Metro North Court	6,063,300	91
Revive 103	4,318,100	60
Will' A View Apts.	3,777,300	55
Total	\$ 222,635,500	3,686

80/20 NEW CONSTRUCTION PROGRAM

Project Name	Original Loan Amount	Number of Units
Manhattan		
520 West 43rd Street	\$ 55,070,000	375
400 West 59th Street	150,000,000	722
189 West 89th Street	53,000,000	265
600 Columbus	24,600,000	166
The Brittany	57,000,000	272
Carnegie Park	70,000,000	462
Columbus Green	14,500,000	95
James Tower	30,000,000	201
Key West	49,000,000	207
Manhattan Park/Roosevelt Is.	158,466,700	1,107
The Monterey	104,600,000	522
Tribeca Tower	55,000,000	440
Village West	18,675,000	148
The Westmont	32,500,000	163
West End Towers	156,086,600	1,000
Queens		
The Bristol	\$ 5,620,000	65
Total	\$ 1,034,118,300	6,210

REHABILITATION LOAN PROGRAMS

Project Name	Original Loan Amount	Number of Units
Bronx		
Allerton Coops	\$ 6,094,365	698
Lewis Morris Apts.	11,363,700	271
1290/1326 Grand Concourse	3,680,000	104
Artist's Housing	915,400	23
Robin Housing	2,977,600	101
591 E. 165th Street	239,400	30
988,992 Boston Road	122,800	31
1038-1077 Boston Road	911,334	149
675 Coster Street	297,823	33
889,890 Dawson Street	1,120,000	96
Sheridan Manor	10,979,000	450
651 Southern Boulevard	167,250	41
302 Willis Avenue	373,000	35
1296 Sheridan Avenue*	2,537,000	59
Brooklyn		
Ditmas Arms.	\$ 2,235,000	66
Linden Blvd.	1,047,161	101
Ocean Avenue	499,765	49
Washington Avenue	1,186,609	102
285 Development	1,800,000	58
Clarkson Gardens	2,000,000	105
Willoughby/Wyckoff Apts.	2,755,400	68
Woodruff Apartments	3,250,000	84
141-3 Fifth Avenue	631,000	36
753 Greene Avenue	164,000	41
480 Nostrand Avenue	250,000	25
171 Rockaway Boulevard	98,000	44
5201 Snyder Avenue	318,278	32
236 Greene Avenue	645,124	16
932-8 Eastern Parkway	814,000	24
Van Buren Street	502,500	65
Manhattan		
Kamol Apartments	\$ 995,736	48
White Star Houses	549,147	52
Revive 103 North	1,863,000	30
110 W. 111th Street	550,080	48
1-7 West 137th Street	602,000	65
9 W. 137th Street	270,329	17
128-136 Edgecombe Avenue	1,000,000	67
54 Vermilyea Avenue	233,075	20
630 West 135th Street	234,262	31
2006 Amsterdam Avenue *	774,000	18
2445-9 F. Douglass Blvd.*	1,677,000	39
230-45, 255-9 West 116 St.*	2,537,000	59
Queens		
Cunningham Heights I&II	\$ 20,370,000	1,056
Met Houses III	5,432,051	468
Total	\$ 97,063,189	5,055

* Second mortgage loans

MODERATE INCOME RENTAL HOUSING PROGRAM

Project Name	Original HDC Loan	Original HAC Loan	Original Number of Units
Bronx			
St. Edmond's Court	—	\$ 5,550,000	111
2051 Grand Concourse*	\$ 4,450,000	—	63
Brooklyn			
1010 Development*	\$ 919,800	—	16
405 Development	—	\$ 945,000	24
196 Rockaway Parkway	—	2,617,000	71
255 Ocean Avenue	—	1,808,000	40
Golden Gates Apts.	—	4,225,000	85
Manhattan			
Logan Plaza*	\$ 10,291,000	\$ 1,845,407	130
Two Bridges	8,241,997	—	198
Upper Fifth Avenue	10,000,000	9,245,100	151
Queens			
Astoria Apartments	\$ 2,193,200	\$ 3,951,500	62
Queenswood	11,200,600	17,929,100	296
Scheur House of Flushing*	13,229,700	—	155
Staten Island			
Harbour View*	\$ 9,713,500	—	122
Total	\$ 70,239,797	\$ 48,116,107	1,524
	(HDC)	(HAC)	

* Project receives annual subsidy from the Housing Assistance Corporation

HOSPITAL STAFF HOUSING

Project Name	Original Loan Amount	Number of Units
Bronx		
Montefiore Medical Center	\$ 8,400,000	116
Manhattan		
Beth Israel	\$ 36,600,000	236
New York Hospital	115,582,688	520
Total	\$ 160,582,688	872

LIMITED EQUITY COOPERATIVE PROGRAM

Project Name	Original Loan Amount	Number of Units
Bronx		
South Bronx Cooperatives:		
Daly Avenue	\$ 1,888,304	32
Tremont-Vyse I	1,416,228	24
Tremont-Vyse II	1,062,171	18
Tremont-Vyse III	1,770,285	30
Brooklyn		
South Williamsburg	\$ 6,645,000	105
Manhattan		
Maple Court	\$ 11,863,627	135
Maple Plaza*	16,750,000	155
Total	\$ 41,395,615	499

* committed

HOUSING NEW YORK-CONSTRUCTION MANAGEMENT PROGRAM

Project Name	Original Loan Amount	Number of Units
Bronx		
New Settlement Apts.	\$ 99,185,602	893
Manhattan		
NYC Housing Authority Harlem Site	\$ 43,414,398	664
Total	\$ 142,600,000	1,557

TAX CREDIT BRIDGE LOAN PROGRAM-NEW YORK EQUITY FUND

Project Name	Original Loan Amount	Number of Units
Bronx		
Bronx Beulah Houses	\$ 2,235,881	70
Daniel Nickerson Terrace	2,123,676	65
Harry DeRienzo	281,042	17
King Third Ave./Franklin Ave.	1,845,320	42
Tolisano Gardens	128,275	13
Raul Morales	1,872,749	44
Lillian Ware Associates	515,322	15
Brooklyn		
CCD Two	\$ 1,106,303	43
Malcolm-Hancock and Bainbridge	1,654,361	50
Mt. Carmel Houses	1,692,849	60
New Lots West	1,593,488	51
PAD	2,158,121	67
Sheshbazzar	1,702,349	61
St. John's Apartments	1,649,545	48
Union Sutter	655,394	36
Von King Apartments	1,734,603	55
Manhattan		
La Casa	\$ 1,380,324	41
Mandela Apartments	2,260,230	70
Mandela Apartments II	1,404,738	42
Mutual Housing Partnership	768,937	30
Roosevelt Lane LP	1,221,387	46
Sass Houses	2,880,686	40
Triboro Houses	1,613,307	94
Total	\$ 34,478,887	1,100

To the Members of the New York City Housing Development Corporation:

We have audited the accompanying combined balance sheet of the New York City Housing Development Corporation (the 'Corporation'), as of October 31, 1997, and the related combined statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of October 31, 1997, and the results of its operations, the changes in its fund balances and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG Peat Marwick LLP

January 29, 1998

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
					1997	1996
ASSETS						
Cash	\$ 246,263	-	4	6	246,273	614
Investments (note 4)	662,138	28,104	29,304	28,543	748,089	627,998
Total Cash and Investments	908,401	28,104	29,308	28,549	994,362	628,612
<i>Receivables:</i>						
Mortgage loans (note 5)	2,075,776	44,165	-	-	2,119,941	1,984,390
Accrued interest	13,692	1,454	-	-	15,146	14,575
Sale of mortgages	3,921	-	-	-	3,921	4,382
Other (note 6)	19,803	-	197,988	-	217,791	216,927
Total Receivables	2,113,192	45,619	197,988	-	2,356,799	2,220,274
Unamortized issuance costs	13,806	-	2,319	-	16,125	15,265
Due from (to) other funds	(3,661)	3,951	(8)	(282)	-	-
Fixed assets	276	-	-	83	359	111
Other assets (note 5)	28,080	-	-	2	28,082	29,154
Total Assets	\$ 3,060,094	77,674	229,607	28,352	3,395,727	2,893,416
LIABILITIES AND FUND BALANCES						
<i>Liabilities:</i>						
Bonds payable (note 7)	\$ 2,276,965	-	230,721	-	2,507,686	2,126,225
Net discount on bonds payable	(1,762)	-	(9,641)	-	(11,403)	(12,068)
Accrued interest payable	42,562	-	6,710	-	49,272	43,214
Payable to the City of New York (note 9)	126,849	77,674	774	-	205,297	160,599
Payable to mortgagors	128,439	-	-	-	128,439	109,993
Restricted earnings on investments	1,585	-	-	-	1,585	1,222
Accounts and other payables	1,144	-	-	163	1,307	791
Deferred fee and mortgage income	37,247	-	-	-	37,247	32,909
Due to the United States Government (note 11)	4,481	-	-	-	4,481	2,169
Total Liabilities	2,617,510	77,674	228,564	163	2,923,911	2,465,054
<i>Fund balances:</i>						
Restricted	340,127	-	-	28,189	368,316	330,355
Unrestricted	102,457	-	1,043	-	103,500	98,007
Total Fund Balances	442,584	-	1,043	28,189	471,816	428,362
Commitments and Contingencies (notes 12 & 13)						
Total Liabilities and Fund Balances	\$ 3,060,094	77,674	229,607	28,352	3,395,727	2,893,416

See accompanying notes to the combined financial statements.

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
					1997	1996
REVENUES						
Interest on loans (note 5)	\$ 130,243	-	-	-	130,243	126,516
Earnings on investments (note 4)	23,934	-	2,134	2,039	28,107	28,963
Fees and charges (note 11)	6,924	-	97	261	7,282	6,992
Other (note 6)	42	-	14,311	-	14,353	14,397
Total Revenues	161,143	-	16,542	2,300	179,985	176,868
EXPENSES						
Interest and amortization (note 7)	108,940	-	16,188	-	125,128	125,400
Salaries and related expenses	5,538	-	-	406	5,944	5,445
Services of New York City	335	-	-	-	335	335
Trustees' and other fees	1,291	-	77	40	1,408	1,407
Amortization of debt issuance costs	927	-	150	-	1,077	882
Corporate operating expenses (note 8)	1,150	-	-	169	1,319	1,478
Non-operating expenses (note 9)	1,195	-	-	-	1,195	2,520
Total Expenses	119,376	-	16,415	615	136,406	137,467
Excess of Revenues Over Expenses	41,767	-	127	1,685	43,579	39,401
Operating Transfers to Corporate Services Fund	144	-	-	(144)	-	-
Excess of Revenues Over Expenses after Operating Transfers	\$ 41,911	-	127	1,541	43,579	39,401
<i>Allocation of Excess of Revenues Over Expenses:</i>						
Restricted fund balance	23,367	-	-	1,541	24,908	21,267
Unrestricted fund balance	18,544	-	127	-	18,671	18,134
Total	\$ 41,911	-	127	1,541	43,579	39,401

See accompanying notes to the combined financial statements.

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
					1997	1996
RESTRICTED						
Balance at beginning of year	\$ 303,707	-	-	26,648	330,355	306,837
Excess of revenues over expenses after Operating Transfers	23,367	-	-	1,541	24,908	21,267
Net transfers from (to) unrestricted fund balances	13,053	-	-	-	13,053	2,251
Balance at End of Year	340,127	-	-	28,189	368,316	330,355
UNRESTRICTED						
Balance at beginning of year	96,966	-	1,041	-	98,007	82,124
Excess of revenues over expenses after Operating Transfers	18,544	-	127	-	18,671	18,134
Distributions to New York City	-	-	(125)	-	(125)	-
Net transfers from (to) restricted fund balances	(13,053)	-	-	-	(13,053)	(2,251)
Balance at End of Year	102,457	-	1,043	-	103,500	98,007
Total Fund Balances at End of Year	\$ 442,584	-	1,043	28,189	471,816	428,362

See accompanying notes to the combined financial statements.

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
					1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess of revenues over expenses after operating transfers	\$ 41,911	-	127	1,541	43,579	39,401
Net adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities (note 2)	2,754	(1,701)	2,961	(43)	3,971	2,290
<i>Changes in assets and liabilities:</i>						
Net change in accrued bond interest payable	6,058	-	-	-	6,058	(1,880)
Net change in investment interest receivable	(1,760)	1	(1)	(9)	(1,769)	1,216
Net change in accrued earnings payable to mortgagors	1,003	-	-	-	1,003	(4,505)
Net change in accrued earnings payable to the City of New York	7,092	1,925	(29)	-	8,988	9,560
Net change in other assets	(21)	-	-	(2)	(23)	(28,943)
Net change in accounts and other payables	414	-	-	35	449	44
Net change in accrued mortgage and loan interest receivable	(669)	(170)	-	-	(839)	(704)
Net change in other receivables	415	-	-	-	415	54
Net change in receivable from Battery Park City	-	-	(8,608)	-	(8,608)	(2,992)
Net change in servicing fee receivable	19	-	-	-	19	9
Net transfers between programs	(105)	-	-	105	-	-
Net change in deferred bond refunding costs	(302)	-	-	-	(302)	(2,306)
Net change in due to the United States Government	382	-	-	-	382	366
Restricted earnings on investments	363	-	-	-	363	(280)
Loan principal payments received	32,364	-	-	-	32,364	31,595
Mortgage and loan advances	(160,483)	-	-	-	(160,483)	(123,564)
Receipt of mortgagor and other escrows	225,753	-	-	-	225,753	142,140
Deferred commitment and financing fees	3,047	-	-	-	3,047	1,551
Disbursements of mortgagor escrows	(89,837)	-	-	-	(89,837)	(75,368)
Disbursements to the City of New York	(81,648)	(2,424)	(127)	-	(84,199)	(77,489)
Issuance costs	(1,904)	-	-	-	(1,904)	(2,794)
Other (Net)	(142)	-	-	-	(142)	-
Total Adjustments to Reconcile Excess of Revenues Over Expenses	(57,207)	(2,369)	(5,804)	86	(65,294)	(132,000)
Net Cash Provided by (Used In) Operating Activities	\$ (15,296)	(2,369)	(5,677)	1,627	(21,715)	(92,599)

See accompanying notes to the combined financial statements.

October 31, 1997 (with comparative combined total as of October 31, 1996) (in thousands)

	Housing Development Corporation Programs	Housing Assistance Corporation Programs	Housing New York Corporation Programs	Residential Mortgage Insurance Corporation Programs	Combined Total	
					1997	1996
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from sale of bonds	\$ 433,460	-	-	-	433,460	371,465
Retirement of bonds	(55,092)	-	-	-	(55,092)	(253,819)
Net Cash Provided by (Used In) Non-Capital Financing Activities	\$ 378,368	-	-	-	378,368	117,646
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Purchase of fixed assets	(250)	-	-	(80)	(330)	(20)
Net Cash Provided by (Used In) Capital Financing Activities	\$ (250)	-	-	(80)	(330)	(20)
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of investments, at cost	10,273,709	63,377	199,965	24,508	10,561,559	12,881,084
Purchase of investments	(10,390,878)	(61,008)	(194,287)	(26,050)	(10,672,223)	(12,906,498)
Net Cash Provided by (Used In) Investing Activities	\$ (117,169)	2,369	5,678	(1,542)	(110,664)	(25,414)
Increase (decrease) in cash	245,653	-	1	5	245,659	(387)
Cash at beginning of year	610	-	3	1	614	1,001
Cash at End of Year	\$ 246,263	-	4	6	246,273	614

See accompanying notes to the combined financial statements.

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation 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 and to provide 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, among other things, finance new construction and housing rehabilitation and to provide permanent financing for multifamily residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934, as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances most 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").

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC") and the New York City Residential Mortgage Insurance Corporation ("REMIC") have been included in the Corporation's combined reporting entity (see notes 3 B, C and D). Pursuant to Government Accounting Standards Board Statement No. 14 "The Financial Reporting Entity", the Corporation's combined financial statements are included in the City's financial statements as a component unit for financial reporting purposes. Within the City's financial statements, the Corporation is included under the category of Housing and Economic Development Enterprise Funds.

The Corporation follows the principles of fund accounting in that each program's assets, liabilities and fund balances are accounted for as separate entities. Each program utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. Other significant accounting policies are:

A. Investments

Investments, which consist principally of securities of the United States and its agencies, certificates of deposit ("CDs"), repurchase agreements and open time deposits ("OTDs"), are carried at amortized cost, which approximates market, plus accrued interest (see note 4).

B. Earnings on Investments

Earnings on investments include interest income, gain and loss realized on investment sales and amortization of investment discount and premium. Investment earnings on monies held for the City, project Reserves for Replacement and certain other project escrows are not included in the Corporation's revenues, rather, they are reported in the Combined Balance Sheet as payable to the City or payable to mortgagors.

C. Debt Issuance Costs and Bond Discount

Debt issuance costs and bond discount are amortized over the life of the related bond and note issues using the effective yield method.

D. Operating Transfers

Transfers from the various programs to the Corporate Services Fund represent (i) fees earned by the Corporation for administering its respective programs and (ii) escrow funds and excess investment earnings neither required by the programs nor returnable to the mortgagors.

E. Restricted Earnings on Investments

Restricted earnings on investments represent the cumulative amount by which pass-through program revenues exceed expenses. Such amounts are recorded as restricted liabilities since they represent accumulated excess investment earnings that, under the terms of the bond resolutions and mortgage loan documents, are expected to be credited to the mortgagors.

F. Amortization of Fixed Assets

Leasehold improvements and fixed assets are amortized over their useful lives using the straight-line method.

G. Fees and Charges

Commitment and financing fees are recognized on the accrual basis over the life of the related mortgage.

H. Statement of Cash Flows – Supplemental Disclosure

For purposes of the Combined Statement of Cash Flows, the Corporation excludes all investments from cash equivalents. Bond interest paid during fiscal year 1997 for the Corporation and HNYC was \$101,284,000 and \$13,421,000, respectively. The following schedule details the net adjustments to reconcile excess of revenues over expenses after operating transfers to net cash provided by (used in) operating activities for the year ended October 31, 1997, with comparative combined totals for 1996:

(in thousands)	Total HDC	Total HAC	Total HNYC	Total REMIC	Combined 1997	Totals 1996
<i>Amortization of:</i>						
Debt Issuance Costs	\$ 927	–	150	–	1,077	879
Original Bond Issue Discount and Premium	142	–	522	–	664	567
Investment Discount and Premium	(130)	(1,701)	44	(52)	(1,839)	(2,546)
Mortgage Discount and Premium	(160)	–	–	–	(160)	(155)
Deferred Fee and Mortgage Income	544	–	–	–	544	(44)
Deferred Bond Refunding Costs	1,359	–	2,245	–	3,604	3,513
Depreciation and Amortization	72	–	–	9	81	76
Total Adjustments	\$ 2,754	(1,701)	2,961	(43)	3,971	2,290

Included in the caption Disbursements to The City of New York on the Combined Statement of Cash Flows is an amount of \$77,236,000 which represents mortgage advances made in accordance with servicing agreements entered into with the City within the Corporation's Development Services Program ("DSP") (see notes

5 & 9). For HNYC this caption includes \$127,000 of mortgage and loan advances.

I. Allowance for Credit Losses

The Corporation's mortgage loan portfolio is extensively secured (see note 5), and, as such, the Corporation believes that the likelihood of experiencing credit losses relating to its bonded mortgage programs is remote and therefore material charges against income will not be required.

J. Combined Financial Presentation

For purposes of financial statement presentation, the accounts of certain programs have been combined as follows:

(i) New York City Housing Development Corporation:

(a) Multi-Family Bond Programs:

1. General Housing
2. Section 223(f)
3. Housing Revenue Bond Program
4. 80/20
5. Hospital Residence
6. Residential Cooperative Housing

(b) Corporate Services Fund

(ii) Housing Assistance Corporation

(iii) Housing New York Corporation

(iv) New York City Residential Mortgage Insurance Corporation

Certain of the summarized programs listed above are comprised of the discrete bond programs presented in the bonds payable table in note 7.

K. Deferred Bond Refunding Costs

The Corporation follows Governmental Accounting Standards Board's Statement 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities. This statement requires that gains or losses arising from debt refundings be deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt. Note 7: Bonds Payable, describes these refundings.

L. Combined Total

The combined total data is the aggregate of the Corporation and its component units (subsidiaries). No eliminations were required to be made in arriving at the totals.

M. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with Generally Accepted Accounting Principles. Actual results could differ from those estimates.

(A) New York City Housing Development Corporation

The Corporation operates two separate major programs. One program is governed by the Corporation's respective bond resolutions and the other program concerns its Corporate Services Fund.

(i) Multi-Family Bond Programs:

(a) General Housing

The General Housing Bond Program was established when the Corporation was created. A Capital Reserve Fund was established as additional security for the bondholders. Prior to September 10, 1996, the City had a moral obligation to restore the fund to the minimum reserve requirement. On September 10, 1996, the General Housing bonds were refunded and the Corporation issued the Multi-Family Housing Revenue Bonds, 1996 Series A, under the Housing Revenue Bond Program (see note 7). On this date the Capital Reserve Fund ceased to exist and the City's moral obligation was terminated.

(b) Section 223(f)

The Multifamily and 1991 Multi-Unit Refunding Bond Programs were originally established in 1977 and 1980, respectively, in connection with the refinancing of 81 existing multifamily housing projects which had been financed by Mitchell-Lama mortgage loans payable to the City.

(c) Housing Revenue Bond Program

Under the Housing Revenue Bond Program, the Corporation issues bonds payable solely from assets held under the Housing Revenue Bond Resolution. Currently, the program includes Federal Housing Administration ("FHA") insured mortgage loans, State of New York Mortgage Agency ("SONYMA") insured mortgage loans, Government National Mortgage Association ("GNMA") mortgage-backed securities and other mortgage loans.

The bond issues are secured by the revenues earned on the loans, securities and other pledged assets including Section 8 rental subsidy payments funded under the United States Housing Act of 1937, as amended, and Section 236 interest reduction subsidies under Section 236 of the National Housing Act of 1934, as amended.

The 1993 Series A & B Bonds refinanced four bond issues which provided construction and permanent financing of 35 Section 8 assisted multifamily housing projects.

The 1994 Series A Bonds were issued to provide permanent financing for newly rehabilitated Participation Loan Program ("PLP") multifamily rental buildings.

The 1995 Series A Multi-Family Housing Revenue Bonds were issued to refund the 1985 First Series Multi-Family Housing Bonds (FHA Insured Mortgage Loans), the 1985 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage Backed Securities) and the 1985 First Series Insured Multi-Family Mortgage Revenue Bonds.

The 1996 Series A Multi-Family Housing Revenue Bonds were issued to refund the General Housing Bonds (see note 7).

On June 19, 1997, the Corporation issued the 1997 Series A & B Multi-Family Housing Revenue Bonds to refund the 1987 Series A Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and the 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities) and to finance permanent mortgage loans in connection with the rehabilitation of eight multifamily rental housing developments.

On October 15, 1997, the Corporation issued the 1997 Series C Multi-Family Housing Revenue Bonds to finance a portion of the permanent mortgage loans in connection with the rehabilitation of thirty-four and the new construction of one multifamily rental housing developments.

(d) 80/20

The bonds under this program were issued to provide funds for the construction and/or permanent financing for multifamily housing projects. A portion of the projects in this program provide or will provide a mixture of market rate apartments (up to 80 percent) and apartments for low and moderate income tenants (at least 20 percent, or in certain cases at least 15 percent) as required by the Internal Revenue Code and as authorized by Section 654(23-c) of the New York State Private Housing Finance Law. In certain projects, all of the apartments are set aside for low and moderate-middle income tenants.

(e) Hospital Residence

The bonds under this program were issued to provide financing for residential facilities for hospital staff.

(f) Residential Cooperative Housing

The bonds under this program were issued to provide a portion of the permanent financing for residential housing cooperative programs.

Multi-Family bonds listed above are secured through one or more of the following mechanisms: pledged receipts of the scheduled mortgage payments and investments, bank letters of credit, FHA mortgage insurance, SONYMA mortgage insurance, bond insurance, GNMA mortgage-backed securities or a Federal National Mortgage Association ("Fannie Mae ") collateral agreement, all specified in the respective bond resolutions.

(ii) Corporate Services Fund:

This fund accounts for (i) fees and earnings transferred from the programs described above; (ii) Section 8 administrative fees; (iii) fees earned on loans serviced for the City; (iv) income from Corporate Services Fund investments; (v) payment of the Corporation's operating expenses; and (vi) the Dedicated Account (see note 5(A)(ii)).

(B) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation of the State established pursuant to Section 654-b of the New York State Private Housing Finance Law as a subsidiary of the Corporation. HAC is to continue in existence until terminated by law; provided, however, that no such termination shall take effect as long as its obligations remain outstanding. Upon termination of HAC, all of its rights and properties shall pass to and be vested in the City.

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.

(C) Housing New York Corporation

The Housing New York Corporation is a public benefit corporation of the State established pursuant to Section 654-c of the New York State Private Housing Finance Law as a subsidiary of the Corporation. HNYC shall remain in existence until terminated by law; provided, however, that no such termination shall take effect as long as obligations of HNYC remain outstanding, unless adequate provision has been made for the payment thereof. Upon termination of the existence of HNYC, all of its rights and properties shall pass to and be vested in the City.

The proceeds of the obligations of HNYC were used to finance the Housing New York Program, a joint effort of the City and the State, created for the purpose of providing residential housing facilities for 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, HNYC granted monies to the City to finance the aforementioned residential housing facilities. The obligations of HNYC are to be repaid out of assigned excess revenues generated by development at Battery Park City. These revenues consist of excess cash flow to the Battery Park City Authority ("BPCA ") resulting from rental and other payments under leases with private owners. HNYC is also authorized and empowered to receive monies from the Corporation, the BPCA, any other public benefit corporation, the federal government or any other source. The bonds of HNYC are not a debt of the State, the BPCA, the City or the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

Revenue Bond Program:

The proceeds of the Bonds were used to finance the initial phase of the Housing New York Program. The City used these monies to fund all or a portion of the substantial rehabilitation and/or construction of approximately 1,557 residential housing units and related facilities in the boroughs of Manhattan and The Bronx.

(D) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the New York State Private Housing Finance Law 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. REMIC is to continue in existence until terminated by law; provided, however, that no such law shall take effect so long as contracts to insure mortgages, commitments to insure, or other obligations remain outstanding, unless adequate provision has been made for the payment thereof. Upon termination of REMIC, all of its rights and properties shall pass to and be vested in the Corporation.

REMIC is required to maintain certain reserves, one of which is the housing insurance fund which shall be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts. The housing insurance fund requirement as of any particular date must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The housing insurance fund requirement at October 31, 1997 is \$8,611,000.

REMIC must also maintain a mortgage insurance fund which shall also be used as a revolving fund solely for the payment of liabilities arising from mortgage insurance contracts which are contracts of the Old REMIC or contracts based on commitments of the Old REMIC. The mortgage insurance fund requirement as of any particular date shall be an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to mortgage insurance contracts, plus (ii) an amount equal to the greater of (A) \$7,500,000 or (B) twenty percent of the sum of the insured amounts under mortgage insurance contracts and the amounts to be insured under commitments to insure. The mortgage insurance fund requirement at October 31, 1997 is \$7,500,000.

Any income or interest earned on the funds described above due to the investment of those funds in excess of their respective requirements shall be transferred at least annually to the premium reserve fund described below.

A premium reserve fund must also be maintained for the purpose of providing for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. The balance of this fund at October 31, 1997 is \$11,915,000.

The Corporation is authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. HAC, HNYC and REMIC are authorized to engage in investment activities pursuant to Section 654-b, Section 654-c and Section 654-d of the New York State Private Housing Finance Law, respectively, and in the case of HNYC, its bond resolution. Investment policies are set by the Members of the Corporation, HAC, HNYC and REMIC. These policies are carried out on an ongoing basis by the Corporation's Investment Committee. The Corporation and its subsidiaries principally invest in securities of the United States and its agencies, CDs, OTDs and repurchase agreements. Neither HDC, HAC, HNYC nor REMIC entered into any reverse repurchase agreements. According to management, the Corporation and its subsidiaries were not in violation of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis.

During fiscal year 1997, investment gains amounted to \$283,000 while losses amounted to \$1,000. At October 31, 1997, the market value including accrued interest exceeded the amortized cost basis of the portfolio by \$15,012,000.

Fixed repurchase agreements amounted to \$163,750,000 and are held pursuant to written master repurchase agreements which permit liquidation of the applicable securities in the event of a default. Maturities range from 3 to 33 days. Margin requirements are 101% for overnight repurchase agreements and 102% for repurchase agreements maturing up to 34 days, all of which are priced daily. These agreements are used to provide short term liquidity.

In addition to cash deposits, funds were invested in OTDs, Money Market and NOW accounts. Funds deposited into Money Market and NOW accounts were Section 8 Annual Contract Contribution funds received from the United States Department of Housing and Urban Development ("HUD"). These deposits as well as any other HUD deposits in the applicable bank are Federal Deposit Insurance Corporation ("FDIC") insured in an amount up to \$100,000 collectively. Various bond programs and the Corporate Services Fund have invested in OTDs and Money Market accounts.

Bond programs hold the OTDs. During the fiscal year, HDC entered into five OTD agreements. At October 31, 1997, the cost basis of all unsecured OTDs amounts to \$88,284,000. The cost basis of \$1,548,000 in OTDs were collateralized by securities held by the respective bond program's trustee. OTDs have a total cost basis including accrued interest of \$89,832,000 and a bank balance of \$89,340,000. Interest rates on all OTDs range from 3.45% to 6.29%. Maturity dates range from January 29, 1999 to April 30, 2011.

The interest rates under three revolving term repurchase agreements range from 6.16% to 6.6% with maturity dates that range from May 1, 2012 to April 1, 2030. Margin requirements under these agreements are 103% with weekly pricing of securities. These investments with a cost basis of \$60,820,000 are included in the caption Term Repurchase Agreements in the following table. HDC also continued investing in two variable interest rate term repurchase agreements, which amount to \$2,603,000 and \$7,403,000, respectively. Interest rates on all other remaining repurchase agreements range from 3.57% to 5.945%. Maturity dates on all other remaining fixed and term repurchase agreements range from November 3, 1997 to February 9, 2002.

Freddie Mac Notes amount to \$41,225,000 with maturity dates ranging from December 21, 1998 to May 21, 2002. Yield rates on these investments range from 5.74% to 7.06%. Federal Farm Credit Notes amount to \$1,003,000 with a maturity date of October 15, 1998 and a yield rate of 6.28%.

Combined cash deposits total \$246,273,000 at October 31, 1997. Of this total, \$241,162,000 of proceeds from bonds sold on October 31, 1997, was temporarily held in cash at the direction of the respective mortgagors and Fannie Mae due to the unavailability of United States Treasury securities with maturities corresponding to the cash flow requirements of the respective bond programs. These accounts were maintained with bond trustees as well as with major commercial banks. HDC's cash deposits amounting to \$1,928,000 are FDIC insured, while \$26,000 of the City's Department of Housing Preservation and Development ("HPD") funds held for the City are collectively insured with other City

funds in an amount up to \$100,000. HNYC's cash balances totaled \$4,000 of which \$1,000 is FDIC insured in accounts pledged to bondholders. The remaining funds are payable to HPD and are included in the amount insured above. REMIC's cash deposits totaled \$6,000, all of which are fully insured.

At October 31, 1997, investments held in the Corporation's name by the Corporation, its agents and bond trustees follow in the table below. The current market value column includes accrued interest.

Security (in thousands)	Total Cost	Current Market Value	Excess of Market Value Over Cost
U.S. Treasury Bonds	\$ 65,394	77,529	12,135
U.S. Treasury Bills	83,318	83,436	118
U.S. Treasury Notes	165,046	166,631	1,585
U.S. Treasury Strips	27,712	28,874	1,162
Fixed Repurchase Agreements	163,750	163,750	-
G.N.M.A.	36,107	36,107	-
Open Time Deposits	89,832	89,832	-
Term Repurchase Agreements	70,826	70,826	-
Freddie Mac Notes	41,225	41,235	10
Federal Farm Credit Notes	1,003	1,005	2
Money Market and NOW Accounts	3,876	3,876	-
Totals	\$ 748,089	763,101	15,012

A general description of the mortgage and other loans in each of the programs follows:

(A) New York City Housing Development Corporation

(i) Multi-Family Bond Programs:

(a) General Housing

The mortgages are first liens on the respective properties. Three of the six projects receive interest reduction subsidies under Section 236 of the National Housing Act of 1934, as amended, from HUD.

On September 10, 1996, the Corporation refunded the General Housing bonds. The mortgages securing them were transferred to the 1996 Series A Bond Program within the Housing Revenue Bond Program.

(b) Section 223(f)

The mortgages were assigned to the Corporation by the City and subsequently modified, divided and recast into (a) FHA-insured first mortgages, to be serviced by the Corporation; and (b) subordinate non-insured second mortgages which were reassigned to the City. The mortgages are first liens on the respective properties. Thirty-two of the seventy-nine projects receive interest subsidies under Section 236 from HUD.

On June 1, 1996, the City sold 37 of the subordinate non-insured second mortgages to State Street Bank and Trust Company as Trustee of the NYC Mortgage Loan Trust. Simultaneously, the

Corporation entered into a Real Estate Mortgage Investment Conduit Pooling and Servicing Agreement with the City and State Street Bank and Trust Company. Under this agreement the Corporation is responsible for servicing these 37 second mortgages. The Corporation earns a fee for servicing these loans.

With respect to the 223(f) Program, (a) the excess of mortgagors' payments over bond debt service payments, trustee fees and servicing fees to the Corporation and (b) the earnings on certain restricted funds (which are excluded from the Combined Statement of Revenues and Expenses) through April 30, 1996 formerly were payable to the City. Since May 1, 1996 all program revenues have been retained by the Corporation as all future cash flows were purchased by the Corporation for \$21,000,000 in fiscal year 1996.

With respect to the 1991 Multi-Unit Refunding Bond Program, the earnings on certain restricted funds (which are also excluded from revenues) through April 30, 1996 were payable to the City. Since May 1, 1996 all program revenues will be retained by the Corporation as all amounts remaining due to the City were purchased by the Corporation for \$11,000,000.

Through April 30, 1996, these funds were paid to the City by the Corporate Services Fund. Since May 1, 1996, amounts representing future excess cash flows have been amortized in the Corporate Services Fund over the remaining program life using the yield method. Amortization for fiscal year 1997 amounted to \$1,086,000 and is included by the Corporate Services Fund as non-operating expenses. The unamortized portion of these payments is included under the caption Other Assets in the Combined Balance Sheet. Amounts previously recorded as non-operating expenses in the 223(f) Program and the Multi-Unit Program have been included in operating transfers as of May 1, 1996, and will inure net of amortization to the Corporation.

(c) Housing Revenue Bond Program

Under the Housing Revenue Bond Program, mortgage loans made to the projects refinanced under the 1993 Series A & B bond issues are FHA-insured, and include various construction costs, bond issuance costs and capitalized accrued interest. These projects receive housing assistance payments on behalf of the tenants pursuant to Section 8.

The 1994 Series A Bonds were issued to finance first mortgage loans for projects that have been or will be rehabilitated under HPD's Participation Loan Program under which HPD will fund subordinate mortgages.

During 1995 the Corporation refinanced two bond issues secured by mortgage loans. One bond issue had provided funds for FHA-insured mortgage loans, while the other issue had provided funds for SONYMA insured mortgage loans.

On September 10, 1996, the Corporation issued the 1996 Series A Multi-Family Housing Revenue Bonds to refund the General Housing Bonds. The existing mortgages that secured the General Housing Bonds were transferred at cost. The bond refinancing is further described in Note 7: Bonds Payable.

On June 19, 1997, the Corporation issued the 1997 Series A Multi-Family Housing Revenue Bonds to refund the 1987 Series A

Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and the 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities). The existing mortgages and GNMA Mortgage-Backed Securities that secured the 1987 bonds were transferred at cost. The bond refinancing is further described in Note 7: Bonds Payable.

On June 19, 1997, the Corporation issued the 1997 Series B Multi-Family Housing Revenue Bonds to finance permanent mortgage loans in connection with the rehabilitation of eight multifamily rental housing developments.

On October 15, 1997, the Corporation issued the 1997 Series C Multi-Family Housing Revenue Bonds to finance permanent mortgage loans in connection with the rehabilitation of thirty-four multifamily rental housing developments and the new construction of one multifamily rental housing development.

(d) 30/20

The mortgage loans made to the projects in this program financed various construction costs, bond issuance costs and capitalized accrued interest.

The mortgage loans under two programs are FHA-insured and are held and serviced by the Corporation. Currently, the mortgage loans under one program are insured under the SONYMA insurance program. The mortgage loans under two programs are secured by Fannie Mae pledged collateral pursuant to a collateral agreement. The loans under fourteen of the programs are held or serviced by the financial institution providing the credit enhancement for the respective bond program. The mortgage loan under one program is insured by REMIC.

On December 17, 1996, the Corporation issued the 1996 Series A & B Multi-Family Mortgage Revenue Bonds to finance a portion of the costs of acquiring, constructing and equipping a multifamily rental housing facility to be located at 520 West 43rd Street.

On December 24, 1996, the Corporation issued the 1996 Series A Multi-Family Mortgage Revenue Bonds to finance a portion of the costs of acquiring, constructing and equipping a multifamily rental housing facility to be located at 189 West 89th Street.

On December 30, 1996, the Corporation issued the 1996 Series A Multi-Family Mortgage Revenue Bonds to refinance a portion of the Corporation's outstanding Multi-Family Mortgage Revenue Bonds (400 West 59th Street Development), 1995 Series B. A portion of the mortgage was transferred at cost to the 1996 bond program.

On June 19, 1997, the Corporation refunded the 1987 Series A Multi-Family Housing Bonds (FHA Insured Mortgage Loans) and the 1987 Series A Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities). The mortgages and GNMA Mortgage-Backed Securities securing them were transferred to the 1997 Series A Bond Program within the Housing Revenue Bond Program.

Certain projects receive subsidies on behalf of the eligible tenants through either Section 8 housing assistance payments or HAC funds.

(e) Hospital Residence

The mortgage loan advances made to three projects include various acquisition and construction costs, bond issuance costs and capital-

ized accrued interest. Under one program, the mortgagor provided the bond trustee with a non-cancelable policy of insurance from the Municipal Bond Investors Assurance Corporation ("MBIA") which guarantees the payment of bond debt service. The loans under the remaining two programs are held and serviced by the financial institution providing the credit enhancement for the respective bond programs.

(f) Residential Cooperative Housing

The mortgage loans provide permanent financing for four bond issues. The loans under this program are serviced by the Corporation and insured by the SONYMA insurance program.

On December 19, 1996, the Corporation issued its Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, to fund a mortgage loan which will provide a portion of the permanent financing for Maple Plaza Cooperative.

(ii) Other Loans:

Development Services Program:

In 1987, the DSP was created to assist the City in implementing its many housing programs for low, moderate and middle income residents. As of October 31, 1997, the DSP consists of eight subprograms. The source of funding for the DSP is certain corporate reserves which have been set aside in a separate account, the Dedicated Account, which is included in the Corporate Services Fund. Loans made under the DSP are either interest free or have low interest rates. The Corporation's role in seven subprograms involves the lending of the funds on deposit in the Dedicated Account. In the other subprogram, the Corporation has servicing responsibilities with regard to loans made by HPD (see note 12).

(B) Housing Assistance Corporation

(i) Mortgage Loans:

Mortgage loan advances made to eight projects include various construction costs and capitalized accrued interest. Certain mortgages are second liens on buildings which have been rehabilitated. These NYC funded loans accrue interest at the rate of 1% per annum although payments are not due for approximately twenty years from the dates of the loans. Other first and subordinate mortgage loans were made to fund certain expenses of constructing new projects. The secondary loans bear no interest for approximately twenty-five years from completion of construction and then bear interest at a rate of 1% per annum.

HAC had funded an 8.5% FHA-insured first mortgage loan in the amount of \$2,193,000 and a 1% subordinate mortgage loan in the amount of \$3,952,000 for Astoria Towers. To facilitate the processing of FHA insurance, the Corporation originally held the first mortgage loan within the Corporate Services Fund on behalf of HAC. On May 31, 1996, the Corporation purchased HAC's interest in the first mortgage from the City at a premium of \$51,000. This premium is included in the mortgage and loan advances caption on the Combined Statement of Cash Flows. At October 31, 1997, the loan balances were \$1,977,000 and \$3,952,000, respectively.

(ii) Subsidy:

Certain projects receive tenant assistance payments on behalf of the eligible tenants.

As of October 31, 1997

sance, and, accordingly on October 31, 1997, none of the 1987 Series Bonds are an outstanding obligation of HNYC. At October 31, 1997, the defeased 1987 Series Bonds totaled \$181,081,000.

(D) New York City Residential Mortgage Insurance Corporation

REMIC is not authorized to issue bonds or notes.

Required principal payments by the Corporation for the next five years including the retirement of \$238,356,000 of various bonds in November 1997 are as follows:

Year ending October 31

(in thousands)

1998	\$ 275,570
1999	33,855
2000	36,108
2001	38,536
2002	40,600
Total	\$424,669

The bonds of the HNYC do not require any principal payments during the succeeding five years

Bonds Outstanding

Bonds payable comprise the following for the year ended October 31, 1997:

Description <i>(in thousands)</i> <i>(variable rates cover fiscal year 1997)</i>	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
HOUSING DEVELOPMENT CORPORATION					
Multi-Family Bond Programs:					
Section 223(f):					
Multifamily Housing Bond Program – 6.5% to 7.25% Bonds maturing in varying installments through 2019	\$ 319,141	–	(6,047)	313,094	27,110
1991 Multi-Unit Mortgage Refunding Bond Program – 4.4% to 7.35% Serial and Term Bonds maturing in varying installments through 2019	96,000	–	(1,715)	94,285	8,614
Total Section 223(f)	\$ 415,141	–	(7,762)	407,379	35,724
Housing Revenue Bond Program:					
1993 Series A & B Bond Program – 2.75% to 5.85% Serial and Term Bonds maturing in varying installments through 2026	126,015	–	(2,035)	123,980	9,115
1994 Series A PLP Bond Program – 8.4% and 8.95% Term Bonds maturing in varying installments through 2025	6,435	–	(170)	6,265	760
1995 Series A Multi-Family Housing Revenue Bond Program – 3.5% to 5.6% Serial Bonds maturing in varying installments through 2007	47,195	–	(3,420)	43,775	5,760
1996 Series A Multi-Family Housing Revenue Bond Program – 3.6% to 5.625% Serial and Term Bonds maturing in varying installments through 2012	217,310	–	(4,845)	212,465	20,720
1997 Series A & B Multi-Family Housing Revenue Bond Program – 3.7% to 5.875% Serial and Term Bonds maturing in varying installments through 2018	–	25,265	–	25,265	1,631
1997 Series C Multi-Family Housing Revenue Bond Program – 6.73% Term Bonds maturing in varying installments through 2011	–	30,000	–	30,000	1,099
Total Housing Revenue Bond Program	\$ 396,955	55,265	(10,470)	441,750	39,085
80/20:					
1984 Series A Carnegie Park Project – 3.05% to 4.95% Variable Rate Bonds due upon demand through 2016	\$ 64,800	–	–	64,800	65,334

As of October 31, 1997

Description <i>(in thousands)</i> <i>(variable rates cover fiscal year 1997)</i>	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
1985 Series A Columbus Green Project – 3.05% to 4.95% Variable Rate Bonds due upon demand through 2009	13,775	–	–	13,775	13,889
1985 Resolution 1 Parkgate Tower – 3% to 4.5% Variable Rate Bonds due upon demand through 2007	40,915	–	(1,850)	39,065	3,024
1987 Series A GNMA Mortgage-Backed Securities – 8.125% Term Bonds maturing in varying installments through 2019	4,115	–	(4,115)	–	–
1987 Series A HoDAG – 8.625% and 9.625% Term Bonds maturing in varying installments through 2019	8,585	–	(8,585)	–	–
1988 Series A Carnegie Park Project – 3.1% to 5% Variable Rate Bonds due upon demand through 2016	2,000	–	–	2,000	2,017
1989 Series A Upper Fifth Avenue Project – 2.7% to 4.35% Variable Rate Bonds due upon demand through 2016	10,000	–	–	10,000	345
1989 Series A Queenswood Apartments – 2.95% to 4.6% Variable Rate Bonds due upon demand through 2017	11,600	–	–	11,600	435
1989 Series A Sheridan Manor Apartments – 7.2% and 7.45% Term Bonds maturing in varying installments through 2008	9,945	–	(500)	9,445	1,231
1990 Series A Related – East 96th Street Project – 2.8% to 4.55% Variable Rate Bonds due upon demand through 2015	104,600	–	–	104,600	105,665
1993 Series A Columbus Gardens Project – 2.95% to 4.45% Variable Rate Bonds due upon demand through 2007	25,400	–	(800)	24,600	1,091
1993 Series A & B and 1995 Series A Manhattan Park – 6.25% to 8% Term Bonds maturing in varying installments through 2030	161,390	–	(1,165)	160,225	11,774
1993 Series A Manhattan West Development – 5.7% Term Bonds maturing in varying installments through 2036	141,735	–	–	141,735	8,079
1994 Series A James Tower Development – 3% to 4.5% Variable Rate Bonds maturing in varying installments through 2005	26,200	–	(700)	25,500	1,597
1994 Series A York Avenue Development – 3.05% to 4.6% Variable Rate Bonds due upon demand through 2024	57,000	–	–	57,000	2,052

As of October 31, 1997

Description (in thousands) (variable rates cover fiscal year 1997)	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
1994 Series A Tribeca Towers Development- 2.9% to 4.5% Variable Rate Bonds maturing in varying installments through 2024	55,000	-	-	55,000	55,181
1995 Series A Columbus Apartments Development - 2.8% to 4.3% Variable Rate Bonds maturing in varying installments through 2025	23,370	-	(300)	23,070	1,017
1995 Series A & B Jane Street Development - 3% to 5.82% Variable Rate Bonds maturing in varying installments through 2030	18,675	-	-	18,675	707
1995 Series A-1, A-2 & B 400 West 59th Street Development - 3% to 5.8% Variable Rate Bonds due upon demand through 2030	150,000	-	(13,200)	136,800	5,221
1996 Series A West 89th Street Development - 3.1% to 4.55% Variable Rate Bonds due upon demand through 2029	-	53,000	-	53,000	1,935
1996 Series A Barclay Avenue Development - 5.75% to 6.6% Term Bonds maturing in varying installments through 2033	5,620	-	-	5,620	385
1996 Series A & B West 43rd Street Development - 3% to 6.9% Variable Rate Bonds due upon demand through 2029	-	55,070	-	55,070	2,096
1996 Series A 400 West 59th Street Development - 3% to 4.55% Variable Rate Bonds due upon demand through 2030	-	13,200	-	13,200	488
1997 Series A Related - Columbus Green Project - 3.7% Variable Rate Bonds due upon demand through 2019	-	13,775	-	13,775	487
1997 Series A Related - Carnegie Park Project - 3.7% Variable Rate Bonds due upon demand through 2019	-	66,800	-	66,800	2,363
1997 Series A Related - Monterey Project - 3.7% Variable Rate Bonds due upon demand through 2019	-	104,600	-	104,600	3,870
1997 Series A Related - Tribeca Tower Project - 3.75% Variable Rate Bonds due upon demand through 2019	-	55,000	-	55,000	1,972
Total 80/20	\$ 934,725	361,445	(31,215)	1,264,955	292,255
Hospital Residence:					
1988 Series I MBIA Insured - 5.6% to 7.5% Serial, Term and Capital Appreciation Bonds maturing in varying installments through 2017	92,803	-	(4,905)	87,898	10,188
1993 Series A East 17th Street Properties - 2% to 5.45% Variable Rate Term Bonds maturing in varying installments through 2023	36,600	-	(600)	36,000	2,093

As of October 31, 1997

Description <i>(in thousands)</i> <i>(variable rates cover fiscal year 1997)</i>	Balance at Oct. 31, 1996	Issued	Retired	Balance at Oct. 31, 1997	Annual Debt Service
1993 Series A Montefiore Medical Center – 2.95% to 4.45% Variable Rate Term Bonds maturing in varying installments through 2030	8,400	–	–	8,400	311
Total Hospital Residence	\$ 137,803	–	(5,505)	132,298	12,592
Residential Cooperative Housing:					
1990 Series A South Williamsburg Cooperative – 7.9% Term Bonds maturing in varying installments through 2023	6,730	–	(75)	6,655	604
1990 Series A South Bronx Cooperative – 8.1% Term Bonds maturing in varying installments through 2023	6,470	–	(65)	6,405	587
1994 Series A Maple Court Cooperative – 6.22% Term Bonds maturing in varying installments through 2027	12,330	–	–	12,330	900
1996 Series A Maple Plaza Cooperative – 6.08% Term Bonds maturing in varying installments through 2029	–	16,750	–	16,750	1,018
Total Residential Cooperative Housing	\$ 25,530	16,750	(140)	42,140	3,109
Total Bonds Payable Housing Development Corporation	\$ 1,910,154	433,460	(55,092)	2,288,522	382,765
Housing New York Corporation Revenue Bond Program:					
1993 Series A Refunding Bonds – 4.9% to 6% Serial and Term Bonds maturing in varying installments through 2020	258,690	–	–	258,690	13,421
Total Bonds Payable Housing New York Corporation	\$ 258,690	–	–	258,690	13,421
Total Bonds Payable Prior to Deferred Bond Refunding Costs	\$ 2,168,844	433,460	(55,092)	2,547,212	396,186
Deferred bond refunding costs				(39,526)	
Total Bonds Payable Net of Deferred Bond Refunding Costs				\$ 2,507,686	

(A) New York City Housing Development Corporation

The fees paid by the Corporation for legal and consulting services in fiscal year 1997 for HDC include: \$9,391 to Swidler & Berlin, \$14,582 to Hawkins, Delafield & Wood and \$34,174 to Ravin, Sarasohn, Cook & Baumgarten for legal services. The Corporation paid consulting fees in the amount of \$6,200 to W. Donald Campbell for strategic planning.

In addition, the Corporation paid the following: legal fees of \$267,506 to Hawkins, Delafield & Wood, consulting fees of \$15,000 to Goldman Sachs & Company and accounting fees of \$10,000 to KPMG Peat Marwick for services provided as a result of bond financings. For environmental studies, the Corporation paid \$20,000 to Vollmer Associates and \$2,142 to Apostle Associates. The Corporation has been reimbursed for the expenses set forth in this paragraph from either bond proceeds or project developers.

(A) New York City Housing Development Corporation

HPD acts as the regulatory agency for the 1996 Series A Housing Revenue Bond Program mortgages, and as such, receives servicing fees from HDC. At October 31, 1997, the 1996 Series A Housing Revenue Bond Program servicing fees payable to HPD were \$28,000.

Mortgages in the Section 223(f) Housing Program were assigned to the Corporation by the City in order to generate monies for the City. The Corporation remitted to the City any excess of mortgage interest income and investment earnings over related debt expense, trustee fees and servicing fees accrued through April 30, 1996. As of October 31, 1997, the total liability to the City was \$10,682,000. Under the 1991 Multi-Unit Refunding Bond Program all amounts payable to the City were satisfied on June 21, 1996 (see Note 5).

Also included in this reporting classification are participation loan funds received from the City which are to be advanced to mortgagors and mortgage and investment earnings under the 1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bond Program which was refinanced on June 19, 1997 and is now under the 1997 Series A Multi-Family Housing Revenue Bond Program (see Note 7) and the 1995 Series A Multi-Family Housing Revenue Bond Program. Included in non-operating expenses were \$26,000 in the 1987 Series A (FHA Insured Mortgage Loans) Multi-Family Housing Bond Program, \$68,000 in the 1995 Series A Multi-Family Housing Revenue Bond Program and \$15,000 in the 1997 Series A Multi-Family Housing Revenue Bond Program. The total funds payable to the City over the life of the bond programs are \$6,175,000 in the 1995 Series A Multi-Family Housing Revenue Bond Program and \$5,500,000 in the 1997 Series A Multi-Family Housing Revenue Bond Program.

The City provided funds for a subordinate mortgage loan to Sheridan Manor which were advanced pursuant to a mortgage held and serviced by the Corporation. The total liability to the City was \$18,666,000 on October 31, 1997.

The Corporation under its DSP has initiated an HPD Loan Servicing Program. From 1991 through 1996 HPD transmitted \$467,081,000 and for 1997 \$112,071,000 to the Corporation for this activity. At October 31, 1997, the Corporation held \$85,799,000 in the Corporate Services Fund for the City.

(B) Housing Assistance Corporation

The funds received from the City for HAC as well as any earnings on the funds (see note 3B) are also included in this reporting classification on the Combined Balance Sheet. At October 31, 1997, total resources payable to the City amounted to \$77,674,000.

(C) Housing New York Corporation

The Corporation is servicing four loans under the Vacant Cluster Program with funds received from the City. At October 31, 1997, total funds held for the City amounted to \$774,000.

The Corporation and REMIC are participating employers in the New York City Employee's Retirement System (the "System") of which 8 employees of the Corporation and 3 employees of REMIC are members. The Corporation and REMIC respectively paid \$13,154 and \$1,418 as their actuarially computed proportionate shares of the System's cost for the period covering the Corporation's fiscal year.

The Corporation offers its employees the option of participating in a Tax Sheltered Annuity Plan managed by The Equitable Life Assurance Society of the United States as an alternate retirement plan under Section 403(b) of the Internal Revenue Code. The Internal Revenue Service has approved the Corporation as an entity which can provide this type of plan to its employees. The majority of the Corporation's employees participate in this plan.

The amount reported in this classification is made up of two major components. A general description of each of the components is as follows:

A. Due to HUD

The Corporation has entered into contracts with HUD to administer housing assistance payment contracts with housing projects occupied by tenants qualifying for Section 8 housing assistance payments. Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee, if applicable, for the Corporation. The Corporation receives the annual contract contributions periodically during the year and disburses funds monthly for the benefit of the covered projects. As of October 31, 1997, the Corporation held \$3,876,000 in prefunded annual contributions. Related fees earned during fiscal year 1997 amounted to \$1,960,000 and are included in the Corporate Services Fund.

On August 1, 1993, the Corporation entered into a Financial Adjustment Factor ("FAF") Refunding Agreement covering the 1993 Series A Multi-Family Housing Revenue Bond Program. Under this agreement the Corporation returns excess Section 8 subsidy funds to HUD. At October 31, 1997, this amount totaled \$35,000.

B. Rebate Fund

In order to maintain the exemption from federal income tax of interest on bonds issued subsequent to January 1, 1986, the Corporation established a separate fund, the Rebate Fund, into which amounts required to be rebated to the Federal Government pursuant to Section 148 of the Code are deposited. The Code requires the payment to the United States Treasury of the excess of the amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue. Project or construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Issues with respect to which all gross proceeds are expended for the governmental purpose of the issue within six months after the date of issue and debt service funds with annual gross earnings of less than \$100,000 are exempt from this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. At October 31, 1997, HDC and HNYC had set aside \$534,000 in rebatable funds.

(A) New York City Housing Development Corporation

The Corporation is committed under one operating lease for office space for minimum annual rentals for the next five years as follows:

Year ending October 31

1998	\$ 435,000
1999	453,000
2000	470,000
2001	488,000
2002	506,000
Total	\$ 2,352,000

Thereafter, the Corporation is committed for another four years for an additional total minimum rental of \$2,025,000.

For fiscal year 1997, the Corporation's rental expense amounted to \$323,000.

Remaining mortgage commitments and other loan commitments at October 31, 1997 are as follows:

Mortgage Loans:

Multi-Family Bond Programs:	
80/20	\$ 69,649,000
Residential Cooperative Housing	16,750,000
Total Mortgage Loan Commitments	\$ 86,399,000

Other Loans:

Development Services Program	1,496,000
Total Commitments	\$ 87,895,000

On December 27, 1993, the Corporation entered into a construction and permanent loan participation agreement with the American Federation of Labor and Congress of Industrial Organizations Housing Investment Trust ("AFL - CIO") to provide construction and permanent financing for Manhattan West, a 1,000 unit 80/20 project. The Corporation's share of the commitment was 85.85% or \$134,000,000 and the AFL - CIO's share was 14.15% or \$22,087,000. The loan achieved final endorsement on July 17, 1996.

(B) New York City Residential Mortgage Insurance Corporation

HDC is committed under one operating lease for office space and allocates a percentage of that office space to REMIC for minimum annual rentals for the next five years as follows:

Year ending October 31

1998	\$ 39,000
1999	41,000
2000	43,000
2001	44,000
2002	46,000
Total	\$ 213,000

Thereafter, HDC is committed for another four years and REMIC's total minimum allocated rental will be \$184,000.

For fiscal year 1997, REMIC's rental expense amounted to \$122,000.

As of October 31, 1997, REMIC insured loans with coverage totaling \$34,167,000 and had outstanding commitments to insure loans with a maximum insurance coverage of \$28,702,000.

In the normal conduct of the Corporation's business, it is involved in litigation matters. In the opinion of management and the Corporation's legal counsel, the ultimate disposition of such litigation should not have a material adverse effect on the combined financial position of the Corporation.

A. On December 24, 1997, the Corporation issued \$4,900,000 of its Multi-Family Mortgage Revenue Bonds (2111 Hughes Avenue Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for 2111 Hughes Avenue, a 72 unit multifamily rental building.

B. On December 24, 1997, the Corporation issued \$5,000,000 of its Multi-Family Mortgage Revenue Bonds (Vermont School Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 523 Vermont Avenue, a 74 unit multifamily rental building.

C. On December 24, 1997, the Corporation issued \$600,000 of its Multi-Family Mortgage Revenue Bonds (West 115th Street Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 262 West 115th Street, a 10 unit multifamily rental building.

D. On December 24, 1997, the Corporation issued \$600,000 of its Multi-Family Mortgage Revenue Bonds (Frederick Douglass Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 2500 Eighth Avenue, a 9 unit multifamily rental building.

E. On December 24, 1997, the Corporation issued \$2,500,000 of its Multi-Family Mortgage Revenue Bonds (Third Avenue Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 3716-3720 Third Avenue, a 41 unit multifamily rental building.

F. On December 24, 1997, the Corporation issued \$1,700,000 of its Multi-Family Mortgage Revenue Bonds (Lenox Avenue Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of rehabilitation and permanent financing for 349-59 Lenox Avenue, a 26 unit multifamily rental building.

G. On December 31, 1997, the Corporation issued \$7,100,000 of its Multi-Family Mortgage Revenue Bonds (Tompkins Court Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for Tompkins Court, a 108 unit multifamily rental building.

H. On December 31, 1997, the Corporation issued \$8,100,000 of its Multi-Family Mortgage Revenue Bonds (Gerard Court Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for Gerard Court, a 126 unit multifamily rental building.

I. On December 31, 1997, the Corporation issued \$8,100,000 of its Multi-Family Mortgage Revenue Bonds (River Court Project), 1997 Series A, to fund a mortgage loan to provide a portion of the costs of construction and permanent financing for River Court, a 126 unit multifamily rental building.

Schedule 1:

The following schedule represents the Balance Sheet and Revenue Statement of the Housing Revenue Bond Program as of October 31, 1997. This schedule is being presented to provide detail information on a program basis for the owners of the program's obligations.

**Housing Revenue Bond Program
Balance Sheet**
October 31, 1997 and 1996
(in thousands)

	1997	1996
ASSETS:		
Cash and investments	\$ 130,108	74,996
Mortgage loan receivable	492,606	481,458
Accrued interest receivable	1,944	1,925
Unamortized issuance cost	3,786	3,787
Due (to) from other funds	(1,230)	(524)
Other assets	19	18
Total Assets	\$ 627,233	561,660
LIABILITIES:		
Bonds payable (including deferred bond refunding cost)	433,219	387,864
Discount on bonds payable	(1,349)	(1,481)
Accrued interest payable	10,976	7,769
Payable to New York City	11,703	6,466
Deferred fee and mortgage income	9,200	8,893
Due to the United States	4,334	1,884
Due to mortgagors	1,717	1,678
Total Liabilities	\$469,800	413,073
FUND BALANCES:		
Restricted	157,433	148,587
Total Fund Balances	\$ 157,433	148,587
Total Liabilities and Fund Balances	\$ 627,233	561,660

See accompanying independent auditors' report.

**Housing Revenue Bond Program
Statement of Revenues and Expenses**
Fiscal Years ended October 31, 1997 and 1996
(in thousands)

	1997	1996
REVENUES:		
Interest on loans	\$ 39,284	25,646
Earnings on investments	5,051	3,416
Fees and charges	843	248
Total Revenues	\$ 45,178	29,310
EXPENSES:		
Interest and amortization	22,528	12,516
Services of New York City	335	47
Trustee and other fees	117	89
Amortization of debt issuance costs	381	190
Non-operating expenses	83	71
Total Expenses	\$ 23,444	12,913
Excess of Revenues Over Expenses before Operating Transfers	\$ 21,734	16,397
Operating transfers	(502)	(207)
Excess of Revenues Over Expenses after Operating Transfers	\$ 21,232	16,190
Fund Balance at Beginning of Year	\$ 148,587	110,737
Net fund balance transfers between programs	(12,386)	21,660
Fund Balance at End of Year	\$ 157,433	148,587

See accompanying independent auditors' report.

EXECUTIVE OFFICE

Barbara Udell
President

Joan O'Brien
Executive Assistant to the
President

Abraham J. Greenstein
Executive Vice President

Helen Bojceniuk
Executive Assistant
to the Executive Vice
President

DEVELOPMENT

Charles A. Brass
Vice President

Sivonne Hermann
Director of Development

Erika Mallin
Sarah Miles
Sarah Monroe
Project Coordinators

June Ricketts
Betty Scarlett
Administration

LEGAL

Martin I. Siroka
Vice President and
General Counsel

David S. Boccio
Vice President and
Deputy General Counsel

William A. Meltzer
Deputy General Counsel
and Secretary

Michelle Abbott-Smith
Yvonne Glenn
Paralegals

OPERATIONS

Charlena Lance
Director

Mary McConnell
Deputy Director

Agnes M. Abraham
Administration

Miguel Alvarez
Ellie Candelario

John Evans
Edward Overton
Paris Pelham

TREASURY**FINANCIAL MANAGEMENT**

Frederick S. Dombek
Assistant Treasurer

James P. Quinlivan
Middle Income Manager

Maria N. Arroyo
Purchasing Manager

Jeffrey DeVito
Payroll Administrator

CASH MANAGEMENT

Harry Fried
Assistant Treasurer

Rui-Dan Peng
Investment Analyst

Karyn Spector
Investment Administrator

Noreen Schulman
Tyler Johnson
Kevin Moore
Renee Shepperson

MORTGAGE SERVICING

Dennis Nolan
Assistant to the Treasurer

Karen Mattics-Santiago
Director

Christine Chan
Sakhawat A. Kazmi
Annie Yiu
Debbie Merrit-Ford

ACCOUNTING

Kenneth Mertz
Controller

Shirley M. Jarvis
Chief Accountant

Cherrill McPhoy
Administration

Cathleen Baumann
Juliet Bolden
Evelyn Chen
Rhoda Deane-Yhap

Mary John
Uyen Luu
Ana Maria Morales
Frieda Schwartz
Bharat Shah
Bonnie Sprung
Moishe Weiss
Simon Wu
Cheuk Yu

AUDIT

Teresa Gigliello
Director

Giacomo Tafuro
Assistant Director

Nancy Wolf
Administration

Samuel Aya
Denis Belic
Armando La Torre
Nancy E. Lauck
Badar Malik
Roberto Ramirez
Fridrey Uwoghiren
Hershel Weiss

ASSET MANAGEMENT

Peggy F. Joseph
Director

Sylvia Ramos
Assistant Director

Lucille Rickman
Administration

Geraldine Brown
Delia Lau
Joan Morrison
Susan Schwartz

Shirell Taylor
Dinard Vargas
Patricia Waller

**MANAGEMENT
INFORMATION SYSTEMS**

Michael Hirst
Director

Roger Bellegarde
Peter Z. Malecki
Irene Yau

REMIC'S STAFF

Bernard Hecht
Vice President and
HDC Director of
Financial Analysis

Seymour Trommer
Senior Insurance Officer

Mina McEvoy
Senior Development
Officer

Joseph Perrone
Senior Insurance Officer

Edythe Solomon
Administration

DESIGN:
RDA, New York
PHOTOGRAPHY:
Ben Russell

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

75 Maiden Lane New York, NY 10038