NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

Eric Enderlin
President

January 19, 2021

Honorable Bill de Blasio
Mayor
The City of New York
City Hall
New York, New York 10007

Dear Mayor de Blasio:

The New York City Housing Development Corporation (the "Corporation" or "HDC") is submitting its Annual Investment Report (the "Report") for the Corporation and its subsidiaries pursuant to Section 2925 of the Public Authorities Law ("PAL") of New York State. The Report presents the Corporation's investment record for fiscal year 2020. As required by statute, the report includes:

1. The investment record of the Corporation, which is discussed in this letter;
2. The Investment Guidelines as approved by the Members on January 27, 2020; and
3. The results of the annual independent audit. (DRAFT)

This report also includes descriptive charts on HDC's investments and investing environment, and a Counterparty Credit Risk Exposure Summary.

The Corporation

The Corporation was established in 1971 under the provisions of the Private Housing Finance Law of the State of New York ("HDC Act"). It was created primarily to offer low-interest mortgage loans and thereby encourage the investment of private capital in providing safe and sanitary housing for those whose need for housing cannot be provided by unassisted private enterprise.

To accomplish its objectives, the Corporation finances new construction and rehabilitation of multi-family residential housing developments through the issuance of tax-exempt and taxable debt. The Corporation is not authorized to levy taxes and has never received operating assistance from the City nor State. HDC is authorized to provide construction and/or permanent financing with mortgage loans generally secured by first or second liens on the real estate financed. These loans may also be guaranteed or secured in a variety of ways such as with bank letters of credit, Fannie Mae or Freddie Mac guarantees and mortgage insurance provided by governmental agencies or private insurers.

To assist HDC in fulfilling its mandate, the State Legislature established four subsidiaries of HDC, two of which are currently active and have assets. The Housing Assistance Corporation ("HAC"), established in 1985, and the New York City Residential Mortgage Insurance Corporation ("REMIC"), established in 1993 are currently active. The Housing New York Corporation ("HNYC") was founded in 1986 and the NYC HDC Real Estate Owned Corporation ("REO") was established in 2004 under 654-a of the Act. Both of these subsidiaries are currently inactive, however, the REO did acquire and immediately dispose of one property during FY 2011 as part of a preservation plan for a federally assisted development in the Bronx.

Investment Guidelines

As an integral part of the internal controls established by the Corporation to safeguard its assets, management has set forth Investment Guidelines (the "Guidelines") which are annually reviewed and approved by the Members of the Corporation. The Corporation's investment options are set by the PAL and the HDC Act, and the Guidelines establish permitted investments within this statutory framework. The current Guidelines were reviewed and adopted on January 27, 2020. A copy of which is attached for your review as Attachment 1.

The Guidelines require the Corporation and its subsidiaries to seek to diversify their investment holdings and to establish an Investment Committee. The primary goal of the Committee is to safeguard the Corporation's assets and maximize investment yield without undue risk. The Committee generally meets bi-weekly and authorizes purchases and sales of investments in accordance with the HDC Act, the various bond resolutions which govern the programs administered by the Corporation, and contractual obligations with other governmental agencies.

In addition to the Guidelines, HDC's Cash Management Department operates according to written policies and procedures that govern the receipt and disbursement of funds. These policies and procedures work together with the Guidelines to provide a framework for safeguarding the Corporation's investment assets.

Description of Monies Available for Investment

HDC invests funds from a variety of sources. Each time the Corporation issues bonds, the proceeds are invested until needed for mortgage advances, as well as the bond revenue and debt service reserve funds. The Corporation invests in permitted investments including demand deposits, certificates of deposit, repurchase agreements (all fully collateralized by U.S. Treasury or Agency securities), Guaranteed Investment Contracts ("GICs"), NYS/NYC municipal bonds, and direct purchases of U.S. Treasury and Agency obligations.

Most collections are pledged to the payment of bond principal and interest. These mortgage receipts are thus invested to the next debt service date. The applicable bond resolutions of the Corporation's housing programs and the Investment Guidelines determine the types of securities that may be purchased with these monies.

HDC maintains substantial reserve funds as required by each program. Many HDC programs require the ability to liquidate securities at the original reserve amount at any time, regardless of market conditions. HDC enters into GICs for these restricted reserves, deposits funds in collateralized demand deposit accounts, or purchases U.S. Treasury or Agency obligations with maturity dates that target a one to six-year average life to provide this liquidity feature.

The Corporation also administers several types of escrow funds that are accumulated to pay certain expenses of the housing developments in order to protect the Corporation's mortgage liens. They include escrows for hazard insurance, real estate taxes, mortgage insurance premiums, water and sewer charges and working capital. These funds are generally outside the lien of the bond resolutions and are either held by the applicable trustee or a depository. They are invested on a short-term basis to coincide with the dates when the applicable payments must be made and are invested in U.S. Treasury or Agency obligations, collateralized demand deposit accounts, or repurchase agreements collateralized by U.S. Treasury or Agency securities.

A portion of the Corporation's mortgage portfolio is insured by the Federal Housing Administration ("FHA"), which requires developers to maintain a Reserve-for-Replacement Fund. These funds are invested in US Treasury bills and collateralized demand deposit accounts.

The Corporation is committed to assisting the City in implementing its affordable housing and community development strategy. Since 2003, unrestricted corporate funds in excess of $3.29 billion have been allocated for this purpose and are being used to provide 1% or low-interest loans. HDC also serves as a fee-based loan servicer for various City Department of Housing Preservation and Development ("HPD") housing loan programs. As such, the Corporation invests HPD loan funds that have not yet been advanced to the borrowers as well as project reserves. These funds are invested in short term repurchase agreements, collateralized demand deposits, or U.S. Treasury and Agency securities.

The Corporation has established the Corporate Services Fund as its operating fund. The cash and investments held in this fund are principally allocated to funding affordable housing programs and providing dedicated reserves to support the Corporation's "AA" rating. The HDC Act and the Guidelines determine the types of securities which may be purchased by this fund.

The Corporation administers the investments of its two active subsidiaries, HAC and REMIC. In July 2003 HAC approved the funding of a rental subsidy program for eligible tenants of the Ruppert /Yorkville development, which was leaving the Mitchell-Lama program. This subsidy has been funded by loans from HDC to HAC, by HAC revenues, and by a pre-payment from two of the HAC mortgages. In October 2017, in order to continue to fund the City Subsidy Program and repay HDC, the HAC Members authorized the sale of its remaining five loans with an aggregate outstanding balance of approximately $32 million to HDC. HDC securitized these loans raising $23.8 million for HAC. The loan sale proceeds were used to repay HDC its outstanding $9.05 million loan to HAC. The remaining sale proceeds, together with earnings on the proceeds, should be sufficient to continue the City Subsidy Program through fiscal year 2023. These proceeds need to be liquid and are currently invested in collateralized money market accounts. HDC staff will work with the City of New York to determine other potential resources to support the City Subsidy Program in the intervening period.

REMIC insures mortgages and underwrites to a zero loss standard. Therefore, liquidity is not a major concern and REMIC funds are invested for maximum yield in securities expected to be held to maturity. The current portfolio consists of fully collateralized bank certificates of deposit and demand deposits, and US Agency securities. Some earnings may be invested short term for a few months to accumulate or to aggregate with expected investment rollovers.

See Note 3 "Investment and Deposits" of the DRAFT FY 2019 financial statements for further details.

Investment Results

Earnings on investments totaled $89.6 million in fiscal year 2020, a decrease of $20.5 million from fiscal year 2019, due mainly to a decrease in reinvestment rates and a decrease in investment proceeds during FY 2020. The interest rates across the short-term maturities and a steepening yield curve environment are factors to consider in the Corporation's ongoing investment strategy.

Because of the Corporation's commitments, the majority of investments must be held for the short term, which provides sufficient liquidity for the Corporation. **Chart A** summarizes HDC's investment earnings since 2016. **Charts B and C** in this report illustrate the level of short-term investment rates which continued to be at historically low levels. In response to the current interest rate environment, the Corporation continued to invest primarily in collateralized demand deposits, certificates of deposit, guaranteed investment contracts, and direct purchases of U.S. Treasury and Agency obligations in order to optimize yield. **Charts D and E** provide a breakdown of the pools of funds invested and the type of investments.

As required by GASB No. 31 the Corporation has recorded a fair value adjustment in its investment portfolio. The Corporation recorded a net depreciation of $2.2 million for fiscal year 2020. As part of the Corporation's investment policies, it looks to invest its bond and corporate related reserves in securities with the intent to hold the investment to maturity. As a result, any unrealized appreciation or depreciation is only reported as an accounting gain or loss at this time.

HDC funds under management decreased about 22.6% from fiscal year-end 2019 to fiscal year-end 2020, from $5.91 billion to $4.6 billion. The Corporation had a 9.13% growth in net position over the last year.

While consolidated investment income was $89.6 million, it is important to note that interest income accrues to the benefit of the bond issue or corporate fund from which it is derived. In particular, earnings on bond proceeds are applied to pay interest expense on the related bonds. In fiscal year 2020, $50.0 million or 55.8% of the consolidated investment income was attributable to bond programs and HPD related investments, and therefore was not available to the Corporation. An additional $3.8 million was earned by and retained within REMIC and HAC. The remaining $35.8 million of earnings is pledged to ongoing affordable housing programs of the Corporation.

Fees and Charges Paid

HDC manages its funds internally through the Cash Management Division. HDC has not incurred nor paid any fees, commissions or other charges for investment services.

Internal Controls

Principal guidance of the Corporation's investments is provided by the Investment Guidelines and Investment Committee, as described above, and daily activities are carried out in accordance with written policies and procedures. In addition, there are multiple forms of oversight and review of the Corporation's investment practices:

- HDC's Credit Risk Unit reviews the Corporation's investment portfolio on a regular basis and includes investments in its monthly Corporate Counterparty Risk Report. This report is presented to HDC's executive staff on a monthly basis and to the Audit Committee of the HDC Board at each meeting. A summary chart is included in this report as Attachment 2.

- An Investment Report is also presented at each Audit Committee meeting. This report details investments by type and pool and provides details on any significant developments.

- HDC's Internal Audit unit conducts a periodic audit of the Cash Management Division, including a review of its compliance with written policies and procedures. Findings are reported to the Audit Committee.

- HDC's external auditors, Ernst & Young LLP, conduct an annual examination of the Corporation's financial statements. The firm's annual audit included a review of the Corporation's investment practices, confirmation of outstanding investments, and determination of the market value of securities held by HDC. The Ernst & Young Report on Compliance with Investment Guidelines and Report on 2020 Financial Statements are both attached in DRAFT form.

Eric Enderlin
President

cc: Honorable Scott Stringer
Honorable Thomas P. DiNapoli

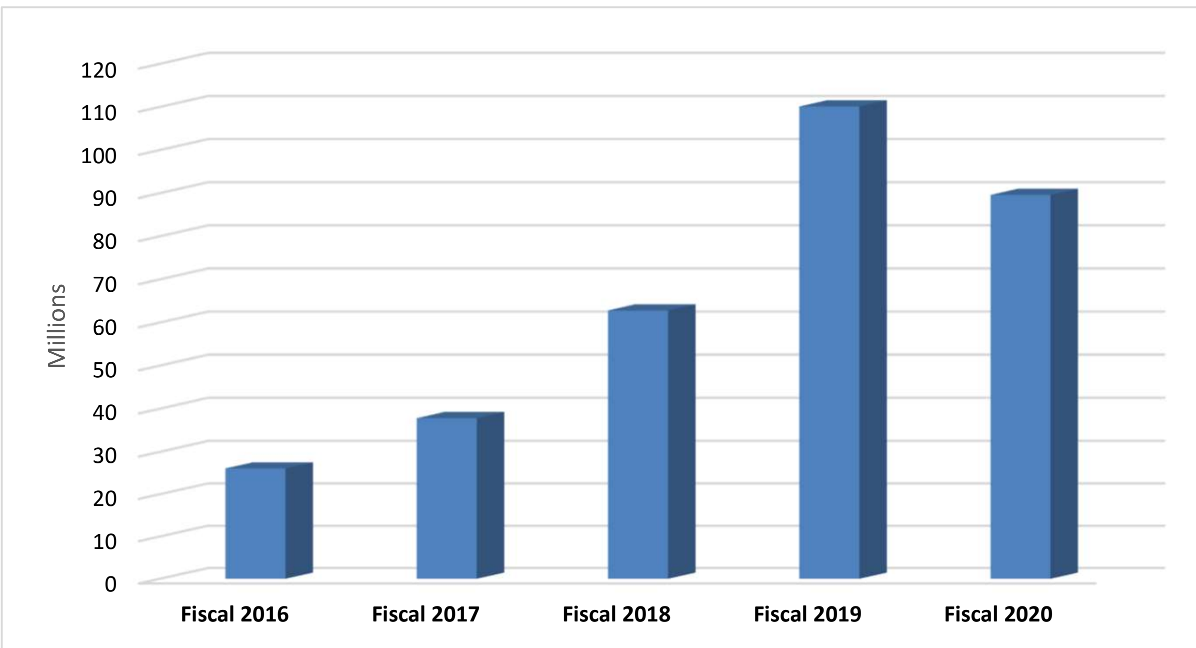
Chart A

New York City Housing Development Corporation And Subsidiaries

Summary of Investment Earnings

Fiscal Years 2016-2020

Fiscal Year	Amount in Millions
2016	26.1
2017	37.8
2018	62.8
2019	110.1
2020	89.6



Note: Investment earnings do not include any Fair Market Value adjustment.

Chart B

Sample Average Interest Rates for Fourth Quarter 2019 through Fourth Quarter 2020

Descriptions:	4th QTR 2019	1st QTR 2020	2nd QTR 2020	3rd QTR 2020	4th QTR 2020
Market yield on U.S. Treasury securities at 3-months	1.61	1.10	0.14	0.11	0.09
Market yield on U.S. Treasury securities at 6-months	1.61	1.10	0.17	0.13	0.10
Market yield on U.S. Treasury securities at 1-year	1.58	1.07	0.17	0.13	0.11
Market yield on U.S. Treasury securities at 2-years	1.59	1.08	0.19	0.14	0.15
Market yield on U.S. Treasury securities at 5-years	1.61	1.14	0.36	0.27	0.37
Market yield on U.S. Treasury securities at 10-years	1.79	1.37	0.69	0.65	0.86
90-Day AA Financial Commercial Paper Interest Rate	1.81	1.33	0.07	0.09	0.10

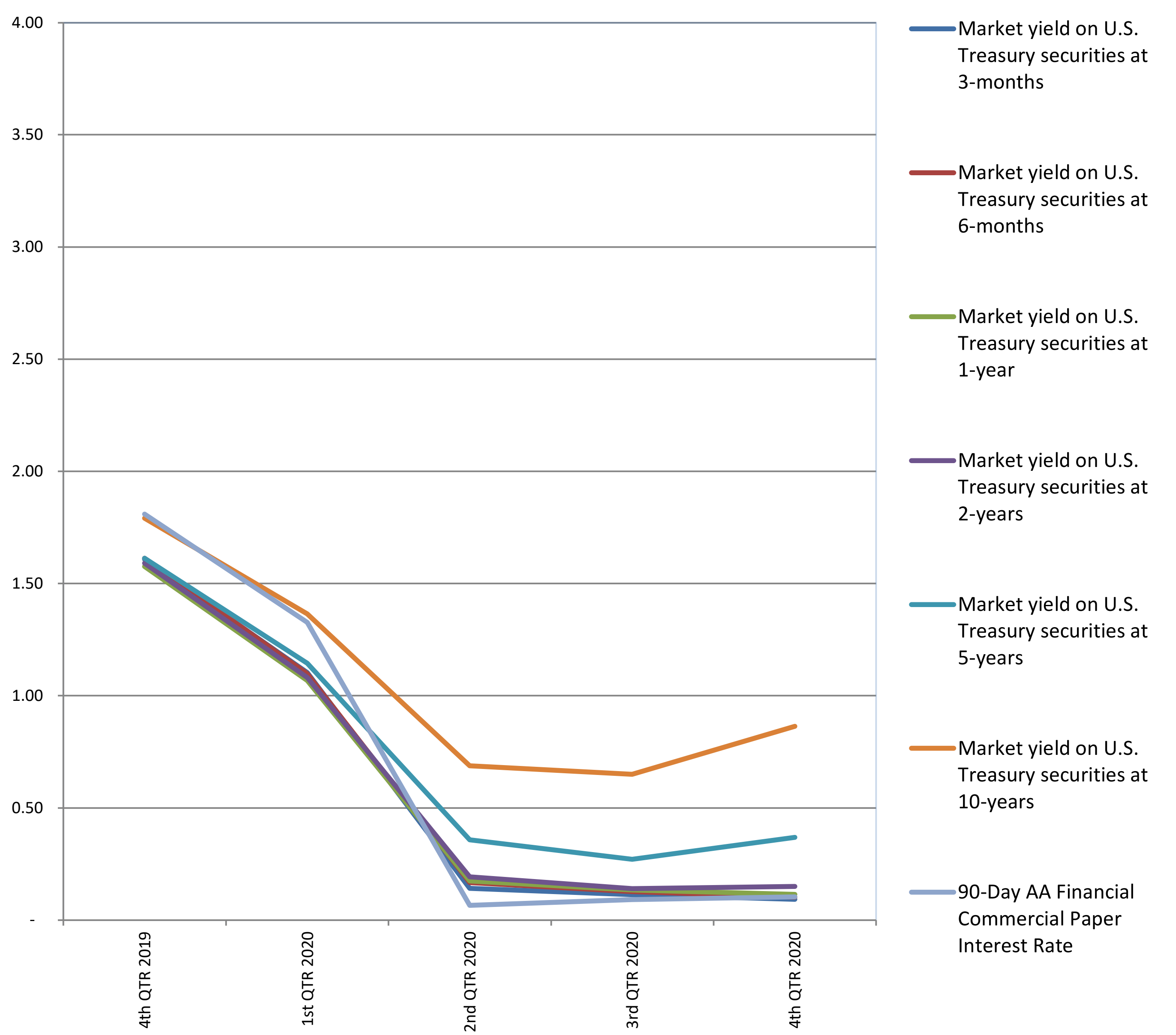
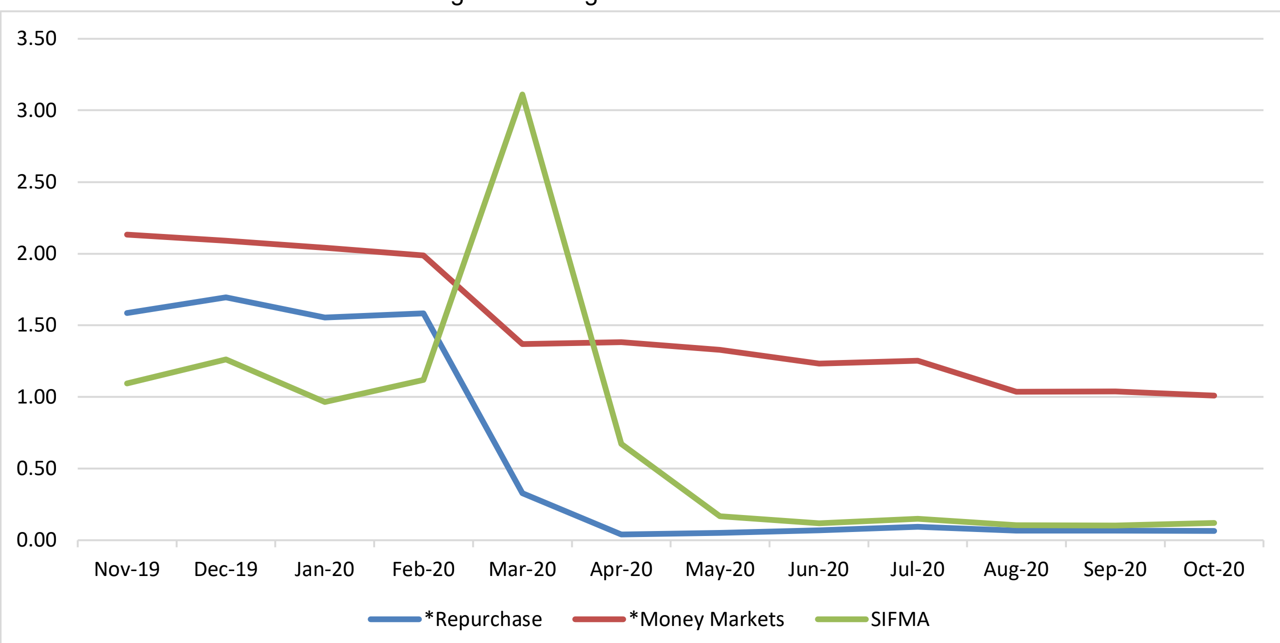


Chart C

NYCHDC Average Interest Rates from Fiscal First Quarter 2019 through Fiscal Fourth Quarter 2020

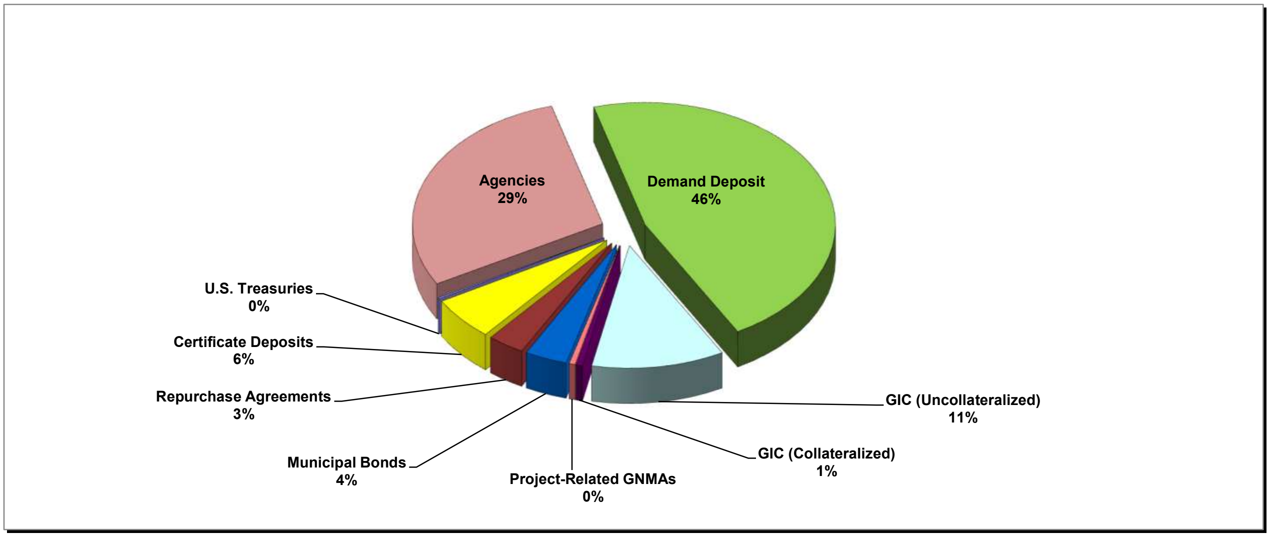
Month/Year	*Repurchase	*Money Markets	SIFMA
Nov-19	1.59	2.13	1.10
Dec-19	1.70	2.09	1.26
Jan-20	1.55	2.04	0.96
Feb-20	1.58	1.99	1.12
Mar-20	0.33	1.37	3.11
Apr-20	0.04	1.38	0.67
May-20	0.05	1.33	0.17
Jun-20	0.07	1.23	0.12
Jul-20	0.09	1.25	0.15
Aug-20	0.07	1.03	0.10
Sep-20	0.06	1.04	0.10
Oct-20	0.06	1.01	0.12

* Weighted Average



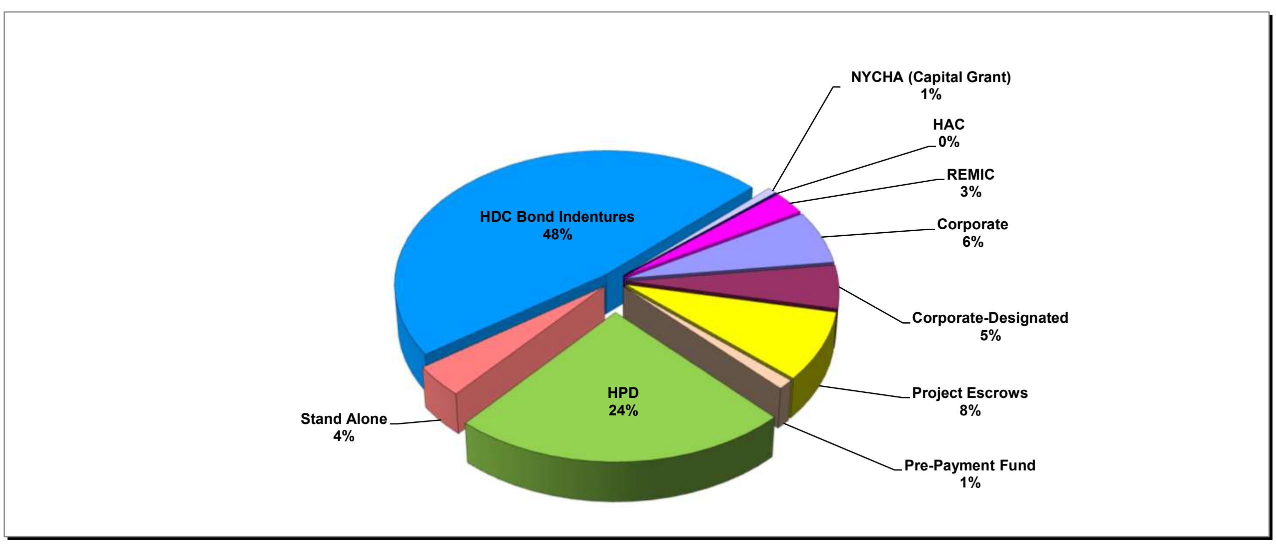
NYCHDC Outstanding Investments at Par by Type as of 10/31/2020

U.S. Treasuries	8,413,000.00	0.16%
Agencies	1,541,380,130.78	28.83%
Demand Deposit	2,473,024,697.11	46.26%
GIC (Uncollateralized)	602,273,814.54	11.27%
GIC (Collateralized)	29,824,393.75	0.56%
Project-Related GNMAs	27,832,398.92	0.52%
Municipal Bonds	191,550,000.00	3.58%
Repurchase Agreements	167,723,000.00	3.14%
Certificate Deposits	304,000,000.00	5.69%
	5,346,021,435.10	100.00%



NYCHDC Outstanding Investments at Par by Pool as of 10/31/2020

Corporate	341,918,634.86	6.40%
Corporate-Designated	277,348,424.43	5.19%
Project Escrows	442,225,201.99	8.27%
Pre-Payment Fund	62,093,504.45	1.16%
HPD	1,269,799,362.04	23.75%
Stand Alone	204,553,313.62	3.83%
HDC Bond Indentures	2,549,665,165.12	47.69%
NYCHA (Capital Grant)	40,025,283.75	0.75%
HAC	7,435,196.78	0.14%
REMIC	150,957,348.06	2.82%
	5,346,021,435.10	100.00%

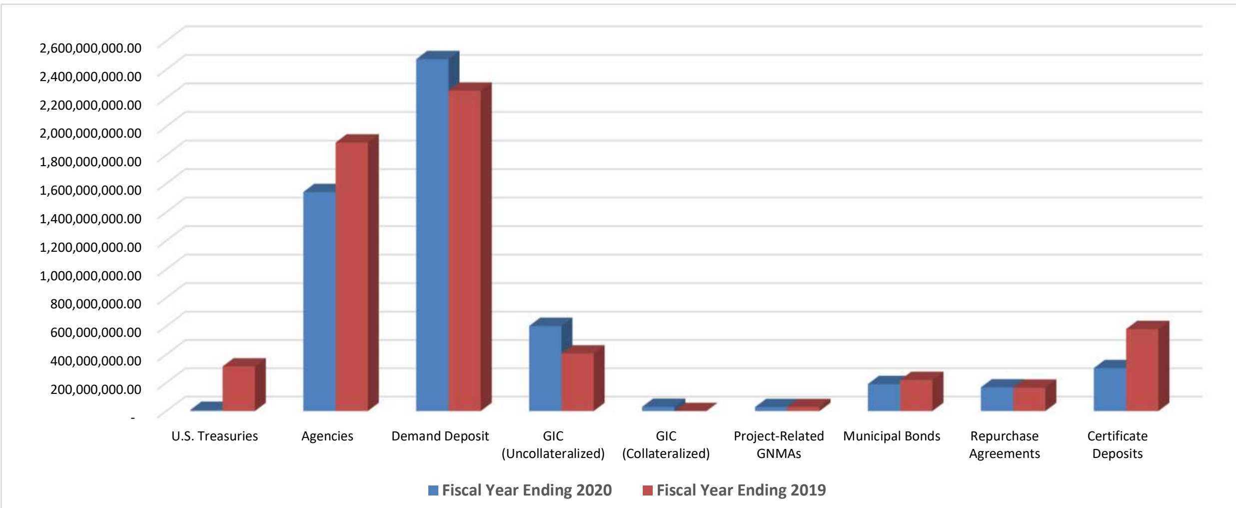


Note: Figures are not inclusive of Fair Market Value.

Chart E

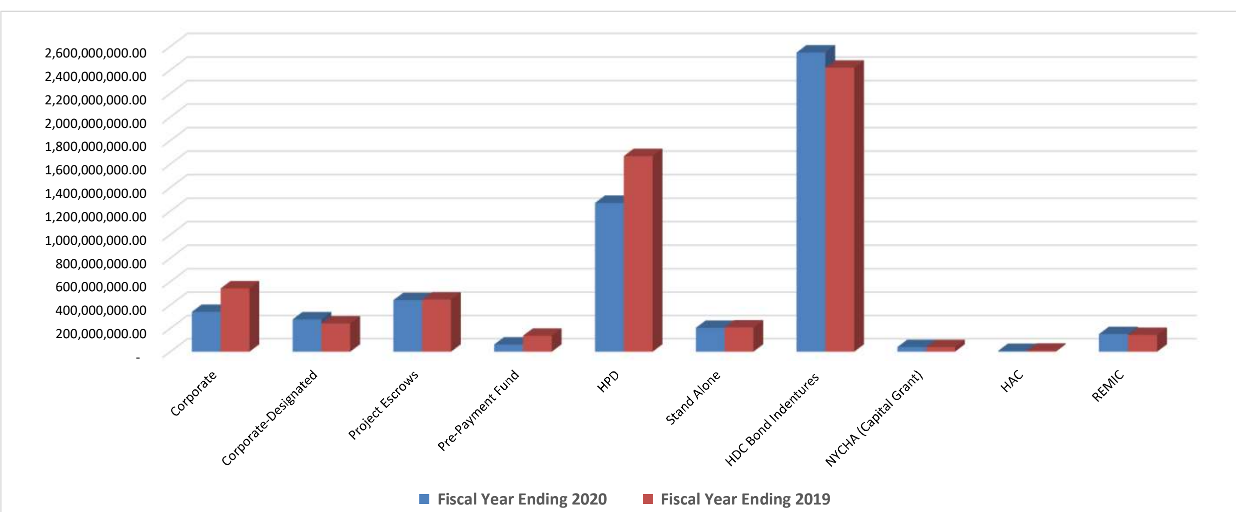
NYCHDC Outstanding Investments at Par by Type as of Year End 2020 with Comparison to Fiscal Year End 2019

	Fiscal Year Ending 2020	Fiscal Year Ending 2019
U.S. Treasuries	8,413,000.00	316,118,000.00
Agencies	1,541,380,130.78	1,888,093,429.15
Demand Deposit	2,473,024,697.11	2,251,955,103.74
GIC (Uncollateralized)	602,273,814.54	407,943,319.39
GIC (Collateralized)	29,824,393.75	-
Project-Related GNMAs	27,832,398.92	28,390,390.15
Municipal Bonds	191,550,000.00	220,185,000.00
Repurchase Agreements	167,723,000.00	165,504,000.00
Certificate Deposits	304,000,000.00	580,220,974.93
	5,346,021,435.10	5,858,410,217.36



NYCHDC Outstanding Investments at Par by Pool as of Year End 2020 with Comparison to Fiscal Year End 2019

	Fiscal Year Ending 2020	Fiscal Year Ending 2019
Corporate	341,918,634.86	542,798,100.91
Corporate-Designated	277,348,424.43	242,777,586.79
Project Escrows	442,225,201.99	446,834,084.15
Pre-Payment Fund	62,093,504.45	137,174,879.71
HPD	1,269,799,362.04	1,668,381,227.31
Stand Alone	204,553,313.62	207,296,377.18
HDC Bond Indentures	2,549,665,165.12	2,420,079,875.36
NYCHA (Capital Grant)	40,025,283.75	39,159,123.75
HAC	7,435,196.78	9,802,465.64
REMIC	150,957,348.06	144,106,496.56
	5,346,021,435.10	5,858,410,217.36



Note: Figures are not inclusive of Fair Market Value.

ATTACHMENT 1

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION INVESTMENT GUIDELINES

Originally Adopted August 14, 1984
Approved January 27, 2020

I. Purpose

These "Investment Guidelines" (also referred to as the "Guidelines") are adopted pursuant to Section 2925 of the Public Authorities Law and, after adoption by the Members, shall be annually reviewed and approved by the Corporation. These Investment Guidelines shall be effective with respect to all investments entered into by the Corporation after the date of their adoption.

II. Investment Committee

Investments of the Corporation shall be made and monitored by the Corporation's Investment Committee (the "Committee") under the chairmanship of the Executive Vice President. In the absence of the Executive Vice President, the Senior Vice President of Debt Issuance and Finance shall chair the Committee. The Committee's members shall also include the Treasurer, the Controller, the Vice President for Cash Management and the Assistant Vice President for Cash Management or Investment Analyst. No person shall serve on the Committee who has not completed college level or higher courses in finance or two or more years of professional experience in investment activities. The Vice President of Cash Management shall be responsible for daily supervision of investment activities.

The Committee shall meet on a regular basis to determine funds available for investment and the appropriate Investment Instruments (as hereinafter defined) for those funds based on market conditions, length of time the funds are available for investment purposes, investment restrictions imposed by related bond or note resolutions, and the diversification of the Corporation's investment portfolio. Any funds derived from the issuance of bonds will be invested pursuant to the related bond resolution, as approved by the Members. In addition, the Committee shall determine the Corporation's periodic need for funds, based on anticipated construction advances, dates of debt service payments on the Corporation's obligations, and other financial requirements.

III. Approved Investment Instruments

1. Any bonds, debentures, notes, participation certificates or other similar obligations under consideration for investment will be rated in one of the two highest rating categories of a nationally recognized rating service. Subject to the provisions of

any bond or note resolution, the Committee may use only the following Investment Instruments to invest the funds of the Corporation or funds held by the Corporation:

A. direct obligations of or obligations guaranteed by the United States.

B. bonds, debentures, notes, participation certificates or other similar obligations issued by any one or combination of any of the following:

Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit System Banks Consolidated Obligations, Banks for Cooperatives, Tennessee Valley Authority, Washington Metropolitan Area Transportation Authority, United States Postal Service, Farmers' Home Administration and Export-Import Bank of the United States.

C. bonds, debentures, notes, participation certificates or other similar obligations issued by any federal agency and backed by the full-faith and credit of the United States.

D. any other obligations of the United States or any federal agencies which may be purchased by New York State Savings Banks.

E. participation certificates of the Federal Home Loan Mortgage Corporation and mortgage-backed securities of the Federal National Mortgage Association rated in the highest rating category of a nationally recognized rating service.

F. short-term corporate obligations, known as Commercial Paper, with a maturity of up to ninety days which are issued by corporations that are deemed by a nationally recognized rating service to be in the highest short-term rating category of such rating service. **Concentration limits: not to exceed 60% of portfolio, or $50 million with any one issuer**.

G. deposits in interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements (i) secured by any of the obligations described in A through D above, or (ii) fully insured by the Federal Deposit Insurance Corporation, or (iii) made with banking institutions, or their parents which either (a) have unsecured debt rated in one of the two highest rating categories of a nationally recognized rating service or (b) are deemed by a nationally recognized rating service to be an institution rated in one of the two highest rating categories of such rating service.

Concentration limits: not to exceed 60% of portfolio

H. obligations of the City and State of New York.

I. obligations of the New York City Municipal Water Finance Authority.

J. obligations, the principal and interest of which, are guaranteed by the City or State of New York.

K. obligations in which the Comptroller of the State of New York is authorized to invest in as specified in section ninety-eight of the State Finance Law.

2. Except for Investment Instruments in book-entry form, Investment Instruments above shall be physically delivered for retention by the Corporation or its agent. Any agent or custodian for the Corporation shall maintain such Investment Instruments in a segregated account and shall provide such confirmations of Investment Instruments and other information as may be required by the Corporation in order to supervise the Investment Instruments. In the case of book-entry Investment Instruments, the Corporation shall take such actions as may be necessary to obtain title or a perfected security interest in such Investment Instruments.

3. Repurchase Agreements

The Corporation may enter into repurchase agreements for the Investment Instruments described in Secs. III 1. A to D above, pursuant to the delivery requirements of Sec. III 2. The Investment Instruments shall be held by an agent of the Corporation, such agent shall not be an agent, with respect to the repurchase transaction, of the party with whom the Corporation has entered into the repurchase agreement and the agent shall not assert any claims against the Investment Instruments, based on claims it may have against said party.
Concentration limits: not to exceed 50% of portfolio.

A. Short Term Fixed Repurchase Agreements

All Short Term Fixed Repurchase Agreements (those repurchase agreements which do not exceed thirty-four days and require repurchase on a predetermined date) must be made with a financial institution meeting the qualifications of Sec. V.A. (iii) hereof. To the maximum extent possible, consistent with market practice, such Short Term Fixed Repurchase Agreements shall be pursuant to a written master agreement and, in the event no written agreement is feasible, shall be made, monitored and secured in a manner sufficient to protect the Corporation's interests.

The terms of such Short Term Fixed Repurchase Agreement must permit the Corporation to sell Investment Instruments if the other party to such agreement shall fail to promptly repurchase the Investment Instrument on the day required by the repurchase agreement. To assure such repurchase, the agreement shall require that there be maintained on an ongoing basis in such account Investment Instruments having a market value at least equal to 101% of the moneys held under overnight repurchase agreements and 102% of the moneys held under longer term repurchase agreements, which will be marked to market daily by the Corporation. At the option of the Corporation, repurchase agreements with the same party may be combined for the purpose of valuating the Investment Instruments to market.

B. Long Term Repurchase Agreements

All funds invested for more than thirty-four days through flexible or fixed repurchase agreements ("Long Term Repurchase Agreements") shall be pursuant to written agreements incorporating the provisions required above except that the Investment Instruments held shall be marked to market according to the negotiated terms of each agreement but in no event less than monthly. In addition, any institution or its parent with whom the Corporation enters into a Long Term Repurchase Agreement and which (a) does not have unsecured debt rated in one of the three highest rating categories of a nationally recognized rating service or (b) is not deemed by a nationally recognized rating service to be an institution rated in one of the three highest rating categories of such rating service, shall be required to provide Investment Instruments with a market value at least equal to 103% of the moneys held under the repurchase agreement, which Investment Instruments will be marked to market at least weekly. Additional Investment Instruments must be provided when the market value falls below 103% of money held under these Long Term Repurchase Agreements.

IV. <u>Diversification</u>

The Committee, in making its investment decisions based on these guidelines, shall seek to diversify both its investment holdings and the parties with whom it deals in making investment decisions.

Subject to the provisions of these Guidelines, the limitations set on the total percentage of the portfolio invested with any one party may be lower than the maximums permitted under the Guidelines and will be based on the financial review indicated in section V. C (below), with a maximum determined by the Committee under advisement from the Corporation's Credit Risk department.

The Corporation shall seek at least three bids, whenever feasible, in selecting offers for repurchase agreements, government securities or certificates of deposit. In awarding investment contracts, diversification of forms of Investment Instruments and trading partners shall be a major consideration.

V. Qualifications

A. Pursuant to the limitations established in the Investment Guidelines, the Corporation shall enter into investment transactions only with the following entities:

(i) Any member bank of the Federal Reserve System;

(ii) Any bank or trust company organized under the laws of any state or any national banking association;

(iii) any government bond dealer currently listed on the List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York, or other substantial financial institution which itself or its parent either (a) has unsecured debt rated in one of the three highest rating categories of a nationally recognized rating service or (b) is deemed by a nationally recognized rating service to be an institution rated in one of the three highest rating categories of such rating service;

(iv) with regard to the purchasing and/or sale of government and municipal securities, other than repurchase agreements, any dealer that provides for simultaneous security transactions and payments.

B. Any agent or custodian of Investment Instruments for the Corporation must be a bank or trust company organized under the laws of any state or a national banking association. Any custodian of Investment Instruments for the Corporation will be rated in an investment grade category of a nationally recognized rating service.

C. The Credit Risk Department of the Corporation shall review the financial statements, level of capitalization, ratio of repurchase transactions to capitalization (for parties to repurchase agreements), its rating, and financial situation of any new bank, broker, securities dealer, investment advisor or agent and shall review such party's financial status periodically thereafter.

VI. Reporting

The Committee shall prepare a quarterly report for the Members on the investment activities of the Corporation and in addition shall prepare an annual report which shall include these Investment Guidelines, any amendments, an explanation of the guidelines and amendments, the results of the annual independent audit, the investment income record of the Corporation and a list of fees paid for investment services. This annual report, which may incorporate parts of the Corporation's annual report, shall be submitted to the Mayor, the Comptroller of the City of New York and the New York State Department of Audit and Control, and shall be available to the public upon reasonable request.

ATTACHMENT 2

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Investment Summary as of October 31, 2020
(UNAUDITED)

Investment Securities & Repo-By Rating:

Counterparty	Type	Amount	NRSRO Rating-October 31, 2020: AAA	AA	A	BBB*	NR*
Bank OZK	MM	$4,629,672					$4,629,672
Bayerische Landesbank	GIC	$11,211,433		$11,211,433			
Bridgehampton National Bank	MM	$185,008,651					$185,008,651
Citibank NA	FPA	$29,824,394			$29,824,394		
Customers Bank	MM	$448,983,277					$448,983,277
Daiwa Securities	REPO	$91,906,000			$91,906,000		
Dormitory Authority of the State of NY	MUNI	$26,335,000		$26,335,000			
Empire State Development Corp	MUNI	$10,000,000		$10,000,000			
Flushing Bank	MM	$160,247					$160,247
Lakeland Bank	MM	$12,162,196					$12,162,196
Mizuho Securities	REPO	$75,817,000			$75,817,000		
NYC GO	MUNI	$3,910,000		$3,910,000			
NYC TFA	MUNI	$138,362,562		$138,362,562			
NY Community Bank	MM	$509,675,281				$509,675,281	
NYS HFA	MUNI	$4,415,000			$4,415,000		
People's United Bank	MM	$17,683,850			$17,683,850		
Promontory	MM	$38,504,883		$38,504,883			
Rabobank	GIC	$5,137,753			$5,137,753		
Royal Bank of Canada	GIC	$72,057,785		$72,057,785			
Signature Bank	MM	$1,147,438,896			$1,147,438,896		
Societe Generale	GIC	$1,019,785			$1,019,785		
SONYMA	MUNI	$8,550,000	$8,550,000				
Sterling National Bank	MM	$399,544,253					$399,544,253
TD Bank	GIC	$512,847,058		$512,847,058			
US Bank	MM	$13,210,928		$13,210,928			
US Agency	US Agency	$1,577,647,530		$1,577,647,530			
US Treasury	US Treasury	$8,413,000		$8,413,000			
		$5,354,456,434	**$8,550,000**	**$2,412,500,179**	**$1,373,242,678**	**$509,675,281**	**$1,050,488,296**
% of Total		***100.00%***	***0.16%***	***45.06%***	***25.65%***	***9.52%***	***19.62%***

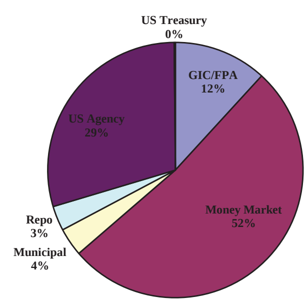
***BBB and NR exposures are fully-collateralized**

Weighted Average Maturity (Years):	**3.05**

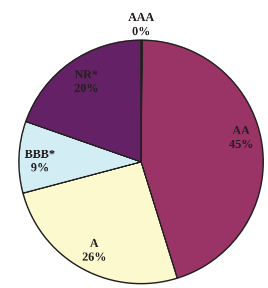
Investment Portfolio-By Type of Investment:

	% Total	Amount
GIC/FPA	11.81%	$632,098,208
Money Market	51.86%	$2,777,002,134
Municipal	3.58%	$191,572,562
Repo	3.13%	$167,723,000
US Agency	29.46%	$1,577,647,530
US Treasury	0.16%	$8,413,000
Total	**100.00%**	**$5,354,456,434**

INVESTMENT PORTFOLIO
(By Type)



INVESTMENT PORTFOLIO
(By Rating)



SCHEDULE OF INVESTMENTS

New York City Housing Development Corporation
October 31, 2020
With Report of Independent Auditors

Draft

New York City Housing Development Corporation

Schedule of Investments

October 31, 2020

Contents

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Report of Independent Auditors

Management and the Members of the
New York City Housing Development Corporation

Report on the Schedule of Investments

We have audited the accompanying Schedule of Investments for the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of October 31, 2020 and the related notes to the Schedule of Investments.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Schedule of Investments in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Schedule of Investments that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Investments based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Investments is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Investments. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Investments, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Investments in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Investments.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Investments referred to above presents fairly, in all material respects, the investments of the Corporation at October 31, 2020, in conformity with U.S. generally accepted accounting principles.

Report on the Financial Statements as of October 31, 2020

We have audited, in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, the financial statements of the Corporation as of and for the year ended October 31, 2020, and our report thereon dated January 29, 2021, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 29, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters with respect to the Schedule of Investments. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance with respect to the Schedule of Investments.

January 29, 2021

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Investments Performed in Accordance with *Government Auditing Standards*

Management and the Members of the
New York City Housing Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Schedule of Investments of the New York City Housing Development Corporation (the "Corporation"), a component unit of the City of New York, as of October 31, 2020, and the related notes to the Schedule of Investments, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule of Investments will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's Schedule of Investments is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, investment policies established by the Corporation and the New York State Comptroller's investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the Schedule of Investment amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 29, 2021

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New York City Housing Development Corporation

Schedule of Investments

(In Thousands of Dollars)

October 31, 2020

Purpose investments	$ 27,937
Restricted investments	2,659,270
Unrestricted investments	25,280
Total investments	$ 2,712,487

The accompanying notes are an integral part of this schedule.

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1. Background and Organization

The accompanying Schedule of Investments includes the investments of the business-type activities and the aggregate remaining fund information of the New York City Housing Development Corporation (the "Corporation" or "HDC") and its component units, the New York City Housing Assistance Corporation ("HAC") and the New York City Residential Mortgage Insurance Corporation ("REMIC").

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

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

Pursuant to Governmental Accounting Standards Board ("GASB") Codification 2100, Defining the Financial Reporting Entity, the Corporation's financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

HAC is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate-income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments. As a subsidiary of HDC,

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HAC's functions are administered by the Corporation and its Board Members substantially overlap with HDC's Board Members, so it is reported as a blended component unit in HDC's financial statements.

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

2. Summary of Significant Accounting Policies for Investments

Investments

Short-term bank deposits and investments with stated maturities of 90 days or less are reported as Cash and Cash Equivalents. All investments are reported at fair value, except for certificates of deposit and investment agreements. The Corporation's investment agreements, which can take the form of open time deposits or fixed repurchase agreements, are reported at an amount equal to principal and accrued interest.

Purpose Investments

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

It is the Corporation's policy to record GNMA certificates at amortized cost, which amounted to $27,937,000 October 31, 2020. The fair value of these purpose investments amounted to $31,344,000 at October 31, 2020.

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3. Investments

The Corporation is authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation by the Members of the Corporation on an annual basis, through the annual adoption of written investment guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee. The Corporation principally invests in securities of the United States and its agencies, open time deposits ("OTDs") in the form of investment agreements, demand accounts, and repurchase agreements. In fiscal year 2020, HDC continued investing in taxable municipal bonds of New York State and New York City, consistent with the Corporation's enabling statute and Investment Guidelines. The Corporation did not enter into any reverse repurchase agreements during the year ended October 31, 2020. The Corporation is not aware of any violations of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, were 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 the trade date. Investments, other than purpose investments, were as follows:

Investment Type	2020	Investment Maturities at October 31, 2020 (In Years)			
		Less than 1	1–5	6–10	More than 10
(In Thousands)					
Money Market and NOW Accounts	$ 2,475,154	$ 2,475,154	$ —	$ —	$ —
FHLB	277,422	93,494	15,024	121,828	47,076
Federal Farm Credit Bond	548,188	30,027	65,915	452,246	—
FHLMC Bonds	626,567	—	130,744	482,626	13,197
U.S. Treasury (Bonds, Notes, Bills)	8,934	5,400	3,534	—	—
NYS/NYC Municipal Bonds*	193,582	97,540	40,057	55,985	—
Fixed Repurchase Agreements	167,728	167,728	—	—	—
FNMA Bonds	94,824	—	45,004	24,849	24,971
Sub-total	4,392,399	2,869,343	300,278	1,137,534	85,244
Less amounts classified as cash equivalents	(2,648,282)	(2,648,282)	—	—	—
Total investments	$ 1,744,117	$ 221,061	$ 300,278	$ 1,137,534	$ 85,244

** Note: Primarily taxable VRDO instruments which can be put weekly.*

Total investments recorded on Schedule of Investments at October 31, 2020 of $2,712,487,000 is made up the following: (a) investments recorded at fair value of $1,744,117,000, (b) certificates of deposits in the amount of $304,880,000, (c) OTDs in the amount of $635,553,000 and (d) purpose investments of $27,937,000.

HDC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Corporation has the following recurring fair value measurements as of October 31, 2020:

- NYC/NYS Municipal securities of $193,582,000 are valued using quoted market prices (Level 1 inputs)

- U.S. Treasury securities of $8,934,000 are valued based on models using observable inputs (Level 2 inputs)

- U.S. Agency securities of $1,547,001,000 are valued based on models using observable inputs (Level 2 inputs)

Money Market and Now accounts of $2,475,154,000 are valued at cost. In addition to the investments identified above, as of October 31, 2020, the Corporation held $29,717,000 uninvested as cash in various trust and escrow accounts.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation's Investment Guidelines charge the Investment Committee with "…determining appropriate investment instruments…based on…length of time funds are available for investment purposes..." among other factors. Thus, maturities are matched to the Corporation's liquidity needs. As part of the Corporation's investment policies, it looks to invest its bond and corporate related reserves in long-term securities that carry a higher yield, with the intent to hold the investments to maturity.

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

As of October 31, 2020, investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), Federal Home Loan Bank ("FHLB") and Federal Farm Credit Bank ("FFCB") were rated by Standard & Poor's and/or Moody's Investors Service (Fannie Mae, Freddie Mac, FHLB and FFCB are collectively referred to as "Agency"). Standard & Poor's ratings for long-term and short-term were AA+ and A-1+, respectively. Moody's long-term and short-term ratings were

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Aaa and P-1, respectively. Investments in Fannie Mae, Freddie Mac, FHLB and FFCB are implicitly guaranteed by the U.S. government. They carry ratings equivalent to the credit ratings for the U.S. government. Some investments were not rated by Fitch Ratings. Of the investments that were rated by Fitch Ratings, they carried ratings of AAA for long-term and F1+ for short-term. Money market accounts are either backed by collateral held by the provider or letters of credit provided by third parties.

Ratings for NYS/NYC municipal bonds are usually the highest rated securities held at HDC. The ratings by Standard & Poor's ranged from AAA to A; Moody's ranged from Aaa to A1 and Fitch Ratings Service ranged from AAA to AA. Money market, open time deposits and repurchase agreements in the form of OTDs are not rated; however, the providers are rated.

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

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation.

As of October 31, 2020, open time deposits, repurchase agreements, certificates of deposits and demand accounts were collateralized by high quality instruments such as U.S. Treasury Notes, U.S. Treasury Bills, and Agency investments and letters of credits held by the Corporation's agent in the name of the Corporation. A portion of collateral supporting the demand accounts was in the form of FHLB letters of credit.

For deposits, custodial credit risk is the risk that in the event of a bank failure the Corporation's deposit may not be returned to it. HDC bank deposits amounted to $35,874,000 at October 31, 2020, of which $34,671,000 was uninsured by the Federal Deposit Insurance Corporation ("FDIC") and uncollateralized. Correspondingly, $27,073,000 was secured in trust accounts, which are protected under state law and $8,801,000 was held in demand deposit accounts ("DDA"). HDC limits its deposits to highly rated institutions, and such deposits are either in trust accounts or partially insured through the FDIC. The maximum coverage of $250,000 is available to depositors under the FDIC's general deposit insurance rules. All of the Corporation's funds held in the DDA are subject to this provision.

Concentration of Credit Risk: The Corporation follows its annually adopted investment guidelines in accordance with concentration limits and reviews its credit concentration

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monthly. The Corporation's Credit Risk unit monitors concentration risk amongst issuers and reports regularly to the Members of the Corporation's Audit Committee.

The following table shows issuers that represent 5% or more of the total investments at October 31, 2020 *(dollars in thousands)*:

Issuer	**Dollar Amount**	**Percentage**
Signature Bank (*)	$1,148,454	21.54 %
FHLMC	624,601	11.71
FFCB	519,993	9.75
Toronto-Dominion Bank (TD)	515,831	9.67
NY Community Bank (*)	510,835	9.58
Customers Bank (*)	449,413	8.43
Sterling National Bank (*)	399,660	7.49
FHLB	277,423	5.20

**Note: Either fully or partially covered by FHLB securities and/or FHLB letter of credit collateral held by the Corporation.*

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Audited Financial Statements

to be added here