

**RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE
OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
For the Three Months Ended September 30, 2015**



**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
As of and For the Three Months Ended September 30, 2015**

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Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordability Housing Trust (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of September 30, 2015 and 2014 and for the three months then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the three months ended September 30, 2015 increased (decreased) as compared to 2014 are as follows:

	2015	
	\$	%
Mortgage loans, gross	(75.2)	(4.6)
Investments	(22.3)	(8.8)
Cash and cash equivalents	24.1	10.4
Total assets	(37.6)	(1.8)
Bonds and notes payable	(26.0)	(1.8)
Total net position	3.2	1.1
Total revenues	4.0	18.1
Total expenses	2.7	13.2
Operating income	1.3	92.6

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of \$80.1 million. Multi-family new loan production increased by \$34.0 million and Operating Fund loans decreased \$29.0 million due mainly to an increase in loans held in warehouse prior to them being sold.

Bonds and notes payable, the largest component of liabilities, decreased by \$26 million in 2015. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

The Corporation engages only in business-type activities; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Corporation's assets, liabilities, deferred inflows and outflows of resources and net position. Over time, increases or decreases in the Corporation's net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the year.

All assets, liabilities, deferred inflows and outflows of resources, and changes in net position are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

The Affordability Housing Trust is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

Operating Activity of the Corporation

The following tables summarize the components of operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

For the Three Months Ended September 30, 2015 and 2014 (in thousands)			
	2015	2014	% Change
Revenues:			
Interest income on loans	\$ 17,579	\$ 17,874	(1.7)
Earnings on investments	1,543	1,756	(12.1)
Gain on sale of loans	3,559	1,524	133.5
Federal grant revenue	844	1,532	(44.9)
Other	2,795	2,225	25.6
Total revenues	<u>26,320</u>	<u>24,911</u>	<u>5.7</u>
Expenses:			
Interest expense	11,395	12,458	(8.5)
Provision for loan losses	1,550	1,890	(18.0)
REO expenditures	775	51	1,419.6
Bond issuance costs	613	(53)	1,256.6
Operating expenses	5,134	4,796	7.0
Federal grant expense	838	1,342	(37.6)
Other expenses	3,248	1,667	94.9
Total expenses	<u>23,553</u>	<u>22,151</u>	<u>6.3</u>
Operating income, before adjusting investments to fair value	<u>\$ 2,767</u>	<u>\$ 2,760</u>	<u>0.3 %</u>

Operating income, after adjusting investments to fair value, was \$2.6 million for the three month period ended September 30, 2015 and \$1.5 million for the three month period ended September 30, 2014. GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of \$200 thousand in 2015 compared to a decrease of \$1.2 million in 2014. Operating income, excluding the unrealized gains and losses on investments, increased 0.3% in 2015.

Gain on sale of loans was \$3.5 million and \$1.5 million for the three months ended September 30, 2015 and 2014, respectively. The increase is a result of an increase in loan production.

Other revenue, which has been consistent from year to year, consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$5.1 million for the three months ended September 30, 2015, an increase of 7.0% from \$4.8 million for the three months ended September 30, 2014.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses increased 1,419.6% to \$0.8 million for the three months ended September 30, 2015 from \$50 thousand in 2014. The increase in 2015 is due primarily to an additional reduction in value for severely damaged properties.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income increased from \$7.2 million in 2014 to \$7.7 million in 2015. Interest income on loans decreased by \$0.3 million, earnings on investments decreased by \$0.2 million for the three months ended September 30, 2015. Net interest income as a percentage of average bonds and notes payable was 2.24% in 2015 and 1.99% in 2014, respectively. Interest income on loans as a percentage of total loans increased from 4.37% in 2014 to 4.50% in 2015, due to an increase in mortgage rates, while interest expense on bonds and notes decreased from 3.45% to 3.30%. This caused a total increase in the spread margin (i.e., differential between loans and bonds) from .92% in 2014 to 1.21% in 2015. This is the result of various bond refundings.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual of interest income for that loan is ceased and any previous accrued interest income is reversed. The Corporation will commence accruing interest income on such loans once the loans are made current.

The provision for loan losses decreased from \$1.9 million in 2014 to \$1.6 million in 2015 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation. For the multi-family portfolios, a specific loan loss reserve analysis is performed for every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty and which have a mortgage loan. For each of these sites, an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

Financial Analysis of the Corporation

The following tables summarize certain financial information regarding the Corporation's financial position:

	September 30, 2015 and 2014 (in millions)		
	2015	2014	% Change
Loans receivable, net	\$ 1,517	\$ 1,597	(5.0)%
Investments	230	252	(8.7)
Cash and cash equivalents	255	231	10.4
Other assets	85	45	88.9
Total assets	2,087	2,125	(1.8)
Deferred outflows of resources	2	1	100%
Bonds and notes payable	1,412	1,438	(1.8)
Other liabilities	382	395	(3.3)
Total liabilities	1,793	1,833	(2.2)
Net position:			
Net investment in capital assets	8	8	-
Restricted	198	212	(6.5)
Unrestricted	90	73	23.1

At September 30, 2015, total assets of the Corporation decreased 1.8% from 2014, primarily due to a decrease in net loans receivable and investments. Net loans receivable decreased \$80 million, or 5.0%, from the previous year. This decrease in loans is attributable to the change in funding model for single-family loans implemented in fiscal year 2014 whereby all new loans are sold. Bonds and notes payable totaled \$1.41 billion as of September 30, 2015, a decrease of \$26 million or 1.8% from September 30, 2014.

During the three month period ended September 30, 2015, the Corporation issued \$75 million in Single Family Bonds. During that same period, \$62.57 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments, excess revenues and refunded amounts to be used for such purpose.

As of September 30, 2015 and September 30, 2014, the net position-to-asset ratio was 14.2% and 13.8%, respectively, and the loan-to-asset ratio was 72.7% and 75.2%, respectively. These ratios reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of September 30, 2015 and 2014, single-family residential mortgages in bond resolutions totaled \$749 million and \$829 million, respectively, and multi-family loans in bond resolutions totaled \$454 million and \$420 million, respectively.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities or in guaranteed investment contracts with providers.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

External Influences

The Rhode Island economy and the level of unemployment in the State of Rhode Island has a direct impact on the Corporation's delinquency experience within its portfolio. At September 30, 2015 Rhode Island's unemployment rate was 5.4% compared to 7.6% for the same period in 2014. In line with the decrease in the unemployment rate, the Corporation has experienced a decrease in its 90+ delinquency rate from 3.44% in 2014 to 1.98% in 2015.

As of October 1, 2011, the U.S. Department of Housing and Urban Development (HUD) made changes to its Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract, HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees earned by the Corporation. The current contract has been extended by HUD through June 30, 2016.

Requests for Information

This management's discussion and analysis is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Director of Finance, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rhodeislandhousing.org.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
September 30, 2015

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Assets				
Loans receivable	\$ 348,494,833	\$ 749,158,906	\$ 453,985,937	\$ 1,551,639,676
Less allowance for loan losses	(21,208,692)	(12,968,363)	-	(34,177,055)
Loans receivable, net	<u>327,286,141</u>	<u>736,190,543</u>	<u>453,985,937</u>	<u>1,517,462,621</u>
Loans held for sale	\$ 42,293,438	-	-	42,293,438
Investments	97,824,286	107,927,891	24,011,364	229,763,541
Accrued interest-loans	450,057	2,682,866	2,119,577	5,252,500
Accrued interest-investments	20,986	358,401	371,920	751,307
Cash and cash equivalents	51,400,644	151,421,841	52,127,783	254,950,268
Accounts receivable	12,984,184	-	39,277	13,023,461
Other assets, net	9,986,645	13,595,572	-	23,582,217
Interfund receivable (payable)	4,162,898	137,102	(4,300,000)	-
Total Assets	<u>546,409,279</u>	<u>1,012,314,216</u>	<u>528,355,858</u>	<u>2,087,079,353</u>
Deferred Outflows of Resources				
Loan origination costs	-	5,207	-	5,207
Hedging instruments	2,532,591	-	-	2,532,591
Total deferred outflows of resources	<u>2,532,591</u>	<u>5,207</u>	<u>-</u>	<u>2,537,798</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 548,941,870</u>	<u>\$ 1,012,319,423</u>	<u>\$ 528,355,858</u>	<u>\$ 2,089,617,151</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 95,238,948	\$ 869,399,306	\$ 447,204,415	\$ 1,411,842,669
Accrued interest payable on bonds and notes	192,082	14,581,159	6,095,936	20,869,177
Accounts payable and accrued liabilities	7,145,518	187,850	733,953	8,067,321
Fees, net	1,346,743	203,715	-	1,550,458
Escrow deposits	341,998,141	-	9,098,599	351,096,740
Total liabilities	<u>445,921,432</u>	<u>884,372,030</u>	<u>463,132,903</u>	<u>1,793,426,365</u>
Net Position				
Net investment in capital assets	8,162,530	-	-	8,162,530
Restricted by bond resolutions	5,165,253	127,947,393	65,222,955	198,335,601
Unrestricted	89,692,656	-	-	89,692,656
Total net position	<u>103,020,438</u>	<u>127,947,393</u>	<u>65,222,955</u>	<u>296,190,786</u>
Total Liabilities and Net Position	<u>\$ 548,941,870</u>	<u>\$ 1,012,319,423</u>	<u>\$ 528,355,858</u>	<u>\$ 2,089,617,151</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Three Months Ended September 30, 2015

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Operating revenues:				
Interest income on loans	\$ 1,715,410	\$ 8,676,411	\$ 6,437,743	\$ 16,829,564
Interest income attributable to internal servicing activities	749,931	-	-	749,931
Total interest income on loans	<u>2,465,341</u>	<u>8,676,411</u>	<u>6,437,743</u>	<u>17,579,495</u>
Income on investments:				
Earnings on investments	83,922	1,097,533	361,648	1,543,103
Net decrease in fair value of investments	(24,149)	(124,561)	(4,678)	(153,388)
Fees	2,647,165	-	-	2,647,165
Servicing fee income	147,433	-	-	147,433
Federal grant revenue	844,210	-	-	844,210
Miscellaneous income	11	-	-	11
Gain on sale of loans	3,559,008	-	-	3,559,008
Total operating revenues	<u>9,722,941</u>	<u>9,649,383</u>	<u>6,794,713</u>	<u>26,167,037</u>
Operating expenses:				
Interest expense	422,429	7,646,892	3,325,822	11,395,143
Personnel services	3,858,511	-	-	3,858,511
Other administrative expenses	945,190	-	579	945,769
Housing initiatives	1,425,185	-	-	1,425,185
Provision for loan losses (recoveries)	-	1,550,000	-	1,550,000
REO expenditures	420,640	354,549	-	775,189
Bond issuance costs	90,915	521,864	-	612,779
Depreciation and amortization of other assets	325,426	3,991	-	329,417
Loan Costs	1,497,637	64	158,378	1,656,079
State Rental Subsidy Program	166,896	-	-	166,896
Federal grant expense	837,718	-	-	837,718
Total operating expenses	<u>9,990,547</u>	<u>10,077,360</u>	<u>3,484,779</u>	<u>23,552,686</u>
Operating income (loss)	<u>(267,606)</u>	<u>(427,977)</u>	<u>3,309,934</u>	<u>2,614,351</u>
Transfers in (out)	<u>1,111,546</u>	<u>(605,140)</u>	<u>(506,406)</u>	<u>-</u>
Total change in net position	<u>843,940</u>	<u>(1,033,117)</u>	<u>2,803,528</u>	<u>2,614,351</u>
Net position, beginning of period	<u>102,176,498</u>	<u>128,980,510</u>	<u>62,419,427</u>	<u>293,576,435</u>
Net position, end of period	<u>\$ 103,020,438</u>	<u>\$ 127,947,393</u>	<u>\$ 65,222,955</u>	<u>\$ 296,190,786</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Three Months Ended September 30, 2015

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 2,464,463	\$ 8,733,005	\$ 6,427,563	\$ 17,625,031
Repayment of loans receivable	42,957,811	21,059,167	1,353,943	65,370,921
Fees collected	2,716,584	(5,409)	-	2,711,175
Other receipts (disbursements), net	(3,586,191)	-	(1,291,601)	(4,877,792)
Loans disbursed	(53,795,251)	(1,224,122)	(1,580,717)	(56,600,090)
Accounts receivable, net	415,762	-	-	415,762
Loss on loans receivable	(291,308)	(1,081,636)	-	(1,372,944)
Loss on REO properties	(420,640)	(354,549)	-	(775,189)
Bond issuance costs	(90,915)	(521,864)	-	(612,779)
Personnel services	(3,858,511)	-	-	(3,858,511)
Other administrative expenses	(988,811)	-	(579)	(989,390)
Housing initiative expenses	(1,381,565)	-	-	(1,381,565)
Other assets	(230,321)	1,747,919	-	1,517,598
Accounts payable and accrued liabilities	(606,814)	6,128	(109,624)	(710,310)
Gain on sale of loans	766,515	-	(158,378)	608,137
State Rental Subsidy Program	(166,896)	-	-	(166,896)
Transfers from (to) other programs	1,125,754	(619,348)	(506,406)	-
Net cash provided by (used for) operating activities	<u>(14,970,334)</u>	<u>27,739,291</u>	<u>4,134,201</u>	<u>16,903,158</u>
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	68,000,000	80,129,058	1,558	148,130,616
Payment of bond and note principal	(57,033,172)	(32,234,387)	(513,383)	(89,780,942)
Interest paid on bonds and notes	(355,256)	(465,169)	(305,227)	(1,125,652)
Net cash provided by (used for) noncapital financing activities	<u>10,611,572</u>	<u>47,429,502</u>	<u>(817,052)</u>	<u>57,224,022</u>
Cash Flows from Investing Activities:				
Redemption of investments	39,010,075	3,579,168	468	42,589,711
Earnings on investments	83,184	1,136,903	63,758	1,283,845
Purchase of investments	(38,872,602)	-	(14,042)	(38,886,644)
Net cash provided by (used for) investing activities	<u>220,657</u>	<u>4,716,071</u>	<u>50,184</u>	<u>4,986,912</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,138,105)</u>	<u>79,884,864</u>	<u>3,367,333</u>	<u>79,114,092</u>
Cash and Cash Equivalents, beginning of period	<u>55,538,749</u>	<u>71,536,977</u>	<u>48,760,450</u>	<u>175,836,176</u>
Cash and Cash Equivalents, end of period	<u>\$ 51,400,644</u>	<u>\$ 151,421,841</u>	<u>\$ 52,127,783</u>	<u>\$ 254,950,268</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Three Months Ended September 30, 2015

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used) for operating activities:				
Operating income (loss)	\$ (267,606)	\$ (427,977)	\$ 3,309,934	\$ 2,614,351
Adjustments:				
Earnings on investments	(83,184)	(1,136,903)	(63,758)	(1,283,845)
Net (increase) decrease in fair value of investments	24,149	124,561	4,678	153,388
Interest paid on bonds and notes	355,256	465,169	305,227	1,125,652
Transfer of investments and/or net position	1,111,546	(605,140)	(506,406)	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(11,128,748)	20,303,409	(226,774)	8,947,887
Accrued interest-loans	(878)	56,594	(10,181)	45,535
Accrued interest-investments	(738)	39,369	(297,889)	(259,258)
Accounts receivable	415,762	-	-	415,762
Other assets	95,105	1,751,910	-	1,847,015
Interfund receivable (payable)	14,207	(14,207)	-	-
Deferred outflows of resources	(1,294,856)	64	-	(1,294,792)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	67,173	7,181,723	3,020,595	10,269,491
Accounts payable/accrued liabilities	(606,814)	6,128	(109,624)	(710,310)
Fees, net	(78,013)	(5,409)	-	(83,422)
Escrow deposits	(3,592,695)	-	(1,291,601)	(4,884,296)
Total adjustments	(14,702,728)	28,167,268	824,267	14,288,807
Net cash provided by (used for) operating activities	\$ (14,970,334)	\$ 27,739,291	\$ 4,134,201	\$ 16,903,158

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Fiduciary Net Position - Private Purpose Trust Component Unit
September 30, 2015

Assets

Loans receivable	\$ 61,948,537
Less allowance for loan losses	<u>(4,768,162)</u>
Loans receivable, net	57,180,375

Investments	57,876
Accrued interest-loans	202,965
Accrued interest-investments	332
Cash and cash equivalents	17,856,421
Accounts receivable	129,267
Other assets, net	<u>1,831,566</u>

Total Assets	\$ <u><u>77,258,802</u></u>
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Liabilities and Net Position

Liabilities

Accounts payable and accrued liabilities	\$ <u>72,613</u>
Total liabilities	<u>72,613</u>

Net Position

Held in trust	\$ <u>77,186,189</u>
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Total Liabilities and Net Position	\$ <u><u>77,258,802</u></u>
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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Three Months Ended September 30, 2015

Revenues:	
Interest income on loans	\$ 771,010
Earnings on investments:	
Interest on investments	1,058
Net increase in fair value of investments	(75)
Trust Receipts	167,991
Total revenues	<u>939,984</u>
Total change in net position	939,984
Net position, beginning of period	<u>76,246,205</u>
Net position, end of period	<u><u>\$ 77,186,189</u></u>

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Three Months Ended September 30, 2015

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the "State"). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. Through the application of GASB criteria, the Corporation determined that the Affordability Housing Trust (the "Trust") is a component unit of the Corporation and the Trust has been presented in the accompanying fiduciary fund financial statements. Control over and financial accountability for the Trust is determined on the basis of appointment of a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

b. Affordability Housing Trust

The Affordability Housing Trust (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

c. Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying combining statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

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The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Corporation has presented an unclassified combining statement of net position in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable by the Corporation within one year from the date of the combining statement of net position, the actual principal amount of loans received and the actual principal amount repaid on bonds and notes are affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

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The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

d. Loans Receivable and Allowance for Loan Losses

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made according to contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all of the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Such loans are presented as loans held for sale on the accompanying statement of net position. Gains and losses for sales of loans are recognized based upon the difference between the fair value of mortgage-backed securities forward contracts at date of commitment and the carrying value of the underlying loans.

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e. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less are considered cash and cash equivalents.

f. Investments

Investments held by Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts, and guaranteed investment contracts.

In accordance with GASB Statement No. 31 (GASB 31), money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable and non-transferable guaranteed investment contracts which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for taxable bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying statement of net position and recorded within operating expenses in the statement of revenues, expenses and changes in net position.

In accordance with GASB Statement No. 72 (GASB 72) fair value measurement must be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The Corporation uses a market approach in determining fair value. Prices and other relevant information are generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. This valuation technique is applied consistently.

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g. Bond Issuance Costs, Premiums, Discounts and Early Retirements

In accordance with GASB Statement No. 65 (GASB 65), costs associated with issuing bonds are reported in the combining statement of revenues, expenses and changes in net position in the year the bond is issued. In addition, when refinancing debt, the costs associated with the refinanced bond are also reported in the combining statement of revenues, expenses and changes in net position in the year in which the bond is refinanced.

Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

The Corporation periodically retires bonds prior to their redemption date. Any premium paid on the call related to the early retirement of bonds that are not refunded is reported in the combining statement of revenues, expenses and changes in net position.

h. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation depreciates property and equipment on a straight-line basis over the assets' estimated lives, which range from 3-40 years.

The Corporation states its other real estate owned acquired through or in lieu of foreclosure at the lower of cost or fair value less the cost to sell. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund is at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Carrying costs relating to other real estate owned are recorded in the Operating Fund.

i. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At September 30, 2015, the Corporation's deferred outflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. The Corporation had no deferred inflows of resources at September 30, 2015.

Fair values of both hedging derivatives and investment derivatives (if any) are presented on the combining statements of net position either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Corporation's combining statements of net position. The Corporation currently has one type of derivative instrument outstanding: mortgage-backed security forward contracts.

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j. Net Position

Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any. Restricted net position consists of restricted assets that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments, or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets. Unrestricted net position consists of amounts not included in net investment in capital assets or restricted net position.

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the period ended September 30, 2015, include cash transfers for reimbursement of activities in support of the bond programs.

At September 30, 2015, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled \$5,165,253.

k. Interest Income on Loans

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

l. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

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m. Recent Accounting Pronouncements

Effective for the fiscal year ending June 30, 2016, the Corporation is required to adopt the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurement, and provides guidance for determining a fair value measurement for financial reporting purposes. In addition, GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The effect of adopting GASB 72 on the Corporation's financial statements has been addressed and has resulted in no changes in the manner in which the Corporation is measuring and reporting fair value.

Effective for the fiscal year ending June 30, 2017, the Corporation will be required to adopt the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 will require more extensive footnote disclosures in employer financial statements. The Corporation is currently evaluating the effects of GASB 75 on its financial statements.

2. Restricted Assets

The Corporation maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from the U.S. Department of Housing and Urban Development (HUD) for use in HUD programs.

At September 30, 2015, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$143,926,639 of investments and cash and cash equivalents and \$217,261,263 of loans receivable and other assets in the Corporation's Operating Fund are restricted.

3. Loans Receivable

The Corporation provides single-family mortgage loans to qualified borrowers in the State. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

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At September 30, 2015, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

Private Mortgage Insurance	\$ 380,768,136
FHA Insurance	138,857,831
VA Guaranteed	9,426,352
USDA/RD Guaranteed	13,482,223
Uninsured	206,624,364
Total	\$ 749,158,906

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of HUD. The insurance proceeds are usually paid in cash, but at the discretion of the Secretary, may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000 depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA) and must be authorized to do business in the State. Private mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at September 30, 2015 of \$316,298,981 and \$7,727,279, respectively are insured under such agreements subject to maximum participation limits. At September 30, 2015, loan balances of \$18,567,168 in the Affordability Housing Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with FNMA whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of September 30, 2015, six hundred and ninety-nine loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

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In the Single-Family Fund, 96% of the loan portfolio is in first lien position for the three months ended September 30, 2015. In the Multi-Family Fund, 99% of the loan portfolio is in first lien position for the three months ended September 30, 2015. For the three months ended September 30, 2015, 31% of the Operating Fund's loan portfolio is in first lien position, while 55% of the Affordable Housing Trust's loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the three months ended September 30, 2015, interest received under such deferred loan arrangements was \$72,425 in the Operating Fund and \$32,288 in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$209,366,368 at September 30, 2015.

At September 30, 2015, principal outstanding under such deferred loan arrangements is as follows:

Operating Fund:	
Single-family loans	\$ 75,790,091
Multi-family loans	191,328,738
Subtotal	<u>267,118,829</u>
Single-Family Fund:	
Single-family loans	<u>18,453,388</u>
Total	<u><u>\$ 285,572,217</u></u>

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At September 30, 2015, principal outstanding under such non-accrual status loans is as follows:

Operating Fund:	
Single-family loans	\$ 1,576,064
Multi-family loans	1,425,176
Subtotal	<u>3,001,240</u>
Single-Family Fund:	
Single-family loans	<u>22,342,250</u>
Total	<u><u>\$ 25,343,490</u></u>

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A summary of the changes in the allowance for loan losses is as follows:

Balance at beginning of period	\$ 34,000,000
Loans charged off, net of recoveries	(954,686)
Write-down of REO properties	(418,259)
Provision for loan losses	1,550,000
Balance at end of period	<u>\$ 34,177,055</u>

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the “Mortgage Lender’s Reserve Account”). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At September 30, 2015, the Mortgage Lender’s Reserve Account totaled \$562,026.

4. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents Rhode Island Housing assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a financial institution failure, Rhode Island Housing’s deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: A) uninsured and uncollateralized; B) uninsured and collateralized with securities held by the financial institution trust departments in the Corporation’s or Trust’s name; and C) uninsured and collateralized with securities held by financial institution trust departments or agents which are not held in the Corporation’s or Trust’s name.

The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. Rhode Island Housing does not have any additional policy in regard to custodial credit risk for its deposits.

Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government Money Market Funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies, and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio.

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Investments The first objective of Rhode Island Housing in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

Maturity	Maximum investment
Less than one year	100%
One to five years	25%
Greater than five years	0%

At September 30, 2015, the Operating Fund holds one investment with a maturity of greater than five years. This investment is a marketable security that is pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling \$104,813,943 at September 30, 2015.

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Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board-approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

United States Government Obligations	100% of portfolio
United States Agency Obligations	100% of portfolio
Repurchase Agreements	50% of portfolio
Collective Short-Term Funds	25% of portfolio
All other investments	10% of portfolio

Although there are no specific concentration policies for maximum percentage of investments, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At September 30, 2015, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At September 30, 2015, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the other funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At September 30, 2015, there were no investments in any of the other funds subject to custodial credit risk.

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As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At September 30, 2015, the Corporation was not party to any interest rate swap agreements. At September 30, 2015, the Corporation had entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

5. Other Assets

Other assets, net, consisted of the following at September 30, 2015:

Real estate owned	\$ 13,683,838
Capital assets (<i>depreciable</i>), net	8,162,530
Purchased mortgage servicing rights and excess servicing, net	1,690,146
Other assets and control accounts	45,703
Total	<u>\$ 23,582,217</u>

Depreciation expense related to capital assets for the three months ended September 30, 2015, was \$213,229.

Amortization expense related to purchased mortgage servicing rights for the three months ended September 30, 2015, was \$116,188.

Other assets of the Trust consisted of federal program properties totaling \$1,831,566 at September 30, 2015.

6. Bonds and Notes Payable

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

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The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal and interest on substantially all bonds is payable semi-annually.

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of September 30, 2015.

Bonds and notes payable at September 30, 2015, are as follows:

Operating Fund Bonds and Notes:

Federal Home Loan Bank	
Due 2015 to 2020, interest from .33% to 2.47%	\$ 13,500,000
General Obligation Bonds Series 2013:	
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000
Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	7,738,948
Lines of Credit, payable on demand, interest from 1.14% to 1.53%	<u>69,000,000</u>
Total Operating Fund	<u>95,238,948</u>

Single-Family Fund:

Homeownership Opportunity Bonds and Notes:	
Series 10-A:	
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000
Series 15-A:	
Term bonds, due 2024, interest at 6.85%	500,000
Series 46-T:	
Term bonds, due 2034, interest at variable rate	15,000,000
Series 48-T:	
Term bonds, due 2034, interest at variable rate	15,000,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

Series 52-A:	
Serial bonds, due 2015 to 2018, interest from 4.10% to 4.30%	2,990,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	8,530,000
	<hr/> 11,520,000
Series 52-B:	
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	22,225,000
Series 53-A:	
Serial bonds, due 2015 to 2017, interest from 3.95% to 4.05%	4,350,000
Term bonds, due 2034, interest at 4.60%	3,150,000
	<hr/> 7,500,000
Series 53-B:	
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	37,620,000
Series 54:	
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	56,970,000
Series 55-A:	
Serial bonds, due 2015 to 2017, interest from 3.85% to 3.95%	3,800,000
Term bonds, due 2034, interest at 4.50%	2,280,000
	<hr/> 6,080,000
Series 55-B:	
Serial bonds, due 2017, interest at 4.375%	1,110,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	53,015,000
	<hr/> 54,125,000
Series 56-A:	
Serial bonds, due 2015, interest at 4.65%	245,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	46,170,000
	<hr/> 46,415,000
Series 56-B1-T:	
Term bonds, due 2047, interest at 6.074%	505,000
Series 57-A:	
Serial bonds, due 2015 to 2017, interest from 4.10% to 4.25%	3,010,000
Term bonds, due 2034, interest at 5.00%	475,000
	<hr/> 3,485,000
Series 57-B:	
Term bonds, due 2022, interest at 5.15%	5,425,000
Series 58-A:	
Term bonds, due 2023 to 2037, interest from 5.05% to 5.50%	19,085,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
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Series 59-A:	
Serial bonds, due 2015 to 2017, interest from 3.875% to 4.125%	4,375,000
Term bonds, due 2034, interest at 5.15%	3,155,000
	<hr/> 7,530,000
Series 60-A1:	
Serial bonds, due 2015 to 2017, interest from 4.00% to 4.30%	2,410,000
Series 61-A:	
Serial bonds, due 2015 to 2023, interest from 1.15% to 3.05%	13,435,000
Series 61-B:	
Term bonds, due 2026 to 2042, interest from 3.45% to 4.15%	8,730,000
Series 61-C:	
Serial bonds, due 2015 to 2020, interest from 1.75% to 3.00%	24,210,000
Term bonds, due 2034, interest at 4.00%	3,055,000
	<hr/> 27,265,000
Series 62-A:	
Serial bonds, due 2015 to 2021, interest from 1.30% to 3.125%	7,165,000
Series 62-B:	
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000
	<hr/> 15,000,000
Series 62-C:	
Serial bonds, due 2015 to 2022, interest from 2.00% to 3.85%	13,995,000
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	38,395,000
	<hr/> 52,390,000
Series 63-A:	
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	15,120,000
Series 63-B:	
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	2,725,000
Series 63-C:	
Serial bonds, due 2015 to 2022, interest from 1.55% to 3.50%	9,865,000
Term bonds, due 2025, interest at 3.75%	3,680,000
	<hr/> 13,545,000
Series 63-T:	
Term bonds, due 2042, interest at variable rate	23,935,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

Series 64-T:	
Serial bonds, due 2015 to 2018, interest from .70% to 2.58%	18,270,000
Term bonds, due 2023 to 2034, interest from 3.00% to 5.00%	47,855,000
	<u>66,125,000</u>
Series 65-T:	
Serial bonds, due 2015 to 2025, interest from .72% to 3.886%	35,815,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	46,810,000
	<u>82,625,000</u>
Series 66 A-1	
Term bonds, due 2033, interest at 4.00%	26,370,000
Series 66 A-2	
Term bonds, due 2032, interest at 4.00%	10,385,000
Series 66 B	
Term bonds, due 2045, interest at variable rate	15,000,000
Series 66 C-1	
Serial bonds, due 2016, interest at .68%	1,020,000
Series 66 C-2	
Serial bonds, due 2016 to 2026, interest from .90% to 3.65%	22,225,000
Unamortized bond premium	
	<u>4,001,242</u>
Subtotal	719,456,242
Home Funding Bonds and Notes:	
Series 1-A:	
Serial bonds, due 2015 to 2021, interest from 2.75% to 4.125%	7,920,000
Term bonds, due 2024 to 2027, interest from 4.375% to 4.625%	8,100,000
	<u>16,020,000</u>
Series 2, Subseries 2A:	
Term bonds, due 2041, interest at 3.16%	24,760,000
Series 2, Subseries 2B:	
Term bonds, due 2041, interest at 2.63%	19,600,000
Series 2, Subseries 2C:	
Term bonds, due 2041, interest at 2.73%	30,450,000

Rhode Island Housing and Mortgage Finance Corporation
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For the Three Months Ended September 30, 2015

Series 3:	
Serial bonds, due 2015 to 2020, interest from 2.00% to 3.20%	5,700,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	9,020,000
	14,720,000
Series 4:	
Serial bonds, due 2015 to 2022, interest from 1.55% to 3.50%	5,770,000
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	5,325,000
	11,095,000
Series 5:	
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	32,690,000
Unamortized bond premium	608,064
Subtotal	149,943,064
Total Single-Family Fund	869,399,306
Multi-Family Fund:	
Multi-Family Housing Bonds:	
1995 Series A:	
Term bonds, due 2017, interest at 6.15%	275,000
1998 Series A:	
Term bonds, due 2018, interest at 5.375%	355,000
	630,000
Housing Bonds:	
2001 Series B-2T:	
Term bonds, due 2031, interest at variable rate	3,440,000
2003 Series A-2T:	
Term bonds, due 2034, interest at variable rate	19,670,000
2003 Series B-2T:	
Term bonds, due 2035, interest at variable rate	8,620,000
2006 Series A-1:	
Serial bonds, due 2015 to 2016, interest from 4.00% to 4.05%	540,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	19,680,000
	20,220,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

2007 Series A-1:	
Serial bonds, due 2015 to 2017, interest from 4.25% to 4.35%	1,000,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000
	30,680,000
2007 Series B-1A/B:	
Serial bonds, due 2015 to 2017, interest from 4.30% to 4.50%	635,000
Term bonds, due 2022 to 2049, interest from 5.05% to 5.50%	3,335,000
	3,970,000
Unamortized bond discount	(99,068)
Subtotal	86,500,932
Multi-Family Funding Bonds:	
2009 Series A, Subseries 2009A-1:	
Term bonds, due 2051, interest at 3.01%	51,000,000
2009 Series A, Subseries 2009A-2:	
Term bonds, due 2051, interest at 2.32%	14,100,000
2010 Series A:	
Serial bonds, due 2015 to 2021, interest from 2.45% to 4.00%	4,055,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000
	19,605,000
2011 Series A:	
Serial bonds, due 2015 to 2017, interest from 1.85% to 2.50%	430,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000
	4,740,000
Subtotal	89,445,000
Multi-Family Development Bonds:	
2010 Series 1:	
Serial bonds, due 2015 to 2021, interest from 2.60% to 4.25%	455,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000
	8,740,000
2013 Series 1-AB:	
Serial bonds, due 2015 to 2023, interest from .80% to 2.85%	3,855,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000
	34,760,000
2013 Series 2-T:	
Serial bonds, due 2015 to 2023, interest from .97% to 3.218%	15,835,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000
	52,560,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

2013 Series 3-A:	
Term bonds, due 2016, interest at .85%	2,600,000
2013 Series 3-B:	
Serial bonds, due 2015 to 2024, interest from .60% to 3.85%	305,000
Term bonds, due 2028 to 2048, interest from 4.375% to 5.20%	2,195,000
	2,500,000
2013 Series 3-C:	
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000
2013 Series 3-D:	
Serial bonds, due 2016 to 2024, interest from 1.20% to 4.35%	4,045,000
Term bonds, due 2024 to 2028, interest from 4.00% to 4.80%	12,715,000
	16,760,000
2013 Series 4-T:	
Serial bonds, due 2015 to 2018, interest from .826% to 2.774%	2,810,000
Term bonds, due 2023 to 2030, interest from 4.207% to 5.257%	3,970,000
	6,780,000
2014 Series 1-T:	
Term bonds, due 2044, interest of .85%	12,000,000
2014 Series 2-T:	
Serial bonds, due 2015 to 2027, interest from .567% to 3.823%	18,755,000
2014 Series 3-A:	
Term bond, due 2018, interest of 1.35%	2,100,000
2014 Series 3-B:	
Serial bonds, due 2016 to 2025, interest from .55% to 2.95%	1,985,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000
	15,700,000
Unamortized bond discount	(43,024)
Subtotal	182,006,976
Multi-Family Mortgage Revenue Bonds:	
Series 2006 (University Heights Project):	
Term bonds, due 2039, interest at variable rate	26,700,000
Series 2006 (Sutterfield Project):	
Term bonds, due 2039, interest at variable rate	7,000,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

Series 2006 (The Groves):	
Term bonds, due 2040, interest at variable rate	29,050,000
Series 2015 (Charles Place):	
Note Payable, due 2045, interest at 4.16%	25,871,507
Subtotal	88,621,507
Total Multi-Family Fund	447,204,415
Total Bonds and Notes Payable	\$1,411,842,669

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At September 30, 2015, the Corporation may borrow up to a maximum of \$90,000,000 under various revolving loan agreements expiring between November 2016 and December 2016. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of \$17,000,000, has a variable interest rate, which was 1.44% at September 30, 2015. The outstanding remaining lines of credit of \$52,000,000 have fixed rates which range from 1.1436% - 1.530% at September 30, 2015.

Homeownership Opportunity Bonds Series 46-T, 48-T, 63-T, and 66-B, and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established weekly, monthly or quarterly, which range from .514% - 1.197% at September 30, 2015. Certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly, which range from .02% - .03% at September 30, 2015.

7. Commitments and Contingencies

The Corporation is party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying combining statement of net position. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Total credit exposure as a result of loan commitments at September 30, 2015 is as follows:

Operating Fund		\$ 81,244,507
Multi-Family Fund		275,000
Trust		3,557,632
Total		\$ 85,077,139

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's creditworthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next nine years for a total of \$3,798,701 subject to the availability of funds. As of September 30, 2015, \$1,213,511 has been paid under these contracts.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before September 30, 2015 because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

8. Derivative Instruments

In July 2013, the Corporation converted its loan funding platform from a mortgage revenue bond program to a program primarily financed through the sale of whole loans and mortgage-backed securities guaranteed by FNMA and GNMA as to timely payment of principal and interest. The securities represent pools of qualified first mortgage loans originated by Rhode Island Housing approved lenders. Under this program, the Corporation periodically enters into forward contracts to sell the securities to investors before the securities are ready for delivery (referred to as a "to-be-announced" or "TBA Mortgage-Backed Security Contract"). The corporation enters into TBA Mortgage-Backed Security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. TBA Mortgage-Backed Security Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Corporation and the investor enter into the transaction: settlement factors; the reference rates or interest rates the security will bear; and notional amounts in the form of the principal amount of the future Mortgage-Backed Securities. In addition, payment to Rhode Island Housing by the investor is not required until the investor receives the security, enabling the investor to take a position on interest rates without making a payment. Finally, the TBA Mortgage-Backed Security Contracts may be "net settled" because neither party is required to deliver or purchase an asset to settle the TBA Mortgage-Backed Securities Contract.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Three Months Ended September 30, 2015

At September 30, 2015, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$37,310,000 and fair values totaling \$1,950,075 were outstanding. The fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$14,297,790 and fair values totaling \$582,516. The fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the three months ended September 30, 2015, totaled \$224,042. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of September 30, 2015, the plan included 20 retirees, 16 of which are receiving benefits, and 171 active employees.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the three months ended September 30, 2015, plan members receiving benefits contributed \$3,295 as their required contribution.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Three Months Ended September 30, 2015

The annual OPEB cost and related information for the three months ended September 30, 2015, are as follows:

Annual required contribution (ARC)	\$ 96,634
Interest on OPEB obligation	41,700
Adjustments to ARC	<u>(38,635)</u>
Annual OPEB cost	99,699
Net estimated employer contributions	<u>(11,135)</u>
Increase (decrease) in net OPEB obligation	88,564
Net OPEB obligation, beginning of period	<u>3,706,672</u>
Net OPEB obligation, end of period	<u>\$ 3,795,236</u>
Percent of annual OPEB cost contributed	11.2%

The net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying statements of net position. The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three preceding fiscal years ended June 30 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2013	\$ 374,572	\$ 22,958	6.1%	\$ 3,443,051
June 30, 2014	(60,471)	30,495	(50.4%)	3,352,085
June 30, 2015	386,364	31,777	8.2%	3,706,672

Funding Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,706,672 as of June 30, 2015, the most recent actuarial valuation date. As of September 30, 2015, the unfunded accrued liability as a percentage of covered payroll of \$2,351,719 was 158%.

Actuarial Methods and Assumptions

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit method, which provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2015

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50%, payroll growth of 3.00% and a 30 year open amortization period. The initial annual healthcare cost trend rate used was 7.50%, declining to an ultimate rate of 4.50% after 12 years.

The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding:

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
October 1, 2015	Homeownership Opportunity Bonds	\$ 41,935,000
October 1, 2015	Home Funding Bonds	\$ 9,375,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
September 30, 2015

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Totals
Assets			
Loans receivable	\$ 697,128,784	\$ 52,030,122	\$ 749,158,906
Less allowance for loan losses	(12,968,363)	-	(12,968,363)
Loans receivable, net	<u>684,160,421</u>	<u>52,030,122</u>	<u>736,190,543</u>
Investments	18,098,158	89,829,733	107,927,891
Accrued interest-loans	2,508,312	174,554	2,682,866
Accrued interest-investments	77,209	281,192	358,401
Cash and cash equivalents	132,017,237	19,404,604	151,421,841
Other assets, net	12,142,461	1,453,111	13,595,572
Interfund receivable	118,505	18,597	137,102
Total assets	<u>849,122,303</u>	<u>163,191,913</u>	<u>1,012,314,216</u>
Deferred Outflows of Resources			
Loan origination costs	5,207	-	5,207
Total Deferred outflows of resources	<u>5,207</u>	<u>-</u>	<u>5,207</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 849,127,510</u>	<u>\$ 163,191,913</u>	<u>\$ 1,012,319,423</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 719,456,242	\$ 149,943,064	869,399,306
Accrued interest payable on bonds and notes	12,195,923	2,385,236	14,581,159
Accounts payable and accrued liabilities	187,850	-	187,850
Fees, net	203,715	-	203,715
Total liabilities	<u>732,043,730</u>	<u>152,328,300</u>	<u>884,372,030</u>
Net Position			
Net position, restricted	<u>117,083,780</u>	<u>10,863,613</u>	<u>127,947,393</u>
Total Liabilities and Net Position	<u>\$ 849,127,510</u>	<u>\$ 163,191,913</u>	<u>\$ 1,012,319,423</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Three Months Ended September 30, 2015

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Total
Operating revenues:			
Interest income on loans	\$ 8,132,971	\$ 543,440	\$ 8,676,411
Earnings on investments:			
Earnings on investments	207,627	889,906	1,097,533
Net decrease in fair value of investments	(17,320)	(107,241)	(124,561)
Total operating revenues	8,323,278	1,326,105	9,649,383
Operating expenses:			
Interest expense	6,478,720	1,168,172	7,646,892
Provision for loan losses	1,550,000	-	1,550,000
REO expenditures	354,549	-	354,549
Bond issuance costs	521,864	-	521,864
Depreciation and amortization of other assets	1,242	2,749	3,991
Loan costs	64	-	64
Total operating expenses	8,906,439	1,170,921	10,077,360
Operating income (loss)	(583,161)	155,184	(427,977)
Transfers in (out)	(5,140)	(600,000)	(605,140)
Total change in net position	(588,301)	(444,816)	(1,033,117)
Net position, beginning of period	117,672,081	11,308,429	128,980,510
Net position, end of period	\$ 117,083,780	\$ 10,863,613	\$ 127,947,393

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
September 30, 2015

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Assets			
Loans receivable	\$ 884,200	\$ 86,935,886	\$ 88,621,507
Less allowance for loan losses	-	-	-
Loans receivable, net	<u>884,200</u>	<u>86,935,886</u>	<u>88,621,507</u>
Investments	17,897,612	4,936,663	-
Accrued interest-loans	5,674	539,516	37,767
Accrued interest-investments	292,006	62,182	-
Cash and cash equivalents	1,341,067	10,429,279	9,053,250
Accounts receivable	-	39,277	-
Interfund receivable	-	-	-
Total assets	<u>20,420,559</u>	<u>102,942,803</u>	<u>97,712,524</u>
Deferred Outflows of Resources			
Loan origination costs	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 20,420,559</u>	<u>\$ 102,942,803</u>	<u>\$ 97,712,524</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 630,000	\$ 86,500,932	\$ 88,621,507
Accrued interest payable on bonds and notes	8,998	1,420,697	2,585
Accounts payable and accrued liabilities	11,893	597,071	-
Escrow deposits	-	39,277	9,059,322
Total liabilities	<u>650,891</u>	<u>88,557,977</u>	<u>97,683,414</u>
Net Position			
Net position, restricted	<u>19,769,668</u>	<u>14,384,826</u>	<u>29,110</u>
Total Liabilities and Net Position	<u>\$ 20,420,559</u>	<u>\$ 102,942,803</u>	<u>\$ 97,712,524</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
September 30, 2015

	<u>Multi-Family Funding Bond Program</u>	<u>Multi-Family Development Bonds</u>	<u>Multi-Family Fund Total</u>
Assets			
Loans receivable	\$ 89,325,001	\$ 188,219,343	\$ 453,985,937
Less allowance for loan losses	-	-	-
Loans receivable, net	<u>89,325,001</u>	<u>188,219,343</u>	<u>453,985,937</u>
Investments	-	1,177,089	24,011,364
Accrued interest-loans	475,491	1,061,129	2,119,577
Accrued interest-investments	-	17,732	371,920
Cash and cash equivalents	8,914,487	22,389,700	52,127,783
Accounts receivable	-	-	39,277
Interfund receivable	-	(4,300,000)	(4,300,000)
Total assets	<u>98,714,979</u>	<u>208,564,993</u>	<u>528,355,858</u>
Deferred Outflows of Resources			
Loan origination costs	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 98,714,979</u>	<u>\$ 208,564,993</u>	<u>\$ 528,355,858</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 89,445,000	\$ 182,006,976	\$ 447,204,415
Accrued interest payable on bonds and notes	1,485,500	3,178,156	6,095,936
Accounts payable and accrued liabilities	-	124,989	733,953
Escrow deposits	-	-	9,098,599
Total liabilities	<u>90,930,500</u>	<u>185,310,121</u>	<u>463,132,903</u>
Net Position			
Net position, restricted	<u>\$ 7,784,479</u>	<u>\$ 23,254,872</u>	<u>\$ 65,222,955</u>
Total Liabilities and Net Position	<u>\$ 98,714,979</u>	<u>\$ 208,564,993</u>	<u>\$ 528,355,858</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Three Months Ended September 30, 2015

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Operating revenues:			
Interest income on loans	\$ 17,058	\$ 1,483,596	\$ 360,869
Earnings on investments:			
Interest on investments	281,392	64,639	-
Net increase (decrease) in fair value of investments	-	(6,226)	-
Total operating revenues	298,450	1,542,009	360,869
Operating expenses:			
Interest expense	8,998	709,259	275,079
Other administrative expenses	579	-	-
Loan costs	-	158,378	-
Total operating expenses	9,577	867,637	275,079
Operating income	288,873	674,372	85,790
Transfers in (out)	-	158,378	(64,783)
Total change in net position	288,873	832,750	21,007
Net position, beginning of period	19,480,795	13,552,076	8,103
Net position, end of period	\$ 19,769,668	\$ 14,384,826	\$ 29,110

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Three Months Ended September 30, 2015

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Total
Operating revenues:			
Interest income on loans	\$ 1,427,357	\$ 3,148,863	\$ 6,437,743
Income on investments:			
Earnings on investments	799	14,818	361,648
Net increase (decrease) in fair value of investments	-	1,548	(4,678)
Total operating revenues	1,428,156	3,165,229	6,794,713
Operating expenses:			
Interest expense	743,060	1,589,426	3,325,822
Other administrative expenses	-	-	579
Loan costs	-	-	158,378
Total operating expenses	743,060	1,589,426	3,484,779
Operating income	685,096	1,575,803	3,309,934
Transfers in (out)	(600,001)	-	(506,406)
Total change in net position	85,095	1,575,803	2,803,528
Net position, beginning of period	7,699,384	21,679,069	62,419,427
Net position, end of period	<u>\$ 7,784,479</u>	<u>\$ 23,254,872</u>	<u>\$ 65,222,955</u>