

NEW ISSUE - Book-Entry Only

INTEREST ON THE 2011 SERIES B BONDS IS INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Also, in the opinion of Bond Counsel, the 2011 Series B Bonds, their transfer and the income therefrom is free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2011 Series B Bonds. See "Part I – TAX MATTERS."



\$64,180,000

COLORADO HOUSING AND FINANCE AUTHORITY

Taxable Single Family Mortgage Class I Adjustable Index Rate Bonds

2011 Series B

Dated: Date of delivery

Due: As shown below

The 2011 Series B Bonds are being issued in the two subseries shown below by the Colorado Housing and Finance Authority (the "Authority") as fully registered bonds pursuant to a Master Indenture of Trust and a 2011 Series B Indenture, each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee. The proceeds of the 2011 Series B Bonds, together with amounts contributed by the Authority, will be used by the Trustee to (i) refund certain outstanding variable rate demand bonds of the Authority, the proceeds of which have been used to acquire guaranteed, insured or uninsured mortgage loans made to finance single family residences in the State of Colorado, and (ii) pay costs of issuance associated with the 2011 Series B Bonds.

The 2011 Series B Bonds will bear interest at adjustable rates, determined by the Underwriter to be the initial interest rates shown below from delivery of the 2011 Series B Bonds through November 30, 2011, and calculated thereafter by Zions First National Bank in its capacity as Calculation Agent on the first business day of each month, commencing December 1, 2011, through the respective maturity dates. The interest rates will equal One-Month LIBOR plus the applicable Spread Factor set forth in the table below, provided that no 2011 Series B Bond shall bear interest for any period at an interest rate higher than the Maximum Rate (12% per annum). Interest on the 2011 Series B Bonds will be payable on each May 1 and November 1, commencing on May 1, 2012, and at maturity.

The 2011 Series B Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2011 Series B Bonds and nominee of The Depository Trust Company, New York, New York. One fully registered bond equal to the principal amount of each maturity of the 2011 Series B Bonds will be registered in the name of Cede & Co. Individual purchases of 2011 Series B Bonds will be made in book-entry form only, and beneficial owners of the 2011 Series B Bonds will not receive physical delivery of bond certificates representing their interest in the 2011 Series B Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 2011 Series B Bonds. Payments of principal of and interest on the 2011 Series B Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2011 Series B Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

<u>Subseries</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate (Index plus Applicable Spread Factor)</u>	<u>Price</u>	<u>Initial Interest Rate</u>	<u>CUSIP No. *</u>
2011B-1	November 1, 2013	\$32,530,000	One-Month LIBOR plus .70%	100%	.95%	196479 UF4
2011B-2	May 1, 2014	31,650,000	One-Month LIBOR plus .90%	100%	1.15%	196479 UG2

The 2011 Series B Bonds are not subject to redemption or tender prior to maturity.

The Master Indenture provides for four classes of Bonds or Auxiliary Obligations thereunder – Class I, Class II, Class III and Class IV Obligations. The 2011 Series B Bonds are being issued as Class I Bonds, which are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Master Indenture as described herein on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. Additional Bonds or Auxiliary Obligations may be issued or incurred by the Authority under the Master Indenture in each of the four Classes and as general obligations of the Authority upon delivery of a Cash Flow Certificate and satisfaction of certain other conditions as set forth in the Master Indenture. **In no event shall the 2011 Series B Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for the payment of the 2011 Series B Bonds).**

The 2011 Series B Bonds are offered when, as and if issued and delivered, subject to the approval of legality by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority by Charles L. Borgman, Esq., its General Counsel, and by Hogan Lovells US LLP, Denver, Colorado, Disclosure Counsel to the Authority. The Underwriter is being represented in connection with its purchase of the 2011 Series B Bonds by its counsel, Bookhardt & O'Toole, Denver, Colorado. CSG Advisors Incorporated is serving as financial advisor to the Authority in connection with the issuance of the 2011 Series B Bonds. Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the 2011 Series B Bonds. For details of the Underwriter's compensation, see "Part I – UNDERWRITING" herein. It is expected that the 2011 Series B Bonds will be delivered (through DTC) in New York, New York on or about November 10, 2011.

Barclays Capital

This Official Statement is dated November 4, 2011.

* The Authority takes no responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2011 Series B Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder, under any circumstances, creates any implication that there has been no change in the affairs of the Authority or otherwise since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011 Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. All information for investors regarding the Authority and the 2011 Series B Bonds is contained in this Official Statement. While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the 2011 Series B Bonds, the Mortgage Loans or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2011 SERIES B BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICE APPEARING ON THE FRONT COVER HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2011 SERIES B BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2011 Series B Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

**This Official Statement is comprised of the front cover page,
Parts I and II and the Appendices.**

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OFFICIAL STATEMENT

\$64,180,000

COLORADO HOUSING AND FINANCE AUTHORITY
Taxable Single Family Mortgage Class I Adjustable Index Rate Bonds
2011 Series B

PART I

INTRODUCTION

This Official Statement, which includes the front cover page, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds in the two subseries shown on the front cover page (being referred to in this Official Statement as the "**2011 Series B Bonds**"). The 2011 Series B Bonds are being issued pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended (the "**Master Indenture**"), and the 2011 Series B Indenture dated as of November 1, 2011 (the "**2011 Series B Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" in **Appendix A** to this Official Statement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page, this Part I, Part II hereof and the Appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement. The offering of 2011 Series B Bonds to potential investors is made only by means of this entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriter, and any one or more owners of the 2011 Series B Bonds.

Colorado Housing and Finance Authority

The Authority is a body corporate and political subdivision of the State of Colorado (the "**State**") established by the Colorado General Assembly for the purposes, among others, of increasing the supply of decent, safe and sanitary housing for low and moderate income families and promoting economic growth and development in the State. In order to achieve its authorized purposes, the Authority currently operates numerous housing, rental and business finance programs. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date." The Authority is governed by a Board of Directors and is authorized to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes. The 2011 Series B Bonds are being issued to provide funds to refund certain Bonds of the Authority outstanding under the Master Indenture, the proceeds of which were used to acquire Mortgage Loans under the Authority's Single Family Mortgage Program. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." *For financial information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Selected Financial Information" and certain financial statements of the Authority attached hereto as **Appendix G**.*

Authority for Issuance

The 2011 Series B Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act") and the Supplemental Public Securities Act, being Part 2 of Article 57 of Title 11 of the Colorado Revised Statutes. The 2011 Series B Bonds are being issued and secured under the Indenture.

Purposes of the 2011 Series B Bonds

Proceeds of the 2011 Series B Bonds, together with amounts contributed by the Authority, will be used to (i) refund certain Single Family Mortgage Bonds of the Authority outstanding under the Master Indenture and bearing interest at a Weekly Rate, as further described herein (the "**Refunded Bonds**"), the proceeds of which were used to finance mortgage loans as described herein for borrowers purchasing single family residences in the State, and (ii) pay costs of issuance associated with the 2011 Series B Bonds. See "Part I – PLAN OF FINANCE."

Description of the 2011 Series B Bonds

The 2011 Series B Bonds will bear interest at adjustable rates as described in "Part I – TERMS OF THE 2011 SERIES B BONDS – Basis for Interest Rate Determination," determined by the Underwriter to be the initial interest rates shown on the front cover page hereof from delivery of the 2011 Series B Bonds through November 30, 2011, and calculated monthly thereafter commencing December 1, 2011, by Zions First National Bank in its capacity as Calculation Agent (the "**Calculation Agent**") and adjusted through their respective maturity dates as described in "Part I – TERMS OF THE 2011 SERIES B BONDS – Determination of Interest Rates." Interest on the 2011 Series B Bonds will be payable semiannually on May 1 and November 1 of each year, commencing on May 1, 2012, and at maturity and will be computed on the basis of a 365-day year or a 366-day year, as applicable, for the number of days actually elapsed.

The 2011 Series B Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Principal of the 2011 Series B Bonds is payable in the amounts and on the dates as shown on the front cover page hereof.

The 2011 Series B Bonds are not subject to redemption prior to maturity, at the option of the Authority or otherwise. The 2011 Series B Bonds are also not subject to mandatory or optional tender for purchase under any circumstances prior to maturity.

For a more complete description of the 2011 Series B Bonds and the Indenture pursuant to which such 2011 Series B Bonds are being issued, see "Part I – TERMS OF THE 2011 SERIES B BONDS" and Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Security and Sources of Payment

All Bonds and Auxiliary Obligations outstanding under the Master Indenture (other than Auxiliary Obligations which are solely General Obligations of the Authority) are secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues and the Mortgage Loans (collectively, the "**Trust Estate**"). See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS" and **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO." In accordance with the Master Indenture, any Bonds or Auxiliary Obligations may be outstanding as Class I, Class II, Class III or Class IV Obligations, and may also be designated as General Obligations of the Authority. As of August 1, 2011,

Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$1,790,955,000, including \$1,611,640,000 for the Class I Bonds, \$120,505,000 for the Class II Bonds and \$58,810,000 for the Class III Bonds. No Class IV Bonds were outstanding under the Master Indenture as of such date. See "Part I – PLAN OF FINANCE," "Part I – CERTAIN PROGRAM ASSUMPTIONS" and **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS."

The 2011 Series B Bonds in the four subseries shown on the front cover page hereof are being issued as Class I Obligations pursuant to the Indenture and will be payable and secured by the Trust Estate as described herein. The Trust Estate is pledged under the Indenture to secure the Class I Obligations as a first priority lien. See "Part I – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Pledge of Trust Estate." The Class II and Class III Obligations are secured under the Master Indenture by a second and third priority lien, respectively, on the Trust Estate. No 2011 Series B Bonds are being issued as Class II Obligations, Class III Obligations or Class IV Obligations. None of the 2011 Series B Bonds are being designated as General Obligations of the Authority. In addition, the 2011 Series B Bonds will be secured by amounts on deposit in the Debt Service Reserve Fund established under the Indenture. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Debt Service Reserve Fund." **In no event shall the 2011 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for payment of the 2011 Series B Bonds).**

Professionals Involved in the Offering

In connection with the issuance and sale of the 2011 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel to the Authority, will deliver an opinion in the form included as **Appendix E** hereto. Certain legal matters relating to the 2011 Series B Bonds will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan Lovells US LLP. The Underwriter is being represented in connection with its purchase of the 2011 Series B Bonds by its counsel, Bookhardt & O'Toole. See "Part I – LEGAL MATTERS." CSG Advisors Incorporated is serving as financial advisor to the Authority in connection with the issuance of the 2011 Series B Bonds. See "Part I – FINANCIAL ADVISOR."

Availability of Continuing Information

In connection with the issuance of the 2011 Series B Bonds, the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix J** hereto, by which the Authority will agree to make available by filing with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("**EMMA**"), in compliance with Rule 15c2-12 of the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), certain Annual Financial Information (as defined in the Continuing Disclosure Undertaking) and Audited Financial Statements, commencing with the fiscal year ending December 31, 2011, and notice of certain events.

For the fiscal years ended as of and prior to December 31, 2009, the Authority had filed quarterly reports including all components of the annual financial information and operating data with respect to certain of its outstanding bonds under the related continuing disclosure undertakings of the Authority. However, this information had been reported as of dates other than December 31, which is technically required by the Authority's continuing disclosure undertakings. So, while such financial information and operating data of the nature required to be provided annually had been provided more frequently to the market by posting on the Authority's website and, in many cases, by filing with the national repositories, there had been a technical non-compliance by the Authority with its continuing disclosure obligations.

The Authority has filed with EMMA Annual Financial Information and operating data as of December 31 for the fiscal years ended as of December 31, 2009 and 2010, and has implemented measures to ensure that Annual Financial Information for future fiscal years will be provided as of December 31 and will be timely filed with EMMA in accordance with the requirements of the related Continuing Disclosure Undertakings.

Investment Considerations

The purchase and ownership of the 2011 Series B Bonds involve investment risks. Prospective purchasers of the 2011 Series B Bonds being offered by this Official Statement are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2011 Series B Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2011 SERIES B BONDS

General Terms

Principal Payment; Maturity

The 2011 Series B Bonds will be dated the date of delivery and the four subseries thereof will mature in the amounts and on the dates shown on the front cover page of this Official Statement. The principal of each subseries of the 2011 Series B Bonds is payable to Cede & Co.

Interest Rates; Payment of Interest

The 2011 Series B Bonds will bear interest at adjustable rates as described in "Basis for Interest Rate Determination" under this caption, determined by the Underwriter to be the initial interest rates shown on the front cover page hereof from delivery of the 2011 Series B Bonds through November 30, 2011, and calculated thereafter monthly, commencing December 1, 2011, through the respective maturity dates by the Calculation Agent, as described in "Determination of Interest Rates" under this caption. Interest will be payable on each May 1 and November 1, commencing on May 1, 2012, and at maturity. Interest on the 2011 Series B Bonds is to be calculated on the basis of a 365/366 day year for the actual number of days elapsed.

Authorized Denominations

The 2011 Series B Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

Book-Entry System

DTC will act as securities depository for the 2011 Series B Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix H – "BOOK-ENTRY SYSTEM."** **So long as the 2011 Series B Bonds are registered in the DTC book-entry form described in Appendix H, each Beneficial Owner of a 2011 Series B Bond**

should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2011 Series B Bonds.

Defeasance and Discharge

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2011 Series B Bonds by depositing with the Trustee or the Paying Agent sufficient moneys or Defeasance Securities to pay when due the principal and interest due or to become due on such 2011 Series B Bonds at the maturity thereof. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."

Determination of Interest Rates

The 2011 Series B Bonds will bear interest at adjustable rates of interest per annum as described in "Basis for Interest Rate Adjustment" under this caption, determined by the Underwriter to be the initial interest rates shown on the front cover page hereof from delivery of the 2011 Series B Bonds through November 30, 2011, and calculated thereafter, commencing December 1, 2011, by the Calculation Agent on each "**Rate Determination Date**," defined by the 2011 Series B Indenture as the first business day of each calendar month or if any such day is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. A "**U.S. Government Securities Business Day**" is defined as any day other than (a) a Saturday or a Sunday or (b) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities, or (c) a day on which the Calculation Agent is required or permitted by law to close.

Each interest rate on the four subseries of the 2011 Series B Bonds shall be in effect from and including the date of initial issuance and delivery thereof to and including the first Rate Determination Date, and thereafter, from and including the Business Day following each Rate Determination Date to and including the following Rate Determination Date (or, if earlier, the applicable Maturity Date of the 2011 Series B Bonds). The Calculation Agent shall make each such interest rate available not later than 4:00 p.m., New York City time, on each Rate Determination Date to the Authority, to the Trustee and to any Owner requesting such rate.

The determination of the interest rates for the four subseries of the 2011 Series B Bonds by the Calculation Agent shall be conclusive and binding on the Owners of the 2011 Series B Bonds, the Authority and the Trustee, absent manifest error. If the Calculation Agent shall fail or refuse to determine the interest rate for any 2011 Series B Bonds on any Rate Determination Date, the interest rate for such 2011 Series B Bonds shall be determined and communicated by a successor Calculation Agent appointed by the Authority in accordance with the provisions of the 2011 Series B Indenture described in "Calculation Agent" under this caption. If such successor Calculation Agent shall fail or refuse to determine the interest rate for any 2011 Series B Bonds within two Business Days after any Rate Determination Date, the interest rate most recently determined for such 2011 Series B Bonds shall remain in effect until the next Rate Determination Date.

Basis for Interest Rate Adjustment

Interest rates on the four subseries of the 2011 Series B Bonds will equal One-Month LIBOR (defined below) plus the applicable Spread Factor (defined below) set forth in the table on the front cover page of this Official Statement, provided that no 2011 Series B Bond shall bear interest for any period at an interest rate higher than the "**Maximum Rate**" (12% per annum). Interest on the 2011 Series B Bonds will be payable on each May 1 and November 1, commencing on May 1, 2012, and at maturity.

"**One-Month LIBOR**" is defined by the 2011 Series B Indenture to mean the per annum rate (rounded, if necessary, to the nearest one-hundredth of one percent) for deposits in United States dollars for one month which appears on the Telerate British Bankers' Association LIBOR Rates Page ("**BBA LIBOR Rates Page**" as defined below) as of 11:00 a.m., London, England time, on each Rate Determination Date, provided that such rate shall not exceed the Maximum Rate. If such rate does not appear on the BBA LIBOR Rates Page or if fewer than two offered rates appear, One-Month LIBOR will be the One-Month LIBOR determined on the immediately preceding Rate Determination Date. "**BBA LIBOR Rates Page**" means the display designated as page 3750 on the Telerate, Inc. news and information service (or such other page as may replace the BBA LIBOR Rates Page on that service for the purpose of displaying London interbank offered rates of major banks).

The "**Spread Factor**" means the per annum spread to One-Month LIBOR (expressed in basis points) for each subseries of the 2011 Series B Bonds, as specified in the 2011 Series B Indenture and set forth in the table on the front cover page of this Official Statement.

Calculation Agent

Appointment of Calculation Agent; Responsibilities of Calculation Agent

The Authority has appointed the Trustee as the initial Calculation Agent, and the Trustee has accepted such appointment as the initial Calculation Agent with respect to the duties of the Calculation Agent set forth in the 2011 Series B Indenture. In its capacity as Calculation Agent, the Trustee is to (i) determine One-Month LIBOR with respect to each 2011 Series B Bond on each applicable Rate Determination Date, (ii) add the applicable Spread Factor (set forth in the table on the front cover page of this Official Statement) to determine the interest rate to be borne by each subseries of the 2011 Series B Bonds as provided in the 2011 Series B Indenture, and (iii) communicate each such interest rate to the Authority, to the Trustee and to any Owner requesting such interest rate not later than 4:00 p.m., New York City time, on each Rate Determination Date. Not later than the end of business on each Interest Payment Date, the Calculation Agent is to notify via e-mail (or such other method designated by the Authority and Bloomberg L.P.) the Authority and Bloomberg L.P. of: (i) the CUSIP numbers for the respective subseries of the 2011 Series B Bonds; (ii) the date of the Interest Payment Date; (iii) the amount of interest paid on each subseries of the 2011 Series B Bonds; and (iv) the respective interest rates used in the calculation of the amount of interest paid on each subseries maturity of the 2011 Series B Bonds on such Interest Payment Date.

Resignation and Removal of Calculation Agent

The Calculation Agent may at any time resign and be discharged of the duties and obligations created under the 2011 Series B Indenture by giving 30 days written notice to the Authority and the Trustee. The resignation shall take effect upon the day specified in the notice unless previously a successor shall have been appointed under the 2011 Series B Indenture, in which event the resignation shall take effect immediately upon the appointment of the successor Calculation Agent. Notwithstanding the foregoing, no resignation of the Calculation Agent or any successor Calculation Agent shall take effect unless and until a successor Calculation Agent is appointed by the Authority.

The Calculation Agent may be removed at any time by the Authority by 30 days written notice signed by an Authorized Officer filed with the Calculation Agent and the Trustee, provided that the Calculation Agent may be removed at any time by the Authority without prior notice if the Calculation Agent fails or refuses to determine the interest rate for any subseries of the 2011 Series B Bonds on any Rate Determination Date. Any successor Calculation Agent shall be appointed by the Authority, must be authorized by law to perform all the duties imposed upon it hereby and shall either be (i) a commercial bank with trust powers or trust company duly organized under the laws of the United States of America or any

state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$25,000,000, or (ii) a member of the Financial Industry Regulatory Authority, having a capitalization of at least \$25,000,000.

No Prior Redemption or Tender Prior to Maturity

The 2011 Series B Bonds are not subject to redemption prior to maturity, at the option of the Authority or otherwise. The 2011 Series B Bonds are also not subject to mandatory or optional tender for purchase under any circumstances prior to maturity.

PLAN OF FINANCE

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2011 Series B Bonds.

SOURCES OF FUNDS:	<u>Estimated Amounts</u>
Proceeds of the 2011 Series B Bonds	\$64,180,000
Authority contribution (1).....	<u>385,000</u>
TOTAL SOURCES OF FUNDS	<u>\$64,565,000</u>
 USES OF FUNDS:	
For the Refunding (2).....	\$64,180,000
For costs of issuance and Underwriter's compensation (1).....	<u>385,000</u>
TOTAL USES OF FUNDS.....	<u>\$64,565,000</u>

(1) Amounts contributed by the Authority will be deposited to the 2011 Series B subaccount of the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriter's compensation relating to the 2011 Series B Bonds. See "Part I – UNDERWRITING."

(2) See "The Refunding" under this caption.

The Refunding

The proceeds of the 2011 Series B Bonds will be transferred to the Trustee, as paying agent, for the payment of portions of the respective Series of Bonds outstanding under the Master Indenture and bearing interest at a Weekly Rate (as described in the table below, the "**Refunded Bonds**") upon the prior redemption thereof on the date of delivery of the 2011 Series B Bonds.

Bonds To Be Refunded with 2011 Series B Bond Proceeds

<u>Series of Bonds</u>	<u>Principal Amount</u>
2002C-3:	\$ 1,780,000
2003B-1:	1,575,000
2003B-2:	2,615,000
2003C-2:	3,720,000
2004A-2:	4,660,000
2004B-2:	3,720,000
2005A-2:	3,990,000
2006B-1:	6,810,000
2006C-1:	6,810,000
2007A-1:	8,275,000
2007B-1:	8,340,000
2008A-1:	1,140,000
2008A-2:	<u>10,745,000</u>
TOTAL:	<u>\$64,180,000</u>

Upon redemption of the respective Refunded Bonds, the Trustee will be directed by the Authority to credit toward the Class I Sinking Fund Installments for the respective Term Bonds of which certain Refunded Bonds are a portion on the related dates the principal amounts equal to the amount of the proceeds of the 2011 Series B Bonds applied for such redemption, which constitutes a different method for crediting than the method set forth in the respective Series Indentures relating to the Refunded Bonds. On the date of issuance of the 2011 Series B Bonds, there will be filed a Cash Flow Statement Related to all Series of Bonds which includes the Refunded Bonds. The Authority will certify that its request for such alternative crediting method is consistent with such Cash Flow Statement.

Treatment of Mortgage Loans

Upon the redemption and payment of the Refunded Bonds, the Mortgage Loans originally financed with the proceeds of a Series of the Refunded Bonds will be deemed under the Indenture to have been financed by both such Refunded Bonds and the 2011 Series B Bonds used to redeem the Refunded Bonds of such Series. Accordingly, all provisions of the Indenture which relate to such Mortgage Loans and the Related Mortgage Repayments and Prepayments, and moneys in any Fund or Account, shall be interpreted and applied to relate such Mortgage Loans, Mortgage Repayments, Prepayments and moneys to each such Series in proportion to the respective principal amounts of the Bonds of each such Series the proceeds of which will be deemed to have been used to finance such Mortgage Loans (referred to herein as the "**2011 Series B Mortgage Loans**").

Debt Service Reserve Fund Requirement for 2011 Series B Bonds

The Debt Service Reserve Fund Requirement with respect to the 2011 Series B Bonds and as of each determination date shall be an amount equal to 5% of the aggregate principal amount of all 2011 Series B Bonds then Outstanding. Upon the redemption and payment of the Refunded Bonds, each Series of the Refunded Bonds and the 2011 Series B Bonds used to redeem the Refunded Bonds of such Series shall be deemed to be Related Series with respect to the Debt Service Reserve Fund Requirement for such Related Series. Accordingly, the Debt Service Reserve Fund Requirement for the 2011 Series B Bonds shall be satisfied by amounts held in the Related subaccounts of the Debt Service Reserve Fund for the Refunded Bonds. *No deposit shall be made into the 2011 Series B subaccount of the Debt Service Reserve Fund upon the initial issuance and delivery of the 2011 Series B Bonds.* See "Part II –

SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Debt Service Reserve Fund." Under the Indenture, the Authority may at any time replace all or a portion of such cash on deposit with a Qualified Surety Bond.

Additional Refunding Bonds

Concurrently with the delivery of the 2011 Series B Bonds, the Authority plans to issue additional Series of Bonds under the Master Indenture, the proceeds of which will also be used to refund certain principal amounts of various outstanding Series of Bonds. The Authority expects such additional Bonds, which will bear interest at adjustable rates based on specified indices and applicable spreads to maturity, to be sold to banks which will purchase the Bonds directly from the Authority.

CERTAIN PROGRAM ASSUMPTIONS

Generally

As described in "Part I – PLAN OF FINANCE – The Refunding," the proceeds of the 2011 Series B Bonds will be transferred to the Trustee and used to redeem the Refunded Bonds on the date of delivery of the 2011 Series B Bonds. In connection with the Refunding, the Authority is directing the Trustee to credit the sinking fund installments due on the respective Term Bonds of which certain Refunded Bonds are a portion, as described in "Part I – PLAN OF FINANCE – The Refunding." Upon the Refunding, the 2011 Series B Mortgage Loans shall be treated as described in "Part I – PLAN OF FINANCE – Treatment of Mortgage Loans." In addition, funds in the Debt Service Reserve Fund that are in excess of the Debt Service Reserve Fund Requirements relating to the Outstanding Series of Bonds will be available to satisfy the Debt Service Reserve Fund Requirement relating to the 2011 Series B Bonds, as described in "Part I – PLAN OF FINANCE – Debt Service Reserve Fund Requirement for 2011 Series B Bonds."

The Bonds (including the 2011 Series B Bonds) and Auxiliary Obligations outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) will be secured by, among other moneys, rights and interests, the Revenues derived from the Mortgage Loans, including the 2011 Series B Mortgage Loans. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS." Such Revenues are expected by the Authority (based on certain assumptions some of which are described under this caption) to be sufficient to pay the debt service on the Bonds, including the 2011 Series B Bonds.

As required by the Master Indenture and at the request of the Authority, CSG Advisors Incorporated has prepared certain cash flow projections giving effect to the issuance of the 2011 Series B Bonds (the "**Cash Flow Statement**") which indicates that, after such issuance, the amounts expected to be available in the Trust Estate will be sufficient to pay principal of and interest on the Bonds, including the 2011 Series B Bonds, when due. The Cash Flow Statement uses numerous assumptions, including assumptions discussed under this caption, to illustrate the expected receipt of Revenues in the Trust Estate and the expected expenditures to be incurred in connection with the Bonds and the Mortgage Loans held and to be held under the Master Indenture. There can be no assurance that any or all of the assumptions made will apply to the actual Mortgage Loans included or to be included in the Trust Estate, or that the Mortgage Loans in the Trust Estate will perform as assumed in the Cash Flow Statement. To the extent that these assumptions are not met, for example, (i) the rate of receipt of Prepayments is either more rapid or less rapid than that projected, (ii) interest payable on Adjustable Rate Bonds and amounts due under Related Auxiliary Obligations differs from Related Interest Rate Contract Revenues, or (iii) actual

investment income differs from that estimated by the Cash Flow Statement, the moneys available may be insufficient for the payment of debt service on the Bonds and amounts due under Related Auxiliary Obligations and operating expenses of the Program.

Mortgage Loans

Payments on Mortgage Loans, whether from scheduled monthly installments or from Prepayments, together with Revenues generated as investment income on the funds held under the Indenture, and invested under the investment agreements, are assumed to be the primary source of Revenues. See **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO" and **Appendix D** – "INSURANCE LIMITATIONS AND REQUIREMENTS; INVESTMENTS – Insurance Limitations and Requirements" for further information about the Mortgage Loans.

Investments

Amounts held by the Trustee under the Master Indenture will be invested in permitted Investment Securities under the Master Indenture. See **Appendix D** – "INSURANCE LIMITATIONS AND REQUIREMENTS; INVESTMENTS – Investments" for a description of the Investment Agreements and other investments relating to moneys held by the Trustee under the Master Indenture. The assumptions made by the Authority as to projected cashflows under the Indenture include the assumption that the investment rates provided by the Investment Agreements shown on the table in **Appendix D** will be available as described. However, in the event that any Investment Agreement shown on such table is terminated as a result of default by the respective investment provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriter makes any representation about the financial condition or creditworthiness of the investment providers shown on the table in **Appendix D**. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of all such investment providers shown on such table.*

TAX MATTERS

Federal Tax Treatment of Interest on Taxable 2011 Series B Bonds

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE 2011 SERIES B BONDS IS INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE.

Bond Counsel will express no other opinion as to any federal tax consequences regarding the 2011 Series B Bonds. Owners of the 2011 Series B Bonds should consult with their own tax advisors as to the tax consequences pertaining to the 2011 Series B Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the 2011 Series B Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

Any tax advice concerning the 2011 Series B Bonds, interest on the 2011 Series B Bonds or any other federal income tax issues associated with the 2011 Series B Bonds, express or implicit in the provisions of this Official Statement, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This document supports the promotion or marketing of the transactions or matters

addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Colorado Tax Treatment of 2011 Series B Bonds

In the opinion of Bond Counsel, the 2011 Series B Bonds, their transfer and the income therefrom is free from taxation by the State of Colorado under Colorado law in effect as of the date of delivery of the 2011 Series B Bonds.

Other

Bond Counsel's opinion relates only to the inclusion of interest on the 2011 Series B Bonds in gross income for federal income tax purposes and the exclusion of the 2011 Series B Bonds from certain State of Colorado taxation as described above, and will state that no opinion is expressed regarding other federal or state tax consequences arising from the receipt or accrual of interest on or ownership or disposition of 2011 Series B Bonds. Owners of the 2011 Series B Bonds should consult their own tax advisors as to the applicability of these consequences.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2011 Series B Bonds. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2011 Series B Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2011 Series B Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal and state tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the 2011 Series B Bonds, and the exclusion of the 2011 Series B Bonds from certain Colorado taxation as described above, or any combination thereof from the date of issuance of the 2011 Series B Bonds or any other date, or which could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the market value of the 2011 Series B Bonds. Bond Owners are advised to consult with their own advisors with respect to such matters.

UNDERWRITING

The 2011 Series B Bonds are to be purchased from the Authority by the underwriter listed on the front cover page of this Official Statement (the "**Underwriter**"). The Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the 2011 Series B Bonds at a price equal to 100% of the aggregate principal amount of the 2011 Series B Bonds. The Underwriter will be paid a fee of \$186,642.50 (plus reimbursement of certain expenses) in connection with the underwriting of the 2011 Series B Bonds. The initial public offering prices of the 2011 Series B Bonds may be changed from time to time by the Underwriter.

LITIGATION

General

At the time of delivery and payment for the 2011 Series B Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance of the 2011 Series B Bonds, or which would materially adversely affect the financial condition of the Authority, or in any way contesting or affecting the validity or enforceability of the 2011 Series B Bonds, the Indenture or the contract for the purchase of the 2011 Series B Bonds.

Derivatives ADR Notice

The Authority received a Derivatives ADR Notice ("**ADR Notice**") with respect to claims by Lehman Brothers Financial Products, Inc. and Lehman Brothers Special Financing, Inc. (the "**Debtors**") relating to the value of certain terminated derivatives contracts. In accordance with the alternative dispute resolution procedures, the Authority filed a response to the ADR Notice in late 2010 and entered into the alternative dispute resolution process. Several sessions to discuss a resolution followed. The disagreement as to value was resolved in principle in July 2011, with the Authority agreeing to make additional payments to the Debtors' bankruptcy estate. The Authority's Board of Directors approved the terms of the agreement at its July Board meeting, and a final settlement agreement has since been executed between the Authority and the Debtors. Such agreement includes a provision requiring the terms of such agreement to remain confidential, except in limited circumstances.

While the payment that the Authority has agreed to make is substantial and will have a material impact on the financial condition of the Authority, the sources of the payment have been identified and the payment has been structured to mitigate impacts on the Authority's operations and ability to satisfy its outstanding obligations. *No amounts held as part of the Trust Estate pledged under the Master Indenture will be used to make such settlement payments.*

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "project," "budget," "plan" and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), have assigned the 2011 Series B Bonds long-term ratings of "Aaa" (with negative outlook) and "AAA" (with negative outlook), respectively. Such ratings reflect only the views of Moody's and S&P, respectively, and are not a recommendation to buy, sell or hold the 2011 Series B Bonds. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or market price of the 2011 Series B Bonds.

FINANCIAL ADVISOR

The Authority has retained CSG Advisors Incorporated as its financial advisor (the "**Financial Advisor**") in connection with the issuance of the 2011 Series B Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor will act as an independent advisory firm and will not be engaged in the business of, underwriting, trading or distributing the 2011 Series B Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the 2011 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel to the Authority, will deliver the opinion included as **Appendix E** hereto. Hogan Lovells US LLP will pass upon certain legal matters relating to the 2011 Series B Bonds as Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Charles L. Borgman, Esq., its General Counsel. Bookhardt & O'Toole will pass upon certain matters for the Underwriter.

Neither Sherman & Howard L.L.C., Hogan Lovells US LLP nor Bookhardt & O'Toole have participated in any independent verification of the information concerning the financial condition or capabilities of the Authority or the Trust Estate contained in this Official Statement.

CERTAIN RELATIONSHIPS OF PARTIES

Barclays Bank PLC, an affiliate of Barclays Capital Inc. which is the Underwriter of the 2011 Series B Bonds, is the provider of a Liquidity Facility in connection with certain Bonds and has provided the Interest Rate Contracts relating to certain Bonds as described in **Appendix B-1**. Barclays Capital Inc. is also the Remarketing Agent for certain Bonds as described in **Appendix C**.

(End of Part I)

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PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

In 1973, upon a finding that there existed in the State a shortage of decent, safe and sanitary housing available within the financial capabilities of low and moderate income families, the Colorado General Assembly established the Colorado Housing Finance Authority, since renamed the Colorado Housing and Finance Authority, as a body corporate and a political subdivision of the State for the purpose of increasing the supply of decent, safe and sanitary housing for such families. The Act authorizes the Authority, among other things, to make loans to individuals and sponsors to finance the construction, reconstruction, rehabilitation or purchase of housing facilities for low and moderate income families and to purchase mortgage loans from, and lend moneys to, qualified Mortgage Lenders under terms and conditions which provide for loans to finance housing facilities for low and moderate income families. The Act was amended in 1982 to authorize the Authority to finance project and working capital loans to commercial and industrial enterprises of small and moderate size. The Act was amended again in 1987 to create an economic development fund to enable the Authority to finance projects or provide capital for business purposes.

In order to achieve its authorized purposes, the Authority currently operates Qualified and Non-Qualified Single Family Mortgage Programs, a Rental Acquisition Program and various rental and business finance programs. See "Programs To Date" under this caption. The Act authorizes the Authority to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes as set forth in the Act. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the Bonds, except as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."

Board of Directors and Staff Officers

The Board of Directors of the Authority consists of the Colorado State Auditor, a member of the Colorado General Assembly appointed jointly by the Speaker of the House and the Majority Leader in the Senate, an executive director of a principal department of State government appointed by the Governor of Colorado and eight public members appointed by the Governor with the consent of the Senate. Members of the Board of Directors continue to serve after the end of their respective terms until a successor has been duly appointed and confirmed. The present members of the Board of Directors of the Authority are as follows:

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
David J. Myler, Esq., Chair ⁽¹⁾	Partner, The Myler Law Firm, P.C.; Basalt, Colorado	July 1, 2013
James M. Hahn, Chair, <u>pro tem</u> ⁽²⁾	Principal, JMH Consulting, LLC; Denver, Colorado	July 1, 2013
John A. Blumberg, Secretary/Treasurer ⁽³⁾	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2013
Sam Betters	Executive Director; Housing Authority of the City of Loveland; Loveland, Colorado	July 1, 2013
Reeves Brown	Executive Director, Colorado Department of Local Affairs; Denver, Colorado	At the pleasure of the Governor
Charles Knight	Founding Partner, Venture Law Advisors; Denver, Colorado	July 1, 2015
Jennifer Lopez	Executive Director, Regional Housing Alliance; Durango, Colorado	July 1, 2015
Cecilia Sanchez de Ortiz	Retired; Denver, Colorado	July 1, 2015
Dianne Ray	Colorado State Auditor; Denver, Colorado	Standing
Joel S. Rosenstein, Esq.,	Attorney; Denver, Colorado	July 1, 2013
Keith Swerdfeger	State Representative; Pueblo, Colorado	End of legislative biennium 2011-2012

(1) This Board member was elected as Chair of the Board effective July 1, 2011.

(2) This Board member was elected as Chair, pro tem, of the Board effective July 28, 2011.

(3) This Board member was appointed as Secretary/Treasurer of the Board effective July 28, 2011.

The principal staff officers of the Authority are as follows:

Cris A. White, **Executive Director**. Mr. White was appointed as Executive Director in March 2010, after serving as Chief Operating Officer since February 2002. Mr. White joined the staff in 1988 and served in various capacities until January 1996. He rejoined the staff in September of 1996 as the Director of Asset Management, after serving in the interim as a business development executive with an international equipment and real estate mortgage lender. On February 1, 2001, Mr. White was appointed Deputy Executive Director for Asset Management and Business Support Services and served until his present appointment. He also continued to serve as Director of Asset Management until December 10, 2001. Mr. White has a Bachelor's Degree in Business Administration from Regis College.

Jaime Gomez, **Chief Operating Officer**, joined the staff in August 1999. Prior to appointment to his current position in March 2010, Mr. Gomez served as the Director of Commercial Lending following a corporate reorganization in July 2006 which merged the Authority's Business Finance and Rental Finance Divisions, forming the Commercial Lending Division. Prior to that position, Mr. Gomez served as the Director of Business Finance. Mr. Gomez is a graduate of the University of Colorado with a degree in Finance. Mr. Gomez has prior experience working in both the public and private sector, including five-and-a-half years as director of finance and business development for the Colorado Office of Economic Development. Mr. Gomez was also designated as a certified bank examiner by the Federal Reserve Board of Governors in February of 1991.

Charles L. Borgman, **General Counsel**, joined the staff in September 2004 and assumed the position of General Counsel on December 1, 2004. Mr. Borgman is a graduate of the University of Iowa and the University of Iowa College of Law and has over 30 years experience in private practice and as in-house counsel in the areas of real estate, mortgage finance, commercial transactions, title insurance, banking and work-outs. Immediately prior to joining the Authority, Mr. Borgman was Vice President and Regional Counsel for North American Title Company, a part of Lennar Corporation.

Patricia Hippe, **Chief Financial Officer**, joined the staff in October 2011. Prior to joining the Authority, Ms. Hippe spent 16 years as the Deputy Commissioner and Chief Financial Officer of the Minnesota Housing Finance Agency. Prior to her work with the Minnesota Housing Finance Agency, Ms. Hippe was the manager of secondary market programs for Higher Education Management and Resources (HEMAR) Management Corporation. In this capacity, she oversaw the daily finance and accounting operations of HEMAR's seven affiliate companies which specialized in providing student loan secondary market programs. Following her work with HEMAR, Ms. Hippe was the assistant vice president and corporate trust officer for Wells Fargo Bank, formerly known as Norwest Bank. Ms. Hippe received her Bachelor's Degree in Business Administration from the University of Minnesota, and earned her Master of Business Administration Degree from the University of St. Thomas in St. Paul, Minnesota.

Margaret Danuser was appointed as **Director of Corporate Debt and Investment Management** in July 2010. Prior to joining the Authority, Mrs. Danuser served as the debt administrator for the City and County of Denver, and as a fixed income investment manager for the Dreyfus Founders Funds. She graduated from the University of Colorado at Boulder with a Bachelor of Arts degree in International Affairs.

Mariam J. Masid, **Director of Legal Services**, was appointed in October 2010. Prior to her current position, beginning in December 2005, Ms. Masid served the Authority as an in-house Senior Attorney. Ms. Masid is a graduate of the University of Nebraska College of Law and also earned a Ph.D. from Colorado State University in Earth Sciences, Water Resource Management. She has over 30 years experience in private practice and as in-house counsel in the areas of real estate, mortgage finance, municipal law, litigation, and general civil matters. Prior to joining the Authority, Ms. Masid was an adjunct professor at Colorado State University teaching real estate law, real estate principles and business law.

Karen Harkin, CMB, CML, was appointed as **Director of Home Finance** in February 2001. Ms. Harkin joined the staff in June 1999. Ms. Harkin received a Bachelor of Science degree from the University of Wisconsin-Madison and a Masters Degree in Business Administration from the University of Dubuque, Dubuque, Iowa. Ms. Harkin has more than twenty years experience in various capacities in public, private and non-profit real estate lending and development.

Mark A. MacNicholas, **Controller**, joined the staff in October 2008. Prior to joining the Authority, Mr. MacNicholas served as Controller for SunCorp Corporate Credit Union. During his career, Mr. MacNicholas has served in various accounting roles within the financial services industry. Mr. MacNicholas has a Bachelor's Degree in Business Administration from the University of Iowa, a Masters Degree in Accountancy from DePaul University and is a Certified Public Accountant.

Steve Johnson was appointed as **Director of Commercial Lending** in July 2010. Mr. Johnson began working for the Authority in 1996 as a Business Finance Loan Officer. In 1999, he was promoted to Manager of Business Lending Production. Most recently, Mr. Johnson has led the Authority's small business team's efforts to diversify and expand the products available to help small businesses access capital. Mr. Johnson is the vice chair of the Colorado Enterprise Fund, and a board member of the

Council of Development Finance Agencies (CDFA). He graduated from Hillsdale College in Michigan with a Bachelor of Arts degree in marketing and finance.

D. Brian Miller was appointed as **Director of Asset Management** in October 2006. Prior to his current position, Mr. Miller served as the Manager of Multifamily Loan Compliance Department, as well as various other positions within the Asset Management Division since joining the Authority in November 1998. Mr. Miller has over fifteen years experience in financial services and asset management. Mr. Miller is a graduate of the University of Northern Colorado with a Bachelor's Degree in Finance.

Rachel Basye, **Director of Marketing and Strategic Development**, joined the business finance division of the Authority in 1994. Ms. Basye moved to the Authority's planning and development division in 1995 which, in 2006, was expanded to include marketing and community relations activities in addition to strategic planning and program development/evaluation. Ms. Basye is a graduate of the University of Colorado at Boulder with a Bachelor's Degree in International Affairs and German. She earned her Masters Degree in Public Administration from the University of Colorado at Denver.

Rodney D. Hardin joined the staff as **Director of Information Technology** in January 2005. Prior to joining the Authority, Mr. Hardin served as SVP/CIO at Pulte Mortgage LLC for 11 years. He also served as SVP/MIS Manager at North American Mortgage for five years. He is past Chairman of the MBA Residential Technology Steering Committee. His education includes a Bachelor's Degree in Business Administration from Sonoma State University in Rohnert Park, California and a Masters Degree in Business Administration from Regis University in Denver, Colorado.

Laurie O'Brien, **Director of Loan Servicing**, joined the staff as Director in February 2006. Prior to joining the Authority, Ms. O'Brien previously worked for several large mortgage companies in the northeastern United States and was most recently employed by Fidelity Financial Services for the past 13 years. She graduated from Medialle College in Buffalo, NY, with a Bachelor of Science Degree in Human Resource Development. Ms. O'Brien has been in loan servicing for over 22 years.

Deborah Herrera, **Director of Human Resources**, originally joined the Authority in October 2001 as a senior level Human Resources Generalist and rejoined the Authority in September 2006 as the Director of Human Resources. She has ten years of human resources experience, during four of which she served in a management capacity in the financial/mortgage industry. Prior to rejoining the Authority, Mrs. Herrera was a Human Resources Director for an information and analytics company serving the mortgage and finance industry. Mrs. Herrera received a Bachelor of Arts in Psychology and a Masters in Human Resources Management from the University of North Florida.

Employees and Pension Information

As of December 31, 2010, the Authority had approximately 180 full-time employees, all of whom were members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 13.70% of each participating employee's gross salary to PERA in 2010. In 2010, the Authority's PERA contribution totaled approximately \$1,665,000, compared to an Authority contribution in 2009 of \$1,521,000. See footnote (12) of the audited 2010 financial statements of the Authority included as **Appendix G** for further information.

Insurance Coverage

The Authority has general liability, errors and omission and employee dishonesty insurance coverage.

Selected Financial Information

The following is a brief summary of historical selected financial information for the Authority. The audited 2010 financial statements of the Authority included as **Appendix G** also provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. This information has been included solely for purposes of providing a general overview for potential purchasers of the financial status of the Authority given that the Authority operates the programs which result in the Mortgage Loans securing Bonds and Auxiliary Obligations under the Master Indenture and also services such Mortgage Loans. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Bonds and Auxiliary Obligations are limited obligations of the Authority secured by and payable from the Trust Estate, except in the limited case of those Bonds and Auxiliary Obligations designated as general obligations of the Authority. See "Obligations of the Authority" and "The General Fund" under this caption. For specific information about the Trust Estate, see "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS," and **Appendices B-1, B-2 and D** hereto. *The overall financial status of the Authority does not indicate and will not necessarily affect whether amounts will be available in the Trust Estate to pay principal and interest on Bonds when due.*

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Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2010

(with summarized financial information for December 31, 2009 Restated)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2010	Summarized 2009 Restated
Assets						
Current assets:						
Cash						
Restricted	\$ 75,476	\$ -	\$ 7	\$ -	\$ 75,483	\$ 33,387
Unrestricted	16,498	-	-	-	16,498	2,513
Investments	73,803	471,231	107,844	-	652,878	285,765
Loans receivable	17,708	54,388	27,129	(588)	98,637	163,033
Loans receivable held for sale	10,389	-	-	-	10,389	67,356
Accrued interest receivable	4,113	11,200	5,163	(173)	20,303	23,443
Deferred debt financing costs, net	16	569	193	-	778	819
Other assets	8,585	835	120	-	9,540	7,135
Due (to) from other funds	(43,789)	29,155	14,634	-	-	-
Total current assets	162,799	567,378	155,090	(761)	884,506	583,451
Noncurrent assets:						
Investments	2,096	142,942	86,713	-	231,751	291,691
Loans receivable, net	201,875	1,577,247	786,750	(17,052)	2,548,820	2,722,117
Capital assets - non-depreciable	5,547	-	-	-	5,547	4,981
Capital assets - depreciable, net	21,194	-	-	-	21,194	23,605
Other real estate owned, net	4,535	5,250	2,720	-	12,505	10,048
Deferred debt financing costs, net	280	10,242	3,476	-	13,998	14,729
Other assets	22,164	-	-	-	22,164	20,587
Total noncurrent assets	257,691	1,735,681	879,659	(17,052)	2,855,979	3,087,758
Total assets	420,490	2,303,059	1,034,749	(17,813)	3,740,485	3,671,209
Total Deferred Outflows - Hedging						
Accumulated decrease in fair value of hedging derivatives	-	108,977	34,806	-	143,783	112,760
Liabilities						
Current liabilities:						
Short-term debt	87,900	-	-	-	87,900	73,250
Bonds payable	-	289,824	9,363	-	299,187	18,539
Notes payable	79	-	-	-	79	74
Accrued interest payable	736	14,159	10,919	(173)	25,641	28,567
Federally assisted program advances	60	-	-	-	60	347
Accounts payable and other liabilities	62,988	1,353	702	-	65,043	26,794
Total current liabilities	151,763	305,336	20,984	(173)	477,910	147,571
Noncurrent liabilities:						
Bonds payable, net	78,386	1,910,895	921,048	-	2,910,329	3,163,551
Hedging liability - derivative instrument	200	112,132	28,637	-	140,969	93,279
Hedging liability - swap premium	-	35,180	67,422	-	102,602	111,219
Notes payable	23,813	-	-	(17,640)	6,173	20,968
Other liabilities	26,001	2,270	897	-	29,168	15,936
Total noncurrent liabilities	128,400	2,060,477	1,018,004	(17,640)	3,189,241	3,404,953
Total liabilities	280,163	2,365,813	1,038,988	(17,813)	3,667,151	3,552,524
Total Deferred Inflows - Hedging						
Accumulated increase in fair value of hedging derivatives	-	-	6,168	-	6,168	22,363
Net assets						
Invested in capital assets, net of related debt	9,101	-	-	17,640	26,741	28,586
Restricted by bond indentures	-	46,223	24,399	-	70,622	119,031
Unrestricted	131,226	-	-	(17,640)	113,586	61,465
Total net assets	\$ 140,327	\$ 46,223	\$ 24,399	\$ -	\$ 210,949	\$ 209,082

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority
Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2010

(with summarized financial information for the year ended December 31, 2009 Restated)

(In thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2010	Summarized 2009 Restated
Interest income and expense:						
Interest on loans receivable	\$ 13,302	\$ 89,956	\$ 49,404	\$ (1,343)	\$ 151,319	\$ 172,953
Interest on investments	433	10,011	7,650	-	18,094	14,996
Interest on debt	(6,678)	(90,678)	(43,298)	1,343	(139,311)	(171,771)
Net interest income	7,057	9,289	13,756	-	30,102	16,178
Other operating income:						
Rental income	9,306	-	-	-	9,306	7,460
Loan servicing income	13,058	-	-	-	13,058	11,891
Section 8 administration fees	4,629	-	-	-	4,629	4,449
Gain on sale of loans	19,817	-	-	-	19,817	8,528
Hedging activity loss	(200)	(273)	-	-	(473)	(2,882)
Net increase (decrease) in the fair value of investments	47	5,704	1,573	-	7,324	(10,396)
Other revenues (losses)	1,714	111	(112)	-	1,713	2,090
Total other operating income	48,371	5,542	1,461	-	55,374	21,140
Total operating income	55,428	14,831	15,217	-	85,476	37,318
Operating expenses:						
Salaries and related benefits	17,808	-	-	-	17,808	16,180
General operating	19,305	983	347	-	20,635	17,815
Depreciation	3,773	-	-	-	3,773	3,159
Provision for losses	2,916	2,519	1,086	-	6,521	14,404
Contingency reserve	35,000	-	-	-	35,000	-
Total operating expenses	78,802	3,502	1,433	-	83,737	51,558
Net operating income (loss)	(23,374)	11,329	13,784	-	1,739	(14,240)
Nonoperating revenues and expenses:						
Federal grant receipts	134,613	-	-	-	134,613	112,458
Federal grant payments	(134,613)	-	-	-	(134,613)	(112,458)
Gains on sales of capital assets	128	-	-	-	128	-
Total nonoperating revenues, net	128	-	-	-	128	-
Income before transfers	(23,246)	11,329	13,784	-	1,867	(14,240)
Transfers from (to) other funds	2,236	(2,865)	629	-	-	-
Change in net assets	(21,010)	8,464	14,413	-	1,867	(14,240)
Net assets:						
Beginning of year	161,337	37,759	9,986	-	209,082	295,667
Change in accounting principle	-	-	-	-	-	(72,345)
Beginning of year, as restated	161,337	37,759	9,986	-	209,082	223,322
End of year	\$ 140,327	\$ 46,223	\$ 24,399	\$ -	\$ 210,949	\$ 209,082

The accompanying notes are an integral part of these statements

The General Fund

Generally

CERTAIN OBLIGATIONS UNDER THE MASTER INDENTURE HAVE BEEN OR MAY IN THE FUTURE BE DESIGNATED AS GENERAL OBLIGATIONS OF THE AUTHORITY. SEE "PART II – SECURITY FOR THE OBLIGATIONS" AND **APPENDIX B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." THE FOLLOWING INFORMATION REGARDING THE AUTHORITY'S GENERAL FUND IS PROVIDED ONLY IN CONNECTION WITH OBLIGATIONS WHICH HAVE BEEN OR ARE IN THE FUTURE SO DESIGNATED.

The General Fund is funded principally from reimbursement of administrative expenses and other allowable transfers from other funds (including the transfer of assets in excess of specified parity levels from other bond issues); loan fees payable to the Authority by borrowers; servicing fees payable to the Authority in connection with outstanding loans, income from the Authority's Rental Acquisition Program; income on investments and mortgage loans held temporarily (for warehousing purposes) and permanently in the General Fund; and administrative fees payable by the federal government in connection with the Section 8 housing assistance payments program. Uses of amounts in the General Fund include payment of general and other administrative expenses and payment of costs relating to those activities deemed necessary to fulfill the Authority's corporate purposes and not payable from other funds of the Authority. The General Fund itself is not subject to any pledge created under the Master Indenture.

The Authority Board, in its discretion, has historically from time to time designated portions of the General Fund balance to particular purposes, and may do so in the future, which may affect the availability of the General Fund for payments in connection with any Bonds or Auxiliary Obligations which have been designated as general obligations. The designations have been or may be for particular uses by means of annual appropriations to certain programs, the establishment of reserves in limited situations and the imposition of restrictions on the fund balance. Designations by the Authority's Board using each of these means may also be redesignated at any time in the Board's discretion. The Authority Board also annually restricts the fund balance of the General Fund (net of amounts previously appropriated or restricted for various funds, debt service reserves, or operating reserves) for the benefit of the holders of certain bonds of the Authority in the event that no other moneys are legally available for debt service payments. As long as the Authority is not in default under the related indenture or resolution for such bonds, the Board may withdraw such restricted amounts at any time.

Financial Information for the General Fund

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2010 as provided by the Authority.

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Colorado Housing and Finance Authority
General Fund
Selected Financial Information
Years Ended December 31
(in thousands of dollars)

	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2009*</u>	<u>FY</u> <u>2008</u>	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2006</u>
Interest and investment revenue:					
Loans receivable	\$13,302	\$17,979	\$15,635	\$12,900	\$12,449
Investments	426	337	1,807	3,420	3,061
Net increase (decrease) fair value of long-term investments	<u>47</u>	<u>(185)</u>	<u>41</u>	<u>(66)</u>	<u>(137)</u>
Total interest and investment revenue	13,775	18,131	17,483	16,254	15,373
Interest expense - bonds and notes payable	<u>5,603</u>	<u>6,457</u>	<u>8,989</u>	<u>9,718</u>	<u>9,664</u>
Net interest and investment revenue	8,127	11,674	8,494	6,536	5,709
Other revenue (expense):					
Rental operations	9,306	7,460	8,424	10,882	11,638
Fees and miscellaneous income	39,219	27,106	17,592	17,432	15,320
Hedging activity loss	(200)	--	--	--	--
Gain on sales of capital assets	<u>128</u>	<u>2</u>	<u>6,091</u>	<u>6,650</u>	<u>3</u>
Total other revenue	<u>48,453</u>	<u>34,568</u>	<u>32,107</u>	<u>34,964</u>	<u>26,961</u>
Net revenue	56,625	46,242	40,601	41,500	32,670
Other expenses:					
Salaries and related benefits	17,808	16,180	14,935	14,341	12,721
General operating	54,306	16,334	14,160	15,626	14,735
Provision for losses	2,917	3,662	2,985	(300)	(1,050)
Other interest expense	1,068	1,099	1,137	1,465	1,715
Transfers	(2,236)	(4,078)	10,663	(3,644)	(6,179)
Depreciation	<u>3,773</u>	<u>3,159</u>	<u>2,685</u>	<u>2,722</u>	<u>2,651</u>
Total other expense	<u>77,636</u>	<u>36,356</u>	<u>46,565</u>	<u>30,210</u>	<u>24,593</u>
Change in net assets	<u>\$(21,011)</u>	<u>\$ 9,886</u>	<u>\$(5,964)</u>	<u>\$ 11,290</u>	<u>\$ 8,077</u>
Net Assets, end of year	<u>\$140,326</u>	<u>\$161,337</u>	<u>\$151,451</u>	<u>\$157,415</u>	<u>\$146,125</u>
Bonds and Notes Payable	<u>\$190,178</u>	<u>\$203,041</u>	<u>\$287,704</u>	<u>\$203,029</u>	<u>\$152,455</u>
Total Assets	<u>\$420,491</u>	<u>\$400,426</u>	<u>\$471,057</u>	<u>\$392,943</u>	<u>\$327,534</u>

*As restated in the audited financial statements of the Authority for the year ended December 31, 2010.

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2006-2010. See the audited 2010 financial statements included herein as **Appendix G**.

Authority Policy Regarding Derivatives

The Master Indenture permits the Authority to enter into "Auxiliary Agreements," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products which qualify as "Interest Rate Contracts." See the definitions in **Appendix A** and "Part II – SECURITY FOR THE BONDS AND AUXILIARY

OBLIGATIONS – Interest Rate Contracts." See also **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Outstanding Interest Rate Contracts." Under the master indenture relating to its Multi-Family/Project Bonds, the Authority is also permitted to, and has entered into, certain derivative obligations which are described in footnote (8) of the audited 2010 financial statements of the Authority included as **Appendix G**.

Programs to Date

The following is a brief summary of the programs currently operated by the Authority. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority and its programs. **Except as otherwise described herein, the loans referred to below are not pledged in any way as security for the Bonds. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."** See also "Obligations of the Authority" under this caption.

Single Family Mortgage Programs

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently acquires mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*. Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single Family Mortgage Program, although the Authority does not exceed the Fannie Mae conforming loan limits. Proceeds of a mortgage loan under the Non-Qualified Single Family Mortgage Program may also be used under the Authority's refinancing program to refinance existing Mortgage Loans. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority is in the process of revising all of its procedures in order to accommodate a broader range of programs involving the purchase and sale of single family mortgage loans. For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2010 financial statements of the Authority, included as **Appendix G**.

In 2010, the Authority expanded its financing activities in connection with the Single Family Mortgage Programs to include the sale of certain single family mortgage loans to Fannie Mae and has also issued and sold mortgage-backed securities guaranteed by Ginnie Mae (the "**Ginnie Mae Certificates**") to finance first mortgage loans as part of the Non-Qualified Single Family Mortgage Programs.

Commercial Loan Programs

Rental Finance Programs. The Commercial Lending Division of the Authority encompasses the business finance programs (described below) as well as the rental finance programs under which the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. As part of its rental finance activities, the Authority makes mortgage loans insured by

an agency or instrumentality of the United States. The insured rental loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured rental loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. These insured rental loans have been funded by the Authority as described in "Obligations of the Authority – Commercial Loan Programs" under this caption. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "Obligations of the Authority – General Obligations – Loans Backed by Authority General Obligation" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote (3) to the audited 2010 financial statements of the Authority, included as **Appendix G**.

The Authority also makes uninsured rental loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit borrowers. Certain of these uninsured rental loans have been made as a part of the Authority's *Small Affordable Rental Transactions Program* (the "**SMART Program**") in principal amounts under \$5 million (or in such greater amounts as approved from time to time pursuant to the delegated authority policy of the Authority as approved or amended from time to time by the Board). In addition to long-term rental loans under the SMART Program, the Authority also makes uninsured rental loans that provide interim financing for acquisition and/or rehabilitation of the acquired property. These loans, referred to as bridge loans, are generally less than two years in term, are secured by a first deed of trust on the real estate, and have full recourse to the borrower during the term of the bridge loan. In the case of for-profit developers, the loans are both full recourse to the borrower and personally guaranteed by the individual principals during the term of the bridge loan. The Authority has also made an uninsured rental loan to a for-profit borrower in support of certain single family rental housing facilities at Fort Carson Army Base in Colorado Springs, Colorado.

Uninsured rental loans have also been made by the Authority using funds from amounts in its General Fund designated as the *Housing Opportunity Fund* ("**HOF**") under a program referred to as the "**HOF Program**." Under the HOF Program, the Authority makes fixed interest rate loans to nonprofit and for profit developers in support of rental housing facilities targeted to low income residents. Eligible "low income" residents are defined as persons or families that earn 60% of Area Median Income or less. HOF loan interest rates are set on a sliding scale based on the income levels of the residents served by prospective rental housing facilities. All HOF loans must conform to standard Authority diligence processes and underwriting criteria and will be secured by either first or second mortgages on real estate (maximum Loan to Value of 90% for loans to for profit developers and 95% for loans to nonprofit developers). Loan terms on HOF loans may range from 20 to 40 years. HOF loans are generally fully amortizing over their term and do not provide for prepayment restrictions or fees. Balloon payments on HOF loans are permitted under certain circumstances.

Under its *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2010 financial statements of the Authority, included as **Appendix G**. During 2006, the Authority made the decision to sell a majority of the facilities it currently owns under the RAP Program. The facilities were offered for sale to local housing authorities where the facilities are located, and, if those parties were not interested in the purchase, the Authority offered such facilities to for-profit and nonprofit corporations interested in the purchase. The Authority has completed eleven sales to date. The Authority retains four properties within its portfolio and does not intend to sell

three of those four properties in the foreseeable future but is actively seeking at this time to sell one of such properties. By its sale of these facilities, the Authority has offered valuable assets at a reasonable price to organizations whose mission is the development and preservation of affordable rental housing in Colorado. In all of such sales, the purchasing parties either maintained the existing number of units with affordability requirements or increased the number of units with affordability requirements. The sale of these properties does not imply that the Authority is discontinuing or closing the RAP program. The Authority intends to seek opportunities to acquire other rental properties in underserved areas within the State of Colorado at such time as such transactions support the goals of the Authority with respect to affordable rental housing in Colorado.

Business Finance Programs. The Authority originates uninsured loans as part of certain of its business loan programs, including the *CHFA Direct Loan Program*, the *Non-Profit Real Estate Loan Program*, the *U.S. Small Business Administration 504 Program* (the "**SBA 504 Program**"), the *CHFA Rural Loan Program*, the *RENEW Program* and the *Business and Industry Loan I ("B&I I") Program*, described below. These uninsured business loans must meet certain economic development or job creation/retention objectives under the Act and are made to small and moderate-size Colorado businesses to provide long-term, fixed rate financing for real estate and equipment. The uninsured business loans are secured by a first lien on the assets financed, are made in amounts up to ninety percent (90%) of the lesser of cost or appraised value of the collateral, are fully-amortizing over terms of up to thirty (30) years for real estate loans and seven years for equipment, and generally require guarantees from principals of the business having a twenty percent or greater ownership interest. A guaranty is also required from the operating company if different from the Borrower.

- Under the CHFA Direct Loan Program, the Authority provides loans to for-profit businesses to acquire, construct and/or rehabilitate and equip commercial, retail or manufacturing facilities.
- Under the Non-Profit Real Estate Loan Program, the Authority provides loans to non-profit organizations to fund real estate acquisition.
- Under the SBA 504 Program, the Authority provides loans to for-profit businesses to finance owner-occupied real estate and/or equipment. The Program provides two structures, a direct loan option (where the Authority originates the first mortgage loan which generally finances 50% of the project costs) and a loan participation option (where the Authority purchases up to a 90% participation in a first mortgage loan). An SBA-approved company provides a second mortgage for up to 40% of the total project costs (or \$1.3 million, whichever is less), with the Borrower providing the remaining 10% of the costs.
- Under the CHFA Rural Loan Program, the Authority provides loans to rural small for-profit businesses to finance real estate and/or equipment.
- Under the RENEW Program, the Authority provides loans to businesses involved in the recycling and waste diversion industries, with funding received from the Colorado Department of Local Affairs.
- Under the B&I I Program, the Authority provides loans to for-profit businesses located in rural areas, which loans are supported by the partial guaranty of the Rural Business-Cooperative Services (which guarantees to date have ranged from 55% to 80% of the loan principal amount).

In connection with its *Special Projects financing program*, the Authority has financed business loans to corporations for certain manufacturing and solid waste disposal facility projects. The Authority has also made an uninsured business loan to a for-profit borrower to finance a project at the United States Air Force Academy in Colorado Springs, Colorado.

The business loan programs of the Authority also include the SBA 7a, FSA and RD Programs described below. Under these programs, the Authority purchases the guaranteed portion of a business loan (the "**participation interest**"), and is thereby able to provide the borrower with the safety and predictability of a fixed-rate throughout the term of the loan at an attractive interest rate. Additionally, each of these secondary market programs is a source of profit and liquidity for originating lenders.

The *SBA 7a Guaranty Purchase Program ("SBA 7a Program")* is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed by the SBA. Typically, the Authority markets the SBA 7a Program to local lenders and potential borrowers and purchases the participation interest (which is 100% guaranteed by the SBA). Proceeds of these participation interests may be used to fund real estate, equipment, machinery and working capital.

The *Farm Service Agency Guaranty Purchase Program ("FSA Program")* is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed 100% by the United States Farm Service Agency. The borrowers are involved in the ranching and agricultural industry throughout Colorado. Proceeds of these loans may be used to finance real estate, equipment, and machinery used in farming and ranching operations.

The *Rural Development Guaranty Purchase Program ("RD Program")* creates a secondary market for the purchase of the United States Rural Business Service ("**RBS**") guaranteed portion of qualified loans with funds provided by the Authority. Participating lenders originate loans according to their own credit criteria and RBS requirements. The RD Program provides fixed-rate financing on the guaranteed portion of RBS loans made to borrowers located in a rural community serviced by RBS guaranteed lenders.

Obligations of the Authority

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2010 financial statements of the Authority, included as **Appendix G**.

Single Family Mortgage Programs

In connection with its Single Family Mortgage Programs, the Authority has issued its Single Family Mortgage Bonds (referred to as "**Bonds**" in this Official Statement) under the Master Indenture, payable from the revenues of mortgage loans held thereunder, outstanding as of August 1, 2011 in the aggregate principal amount of \$1,790,955,000. See **Appendix B-1** for further detail about the Bonds. Certain of these Bonds will be refunded with the proceeds of the 2011 Series B Bonds, as described in "Part I – PLAN OF FINANCE – The Refunding," and with proceeds of certain additional Bonds being issued as described in "Part I – PLAN OF FINANCE - Additional Refunding Bonds." In addition, prior to 2000, the Authority issued numerous series of its Single Family Program Bonds as senior and subordinate bonds under separate indentures of trust, payable from the revenues of mortgage loans pledged under such respective indentures, which bonds were outstanding as of August 1, 2011 in the

aggregate principal amount of \$46,132,495. Class III Single Family Mortgage Bonds outstanding under the Master Indenture and subordinate bonds issued as part of the Single Family Program Bonds under separate indentures are also general obligations of the Authority, as described in "General Obligations – Single-Family Bonds – Class III Bonds and Subordinate Bonds" under this caption.

The Authority has also issued its 2009AA Program Bonds under a Master Indenture dated as of December 1, 2009 (the "**NIBP Master Indenture**"), payable from amounts on deposit in the Escrow Fund until released and then payable from the revenues of mortgage loans and mortgage-backed securities held thereunder. In May 2011, the Authority converted certain of its 2009AA Program Bonds and issued its Single Family Program Class I Bonds, Series 2011AA (Mortgage-Backed Securities Program) under the NIBP Master Indenture, the proceeds of which were used to finance mortgage loans through the purchase of Ginnie Mae Certificates. The Single Family Program Bonds were outstanding under the NIBP Master Indenture as of August 1, 2011 in the aggregate principal amount of \$314,410,000.

The Authority's financing activities in connection with the Single Family Mortgage Programs also include the sale of certain single family mortgage loans to Fannie Mae and the issuance and sale of Ginnie Mae Certificates in order to finance first mortgage loans as part of the Non-Qualified Single Family Mortgage Programs. Proceeds of Bonds under the Master Indenture have been used to finance Second Mortgage Loans relating to such first mortgage loans financed by and securing the Ginnie Mae Securities. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Special Program Features – Second Mortgage Loans."

For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see www.chfainfo.com and footnote (6) of the audited 2010 financial statements of the Authority, included as **Appendix G**. The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption.

Commercial Loan Programs

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of August 1, 2011 in an aggregate principal amount of \$95,535,000) and, since 2000, has financed rental and business loans and certain guaranteed participation interests with proceeds of its Multi-Family/Project Bonds, which were outstanding under a master indenture as of August 1, 2011 in an aggregate principal amount of \$809,080,000. Certain of the Multi-Family/Project Bonds are secured by the full faith and credit of the Authority, as described in "General Obligations – Multi-Family/Project Bonds" under this caption.

Bonds secured by a pledge of loan revenues as well as bonds secured by loan revenues and the general obligation of the Authority have also been privately placed to institutional purchasers by the Authority in order to finance rental loans. See "General Obligations – Privately Placed Bonds" under this caption. The Authority has also issued general obligation housing bonds to finance a rental loan secured by a pledge of loan revenues as well as the full faith and credit of the Authority. See "General Obligations – General Obligation Bonds" under this caption. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing. See footnote (6) of the audited 2010 financial statements of the Authority, included as **Appendix G**, for more information regarding these outstanding bonds and notes. The Authority has also acted as a conduit issuer of bonds supported by letters of credit or other credit facilities. These conduit bonds are payable only with amounts received from the conduit borrower, and are therefore not reported as obligations of the Authority on its financial

statements. See footnote (7) of the audited 2010 financial statements of the Authority, included as **Appendix G**.

Business loans and participation interests have also been financed by the Authority with the proceeds of the general obligation bonds described in "General Obligations – General Obligation Bonds" under this caption and privately placed bonds, secured by loan and participation revenues as well as the full faith and credit of the Authority. See "General Obligations – Privately Placed Bonds" under this caption. In connection with its Special Projects financing program, the Authority has acted as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities and solid waste disposal facility projects for corporations. These bonds are payable only with amounts received from the conduit borrower and are therefore not reported as obligations of the Authority on its financial statements.

Except for bonds specifically identified in Appendix B-1 as Bonds under the Master Indenture, the revenue bonds described above and at the Authority's website are secured separately from and are not on parity with the Bonds and are issued and secured under resolutions or indentures of the Authority other than the Master Indenture.

General Obligations

Many of the bonds and notes issued by the Authority to finance its programs are secured by a pledge of specific revenues, with an additional pledge of its full faith and credit, as described under this caption. Other obligations of the Authority entered in connection with its programs or its operations are not secured by specific revenues or assets other than the Authority's full faith and credit. The bonds, notes and other obligations which are general obligations of the Authority are described below.

Multi-Family/Project Bonds. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of August 1, 2011 in an aggregate principal amount of \$268,800,000) in order to finance business loans which are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class II Multi-Family/Project Bonds (outstanding as of August 1, 2011 in the aggregate principal amount of \$22,365,000) and Class III Multi-Family/Project Bonds (outstanding as of August 1, 2011 in an aggregate principal amount of \$2,020,000) in order to finance certain rental and business loans. These Class II and Class III Multi-Family/Project Bonds are payable from loan revenues on a subordinate lien basis to the Class I Multi-Family/Project Bonds and also as general obligations of the Authority.

Single Family Bonds – Class III Bonds and Subordinate Bonds. The Authority has issued Class III Single Family Mortgage Bonds, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, outstanding in the aggregate principal amount of \$58,810,000 as of August 1, 2011, are payable from mortgage loan revenues under the Master Indenture and are also general obligations of the Authority. See **Appendix B-1** for more information about these Class III Bonds. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are payable from mortgage loan revenues on a subordinate lien basis and are also general obligations of the Authority. The aggregate principal amount of such Subordinate Bonds as of August 1, 2011 was \$320,000.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of August 1, 2011, such privately placed bonds were outstanding in an aggregate principal amount of \$23,733,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of August 1, 2011 in the aggregate principal amount of \$21,108,255. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As

of August 1, 2011, such privately placed bonds were outstanding in an aggregate principal amount of \$27,980,001.

Loans Backed by Authority General Obligation. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of, and pledged to the repayment of, its Multi-Family/Project Bonds, outstanding as of August 1, 2011 in the aggregate principal amount of \$325,246,481. The Authority has pledged its full faith and credit to the payment of a substantial portion of such loans. The Authority has also assumed, as a general obligation, 50% risk of loss in the mortgage loans acquired by the Authority and insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of August 1, 2011, such 542(c) mortgage loans were outstanding in the aggregate principal amount of \$235,698,153 (\$33,000,672 held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds and \$202,697,481 held under the Multi-Family/Project Master Indenture and securing the Multi-Family/Project Bonds). In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Commercial Loan Programs – Rental Finance Programs" under this caption. To date, the Authority has incurred risk-sharing losses of approximately \$11.8 million following the defaults on insured mortgage loans for certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, the mortgage loans for the Platte Valley Village II project in the approximate aggregate principal amount of \$1.78 million, for the Fox Run Apartments project in the approximate aggregate principal amount of \$3.45 million and for the Gold Camp Apartments project in the approximate aggregate principal amount of \$1.175 million have also defaulted. The Authority has filed insurance claims and received insurance proceeds from HUD with respect to these loans. It is likely that the Authority will incur a risk-sharing liability with respect to these loans, for which the Authority believes it is adequately reserved.

Interest Rate Contracts; Derivative Products. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Interest Rate Contracts relating to the Bonds under the Master Indenture and under the derivative products relating to the Multi-Family/Project Bonds under the Multi-Family/Project Master Indenture. See **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations." See also "Authority Policy Regarding Swaps" under this caption and footnote (8) to the audited 2010 financial statements of the Authority, included as **Appendix G**.

Other Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for borrowings from time to time. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of August 1, 2011, \$74,400,000 in borrowings were outstanding under those agreements. See footnote (5) to the audited 2010 financial statements of the Authority, included as **Appendix G**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of August 1, 2011 in the aggregate principal amount of \$1,845,195), which have been used to finance project or working capital loans or participations therein for small businesses in rural areas. The Authority has pledged its full faith and credit to the payment of such notes. In addition, the Authority is obligated to repay certain seller carry-back notes (outstanding as of August 1, 2011 in the aggregate principal amount of \$56,033) which evidence borrowings by the Authority in connection with its purchase of certain RAP Projects.

General Obligation Ratings. Moody's has assigned an "A1" rating (with negative credit watch) and S&P has assigned an "A+" rating to the Authority's ability to repay its general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that any such rating will continue for any given period of

time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if, in the judgment of the issuing rating agency, circumstances so warrant.

Summary of Certain Authority Obligations

The following is a table which lists certain obligations of the Authority and sets forth the respective outstanding amount for such obligations as of August 1, 2011. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority" under this caption.

Summary of Certain Authority Obligations as of August 1, 2011

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (August 1, 2011)</u>
Single Family Mortgage Bonds (Master Indenture) (1)(2)	\$1,790,955,000
Single Family Program Senior/Subordinate Bonds (Separate Indentures)	46,132,495
Single Family Program Bonds (NIBP Master Indenture)	314,410,000
Multifamily Housing Insured Mortgage Revenue Bonds (General Resolution)	95,535,000
Multi-Family/Project Bonds (2000 Master Indenture)	809,080,000
Privately Placed Bonds:	
Rental Finance	23,733,000
Business Finance	21,108,255
Single Family	27,980,001

- (1) These are the Bonds issued and outstanding under the Master Indenture. See **Appendix B-1** for more information about the Bonds. Certain of these Bonds will be refunded with the proceeds of the 2011 Series B Bonds, as described in "Part I – PLAN OF FINANCE – The Refunding." The 2011 Series B Bonds being offered by this Official Statement will constitute Bonds under the Master Indenture.
- (2) Concurrently with the delivery of the 2011 Series B Bonds, the Authority expects to issue additional Bonds, the proceeds of which will also be used to refund certain of these outstanding Bonds. See "Part I – PLAN OF FINANCE – Additional Refunding Bonds."

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The following table identifies the specific components of the Authority Obligations listed on the preceding table which are general obligations of the Authority as well as other general obligations of the Authority as of August 1, 2011. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

General Obligations of the Authority as of August 1, 2011

<u>General Obligations</u>	<u>Outstanding Amount (August 1, 2011)</u>
Single Family Mortgage Bonds, Class III	\$ 58,810,000
Single Family Program Subordinate Bonds	320,000
Multi-Family/Project Bonds:	
Class I	268,800,000
Class II	22,365,000
Class III	2,020,000
Privately Placed Bonds:	
Rental Finance	23,733,000
Business Finance	21,108,255
Single Family	27,980,001
Other Borrowings:	
Lines of Credit	74,400,000
Rural Business Cooperative Service Notes	1,845,195
Seller Carry Back RAP Notes	56,033

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SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS

Pledge of Trust Estate

All Bonds and obligations of the Authority for the payment of money under the Interest Rate Contracts and Liquidity Facilities (the "**Auxiliary Obligations**") outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) are secured by and payable from revenues, assets and moneys pledged for the payment thereof under the Master Indenture (the "**Trust Estate**"). The pledge and lien of the Master Indenture on the Trust Estate is created and established in the following order of priority: first, to secure the payment of the principal of and interest on the Class I Obligations; second, to secure the payment of the principal of and interest on the Class II Obligations; third, to secure the payment of the principal and interest on the Class III Obligations; and fourth, to secure the payment of principal of and interest on the Class IV Obligations. Bonds and Auxiliary Obligations may also be designated as General Obligations of the Authority.

No Bonds or Auxiliary Obligations are presently outstanding under the Master Indenture other than as listed on **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." The Authority's obligation to pay principal of Bank Bonds at maturity or in accordance with a scheduled amortization date as set forth in any Liquidity Facility is a Class I Obligation. However, while payments due on Bank Bonds (to the extent of any principal of Bank Bonds which is payable in advance of the maturity or scheduled amortization date as set forth in any Liquidity Facility) will in some cases constitute Class III Bonds and be designated as General Obligations of the Authority, such accelerated payments on Bank Bonds in other cases will be on parity with the lien of the related Series of Bonds which have been purchased. The Authority's obligation to make regular interest payments under any Interest Rate Contract has been (and is expected in the future to be) a Class I Obligation, and the Authority's obligation to make certain payments due upon early termination of any such Interest Rate Contract has been (and is expected in the future to be) a General Obligation of the Authority and not secured by the Trust Estate under the Master Indenture. The Authority expects to issue Additional Bonds under the Master Indenture, as described in "Issuance of Additional Bonds; Refunding Bonds; Auxiliary Obligations" under this caption and "Part I – PLAN OF FINANCE – Additional Refunding Bonds." *Notes and bonds heretofore or hereafter issued to provide funds for programs of the Authority (other than the Bonds under the Master Indenture) are and will be authorized and secured by separate resolutions or indentures and are not and will not be secured by the pledge of the Master Indenture and do not and will not rank on a parity with the Bonds. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority."*

Under the Master Indenture, the Trust Estate pledged to secure the Bonds and Auxiliary Obligations includes:

- (i) all right, title and interest of the Authority in and to the proceeds of Bonds until used as set forth in the Master Indenture;
- (ii) all right, title and interest of the Authority in and to the Revenues (as described in "Revenues" under this caption);
- (iii) all right, title and interest of the Authority in and to all moneys and securities in the Funds and Accounts from time to time held by the Trustee under the terms of the Master Indenture (except moneys and securities in the Rebate Fund, the Excess Earnings Fund and a

Bond Purchase Fund) and investments, if any, thereof (other than the Rebate Requirement which is to be deposited in the Rebate Fund and any Excess Earnings which are to be deposited in the Excess Earnings Fund);

(iv) all right, title and interest of the Authority in the Mortgage Loans described in "The Mortgage Loans" under this caption; and

(v) all other property of any kind from time to time pledged under the Master Indenture as additional security.

In no event shall the Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof, other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority.

Revenues

Under the Master Indenture, the term "Revenues" means:

(a) all Mortgage Repayments, which include the amounts received by the Authority as scheduled payments of the principal of or interest on any Mortgage Loan by or on behalf of the Borrower to or for the account of the Authority, but does not include Prepayments, Servicing Fees or Escrow Payments;

(b) any penalty payments received on account of overdue Mortgage Repayments, except insofar as such payments may constitute Servicing Fees;

(c) Prepayments, which include moneys received or recovered by or for the account of the Authority from any unscheduled payment of or with respect to principal on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the Borrower, or (ii) as a consequence of the damage, destruction or condemnation of all or any part of the mortgaged premises, or (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority, or (iv) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceedings taken by the Authority;

(d) all amounts earned on investments (other than Mortgage Loans) credited to any Fund or Account pursuant to the Indenture (including gains upon the sale or disposition of such investments), except the Rebate Requirement payable to the United States and any Excess Earnings;

(e) all payments and receipts received by the Authority under Interest Rate Contracts; and

(f) all other payments and receipts received by the Authority with respect to Mortgage Loans (other than amounts held in any Payment Account, Escrow Payments, Servicing Fees which have not been specifically pledged to the Trustee, any commitment, reservation, extension or application fees charged by the Authority in connection with a Mortgage Loan or

Mortgage Purchase Agreement, any commitment, reservation, extension or applicable fees charged by a Mortgage Lender in connection with a Mortgage Loan, or accrued interest received in connection with the purchase of Investment Securities).

For a further description of the Revenues, the pledge thereof and the payment and transfer thereof from the Revenue Fund, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund" in **Appendix A** hereto.

Pursuant to the Master Indenture, all Revenues related to each Series of Bonds, in addition to other amounts, are to be deposited into the subaccount of the Revenue Fund related to such Series of Bonds. On the last business day prior to each Payment Date or on the other dates specifically provided in the Indenture, the Trustee is required to make certain transfers of amounts from each Series subaccount of the Revenue Fund, to the extent moneys are available, to various Funds and Accounts in a certain priority, as provided in the Master Indenture. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." Among these transfers, the Trustee is to deposit into: (i) the related Series Subaccount of the related Class Special Redemption Account, Loan Recycling Account (at the election of the Authority), or any combination of the two, the amount needed, if any, to ensure that the Class Asset Requirements for the related Series of Bonds will be met on such Payment Date; and (ii) each Series subaccount of the Related Class Special Redemption Account not related to such Series of Bonds, on a proportionate basis with all such unrelated subaccounts, the amount of any deficiency resulting from the lack of moneys sufficient to make the deposit described in (i). The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. **For information on the Class Asset Requirements, see Appendix F – "CLASS ASSET REQUIREMENTS FOR BONDS."**

The Mortgage Loans

Generally

The Trust Estate pledged under the Master Indenture to secure Bonds and Auxiliary Obligations issued thereunder includes the right, title and interest of the Authority in the Mortgage Loans. Under the Master Indenture, "**Mortgage Loan**" means a permanent loan secured by a Mortgage for the purchase or rehabilitation of Residential Housing made to a Borrower by the Authority or an originating Mortgage Lender which is purchased pursuant to a Mortgage Purchase Agreement and which satisfies certain requirements of the Master Indenture. See "Mortgage Loan Requirements" under this caption.

Mortgage Loan Requirements

The Mortgage Loans must be permanent loans secured by a mortgage, deed of trust or other instrument constituting a valid lien on real property in the State and improvements constructed or to be constructed thereon or on a leasehold under a lease having a remaining term, at the time such instrument is acquired by the Authority, of not less than the term for repayment of the Mortgage Loan secured by such instrument. The Mortgage Loans may be secured by a first mortgage on the real property (a "**First Mortgage Loan**") or may be originated on behalf of the Authority by the Mortgage Lender and secured by a second mortgage loan on the real property (a "**Second Mortgage Loan**"). A Second Mortgage Loan will only be originated in connection with a First Mortgage Loan. Each Mortgage Loan must be made in connection with the purchase or refinance of a single-family, owner-occupied dwelling located within the State that qualifies for financing or refinancing by the Authority within the meaning of the Act, the Rules and Regulations of the Program, the relevant provisions of the Tax Code and related regulations (referred herein as "**Residential Housing**"). A Second Mortgage Loan may be originated for the purpose of assisting Eligible Borrowers with their upfront cash requirements in connection with the purchase of

Residential Housing or for closing cost assistance in connection with the financing or refinancing of a mortgage loan. See "Part II – THE SINGLE-FAMILY MORTGAGE PROGRAM – Reservation, Delivery and Acquisition of Mortgage Loans." A First Mortgage Loan must be the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of such Mortgage Loan and must be made to a Borrower by the Authority or made by an originating Mortgage Lender and purchased by the Authority pursuant to a Mortgage Purchase Agreement. For this purpose, a *Borrower* means the maker of, and any other party obligated on, a Mortgage Loan in connection with the acquisition or rehabilitation of Residential Housing, who is a person or family of "low or moderate income" qualifying as such under the Act and the Rules and Regulations of the Program and, as applicable, in accordance with the Tax Code. The Mortgage Lenders may include certain banks, trust companies, FHA-approved direct endorsement mortgagees, VA-approved automatic lenders, Fannie Mae-approved and/or Freddie-Mac-approved sellers, RHS-approved mortgagees, national banking associations, credit unions, and savings and loan associations which make mortgage loans on properties located in the State and mortgage bankers approved by a private mortgage company insuring a Mortgage Loan.

First Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. See **Appendix D** – "INSURANCE LIMITATIONS AND REQUIREMENTS; INVESTMENTS." The Master Indenture further requires that the buildings on the premises with respect to which each First Mortgage Loan is made are to be insured, as and to the extent required by the Authority to protect its interest and with the Authority designated as the loss payee as its interest may appear, against loss or damage by fire, lightning and other hazards (including flooding in some cases). Each Mortgage Loan must be serviced by a participating lender until it is purchased by the Authority, at which time the servicing is transferred to the Authority. If the Authority purchases a Mortgage Loan before the first payment on such loan is due, then the Authority will be the initial servicer rather than the participating lender. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Servicing of the Mortgage Loans." In the Master Indenture, the Authority has covenanted to take certain action to protect the interests of the owners of the Bonds in the Mortgage Loans. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Covenants; Enforcement of Mortgage Loans and Servicing Agreements." In one such covenant, the Authority has agreed to diligently enforce and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans consistent with sound lending practices and principles and applicable requirements under the Tax Code including the prompt payment of all Mortgage Repayments and all other amounts due the Authority thereunder.

Mortgage Loans

The Mortgage Loans securing the Bonds and Auxiliary Obligations under the Master Indenture will include Mortgage Loans originated by the Authority, or by Mortgage Lenders and thereafter purchased by the Authority, using amounts on deposit in the Acquisition Account and transferred to the Trustee. Upon transfer of any Mortgage Loans by the Authority to the Trustee, the Trustee is to reimburse the Authority for its costs of purchasing such Mortgage Loans using amounts on deposit in the Acquisition Account. The Mortgage Loans must satisfy the requirements described in "Mortgage Loan Requirements" under this caption. See "Part I – PLAN OF FINANCE – Treatment of Mortgage Loans," **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO" and **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Acquisition Account." The Mortgage Loans securing the Bonds and Auxiliary Obligations under the Master Indenture will include any Mortgage Loans acquired using proceeds (or amounts exchanged therefor) of additional Bonds which may be issued by the Authority under the Master Indenture as described in "Issuance of Additional Bonds; Auxiliary Obligations" under this caption. Any Additional Mortgage Loans so acquired must meet the requirements required by the Series Indenture relating to such additional Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for each Series of Bonds is established by the Related Series Indenture. See "Part I – PLAN OF FINANCE – Debt Service Reserve Fund Requirement for 2011 Series B Bonds." Upon the issuance of any Series of Bonds, the Debt Service Reserve Fund Requirement for such Bonds is expected to be satisfied by a deposit of proceeds to or allocation of amounts in the Debt Service Reserve Fund, or by the deposit of a Qualified Surety Bond as permitted by the Indenture. Additional moneys are to be transferred into the various subaccounts of the Debt Service Reserve Fund from the Revenue Fund as provided in the Master Indenture in the amounts needed, if any, to increase the amount in any subaccount of the Debt Service Reserve Fund, together with any Qualified Surety Bond therein, to the Debt Service Reserve Fund Requirement for the Bonds. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund."**

Amounts in the Debt Service Reserve Fund are to be transferred to the Debt Service Fund and applied by the Trustee to the payment of principal and interest on the Bonds issued under the Master Indenture, in order of Class, in the event that amounts on deposit in the Debt Service Fund for the Related Class are insufficient to make such payments on any Bond Payment Date. **When making such payments, the Trustee is to transfer amounts first from the Series subaccount of the Debt Service Reserve Fund related to the Bonds for which the payment will be made and, second, from any unrelated Series subaccounts.** See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE –Debt Service Reserve Fund."**

Liquidity Facilities

Pursuant to the respective Series Indentures, the Authority has entered, and expects in the future to enter, into Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. See **Appendix B-1 – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Liquidity Facilities"** for a description of the outstanding Liquidity Facilities under the Master Indenture. **There will be no Liquidity Facility entered in connection with the 2011 Series B Bonds.** The Authority may elect to replace any Liquidity Facility with an Alternate Liquidity Facility. The Authority is to promptly notify the Trustee, the Remarketing Agent and the Paying Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to the date of such delivery. Upon receipt of such notice, the Trustee is to promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail to the Remarketing Agent and to each Owner of the Adjustable Rate Bonds at such Owner's registered address and to EMMA. The Authority is to deliver such Alternate Liquidity Facility to the Trustee on or before the day preceding the date of expiration of the then expiring Liquidity Facility or on the date of its intent to deliver.

The Authority is to use its best efforts to obtain an Alternate Liquidity Facility to replace the Liquidity Facility or cause the Adjustable Rate Bonds to be Converted to Fixed Rate Bonds or to bear interest in a Mode which does not require a Liquidity Facility in the event (i) the Liquidity Facility Provider shall decide not to extend the term of the Liquidity Facility beyond the expiration date thereof pursuant to the terms of the Liquidity Facility, (ii) the Authority terminates the Liquidity Facility pursuant to its terms, (iii) the Liquidity Facility Provider furnishes a termination notice to the Trustee, or (iv) the Liquidity Facility Provider fails to purchase Bonds as permitted by the Liquidity Facility.

No Alternate Liquidity Facility may be delivered to the Trustee for any purpose under the respective Series Indenture unless accompanied by certain documents, including letters from Moody's and S&P evidencing that the replacement of the Liquidity Facility with the Alternate Liquidity Facility will result in the reconfirmation of the then existing rating or the assignment of a new short-term rating of not

less than "A-1+" or "P-1/VMIG-1" (in the case of S&P and Moody's, respectively) on the related Adjustable Rate Bonds.

Unless the Trustee has received (a) written notice from the Liquidity Facility Provider that it elects to extend or renew the Liquidity Facility or (b) written notice from the Authority that it has determined to provide or cause to be provided an Alternate Liquidity Facility, which notice shall be received not less than 30 days prior to the stated expiration date of the Liquidity Facility, the Trustee is to give notice to the Owners of Adjustable Rate Bonds and to EMMA that the Adjustable Rate Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 20 days from the date of such notice to such Bondowners, at the Purchase Price (payable by the Liquidity Facility Provider) on the date set forth for purchase in such notice.

Interest Rate Contracts

In connection with the issuance of certain Adjustable Rate Bonds under the Master Indenture, the Authority has entered, and expects in the future to enter, into interest rate swap agreements which qualify as "**Interest Rate Contracts**" under the Master Indenture, with a counterparty for the purpose of converting the floating rate interest payments the Authority is obligated to make with respect to the Adjustable Rate Bonds into substantially fixed rate payments. See **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." See also "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Authority Policy Regarding Derivatives." **There will be no Interest Rate Contract entered in connection with the 2011 Series B Bonds.** Any payments or receipts received by the Authority under the Interest Rate Contracts will be pledged as Revenues, as described in "Revenues" under this caption. The Authority's obligation to make regular interest payments to the Counterparty under each of the Interest Rate Contracts has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Interest Rate Contracts in the event of early termination and in the future is expected to be a general obligation of the Authority and not an Auxiliary Obligation under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Interest Rate Contracts" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations."

Issuance of Additional Bonds; Auxiliary Obligations

No Bonds or Auxiliary Obligations are outstanding under the Master Indenture other than as described on **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." However, the Master Indenture permits the Authority to issue additional Bonds and to incur additional Auxiliary Obligations thereunder from time to time, without limitation as to amount, secured on an equal lien with the outstanding Bonds and Auxiliary Obligations of the respective class, upon delivery of a Cash Flow Statement and satisfaction of certain other conditions contained therein. The Authority may not issue additional Bonds if such issuance would result in a lowering, suspension or withdrawal of the ratings then applicable to any Bonds issued under the Master Indenture. The Authority may also enter into any Interest Rate Contract or Liquidity Facility it deems necessary or desirable with respect to any or all of the Bonds issued under the Master Indenture, subject to the requirements of the Master Indenture. The Authority expects to issue additional Bonds and to incur additional Auxiliary Obligations in the future under the Master Indenture. See "Part I – PLAN OF FINANCE – Additional Refunding Bonds" for a description of additional Bonds which the Authority expects to issue concurrently with the delivery of the 2011 Series B Bonds.

CERTAIN BONDOWNERS' RISKS

Limited Security

The Bonds are special limited obligations of the Authority payable by Class priority and solely from the Trust Estate (except in the case of Bonds which have been specifically designated as general obligations of the Authority). See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Pledge of Trust Estate." There is no assurance that the Mortgage Loans in or expected to be in the Trust Estate will perform in accordance with the assumptions made and that Revenues will be sufficient to pay debt service on the Bonds and Auxiliary Obligations under the Master Indenture when due. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." Additional Bonds and Auxiliary Obligations may be issued by the Authority under the Master Indenture on a parity with each Class of Bonds outstanding, upon satisfaction of certain conditions set forth in the Master Indenture.

Special Considerations Relative to Loan Acquisition

There are numerous reasons why the entire amount on deposit in any subaccount of the Acquisition Account for a particular Series of Bonds may not be used to acquire, or to reimburse the Authority for its costs of acquiring, Mortgage Loans in accordance with the Indenture. One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. The Authority has determined that there is at the present time a shortage of funds in the State to make such loans on terms competitive with those terms specified for the Mortgage Loans. This condition could change during the origination period for the Mortgage Loans. For example, prevailing interest rates for conventional mortgages in the State could decrease and make the Mortgage Loans less attractive to potential Applicants. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Single Family Mortgage Programs." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts." **In the event that sufficient Mortgage Loans have not been originated and acquired so that the costs of such Mortgage Loans do not equal the amounts in a particular subaccount of the Acquisition Account, such amounts in the Acquisition Account which cannot be used to acquire, or to reimburse the Authority for its costs of acquiring, Mortgage Loans as certified by the Authority are required to be used to redeem Bonds in the Related Series.**

Proceeds of the 2011 Series B Bonds are being used to refund the Refunded Bonds and, upon the Refunding, interests in Mortgage Loans which have previously been acquired into the Trust Estate will be treated as the 2011 Series B Mortgage Loans. **See "Part I – PLAN OF FINANCE – Treatment of Mortgage Loans." No proceeds of the 2011 Series B Bonds will be used to acquire new Mortgage Loans.**

Risks Related to the Liquidity Providers and the Liquidity Facilities

Creditworthiness of the Liquidity Providers

The short-term credit ratings of the Adjustable Rate Bonds under the Master Indenture are based on the issuance of the respective Liquidity Facilities relating to such Adjustable Rate Bonds. Such ratings are based solely on the general credit of the respective Liquidity Provider. Any downgrade in the ratings of the related Liquidity Provider may impact the interest rate of the related Adjustable Rate Bonds.

Each Liquidity Facility provides the Trustee with the liquidity support necessary to purchase the applicable Adjustable Rate Bonds deemed tendered for purchase as described in the related Series Indenture. If remarketing proceeds are not sufficient to provide funds sufficient to pay the purchase price of tendered Adjustable Rate Bonds, the Trustee is required to draw funds under the applicable Liquidity Facility. The ability of the respective Liquidity Provider to honor such drawings may be adversely affected by its financial condition at the time of such draws. No assurance is given as to the current or future financial condition of any Liquidity Provider or the financial condition of any entity with which any Liquidity Provider may merge or by which it may be acquired. For more information about the Liquidity Providers and Outstanding Liquidity Facilities, see **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Liquidity Facilities." If a Liquidity Provider becomes insolvent or otherwise becomes a debtor in bankruptcy, timely payment of the purchase price of related Adjustable Rate Bonds subject to tender for purchase might depend entirely on the sufficiency of the Trust Estate to pay such amounts.

Inability to Obtain Substitute Liquidity Facility

Each Liquidity Facility expires on a particular date which is much earlier than the maturity dates of the related Adjustable Rate Bonds. See **Appendix B-1**. No assurances can be given that the Authority will be able to extend any of the Liquidity Facilities or obtain a Substitute Liquidity Facility with respect to any series of Adjustable Rate Bonds upon the terms required by the respective Series Indenture until and including the final maturity dates of such Adjustable Rate Bonds or until the interest rate on such Adjustable Rate Bonds is converted to a Fixed Rate. Failure to extend a Liquidity Facility or obtain a Substitute Liquidity Facility will result in a mandatory purchase of the related Adjustable Rate Bonds prior to maturity at a price of par, and such purchased Adjustable Rate Bonds will become Bank Bonds. See "Increased Costs Associated with Bank Bonds" under this caption. The mandatory purchase of such Adjustable Rate Bonds on such a mandatory bond purchase date may not be waived.

Increased Costs Associated with Bank Bonds

Pursuant to the Liquidity Facilities, certain unpaid fees will bear interest at the "Default Rate" and Bank Bonds will bear interest at a rate as set forth in the related Liquidity Facilities. Those interest rates could be substantially higher than the variable rate that otherwise would apply to the calculation of interest on the Adjustable Rate Bonds; any increases in those interest rates will increase the amount of interest payable by the Trust Estate under the Master Indenture and may affect its sufficiency to pay the Bonds. Payment of such interest on Bank Bonds will be on parity with the lien of the related Adjustable Rate Bonds which have been purchased. Furthermore, the Liquidity Facilities provide for accelerated amortization of principal of the respective Bank Bonds payable by the Trust Estate under the Master Indenture. See **Appendix B-1** for specific information about the "term-out" provisions of and default rates under the outstanding Liquidity Facilities. While the principal payments due on the Bank Bonds following any such acceleration by the Liquidity Facility Provider will in some cases be Class III Obligations and constitute general obligations of the Authority, such accelerated principal payments in other cases will be on parity with the lien of the related Series of Bonds which have been purchased.

Tax Exempt Status of Tax-Exempt Bonds

The opinion to be delivered by Bond Counsel concurrently with delivery of any tax-exempt Bonds will assume compliance by the Authority with certain requirements of the Tax Code that must be met subsequent to the issuance of such Bonds. The Authority will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the tax-exempt Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of such Bonds. Furthermore, the opinion of Bond Counsel is rendered

as of the date of delivery of the particular Series of Bonds and speaks only to laws in effect as of such date. Amendments to federal and state tax laws are proposed from time to time and could be enacted in the future. There can be no assurance that any such future amendments will not adversely affect the value of such Series of Bonds, the exclusion of interest on the tax-exempt Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the particular Series of Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

Interest Rate Contracts

Each of the Interest Rate Contracts exposes the Authority to certain risks including, but not limited to, the risk that payments received by the Authority from the applicable Counterparty could be substantially less than the floating rate interest payments due on the related Series of Adjustable Rate Bonds. Pursuant to each of the Interest Rate Contracts, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which will be based on a LIBOR or SIFMA Index. To the extent Counterparty payments are based on a LIBOR or SIFMA Index, the amount of actual interest payments due on the respective Adjustable Rate Bonds may differ from the amount of such interest payments to be made by the Counterparty and the Trust Estate may not be sufficient to pay interest as due.

The payment obligations of the Authority under the Interest Rate Contracts do not remove the obligations of the Authority to pay interest on the related Series of Bonds from the Trust Estate. A negative change to the financial position of any of the Counterparties (including bankruptcy or insolvency) at any time may negatively impact payments to the Authority pursuant to the applicable Interest Rate Contract to an extent that cannot be determined. In addition, each Interest Rate Contract is subject to termination upon the occurrence of certain events, and no assurance can be given that the Interest Rate Contracts, or any of them, will continue to be in effect. None of the Interest Rate Contracts provide a source of credit or security for the Bonds. The Owners of the Bonds do not have any rights under any Interest Rate Contract or against any Counterparty. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Interest Rate Contracts." See also **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Outstanding Interest Rate Contracts." See footnote (8) to the audited 2010 financial statements of the Authority, included as **Appendix G**, for a description of certain further risks associated with the Interest Rate Contracts.

Delays after Defaults on Mortgage Loans

The Authority anticipates that there will be some delinquent Mortgage Loan payments and foreclosed Mortgage Loans. In the event that a Borrower defaults in the payment of a Mortgage Loan and the Authority institutes foreclosure proceedings, there may be certain required time delays which, should they occur with respect to a sufficient number of Mortgage Loans, could disrupt the flow of Revenues available for the payment of principal of and interest on the Bonds. These time delays derive from the procedures applicable to the collection of mortgage insurance or guarantees as well as those required under Colorado law for the enforcement of rights of beneficiaries under deeds of trusts. Those procedures and their effect on the Authority's ability to collect on defaulted Mortgage Loans are described in **Appendix I** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE." Any Second Mortgage Loans made to Borrowers in connection with the First Mortgage Loans will decrease the Borrower's equity in the property and, as a result, it is possible that the First Mortgage Loans with Second Mortgage Loans may in the aggregate perform with higher default rates than First Mortgage Loans originated without a Second Mortgage Loan. Bondholders should consider the possibility that such higher default rates could result in insufficient Revenues available to pay debt service on the Bonds when

due. Information about historical default rates on portfolios of mortgage loans which secure outstanding bonds of the Authority has been provided by the Authority in its past filings with the nationally recognized municipal securities information repositories. In addition, physical damage to the residences securing the Mortgage Loans may exceed the limits of, or be caused by a peril not insured under, the standard hazard insurance policies insuring such residences, thereby diminishing the value of the Mortgage Loans securing the Bonds.

Other Risks

The remedies available to the owners of the Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and the various Program documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

THE SINGLE FAMILY MORTGAGE PROGRAM

The Trust Estate which secures Bonds under the Master Indenture (including the 2011 Series B Bonds) will include Mortgage Loans, as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS." The following sections describe requirements for the Mortgage Loans which are based on requirements in the Act or derive from general policies and limits established by the Authority for qualification of Mortgage Lenders, Servicers, Borrowers and Eligible Properties as well as basic requirements for Mortgage Loans (with noted exceptions). As indicated, certain requirements described below relate only to Mortgage Loans made as a part of the Authority's Qualified Single Family Mortgage Program. A number of the procedures described below may not apply to the Zero Interest First Mortgage Loans. *It is expected that there will be variations in particular cases and that the policies and procedures of the Authority will be modified from time to time consistent with the Act, the Indenture and any procedures applicable to the Mortgage Loans.*

Communication of Program Information

The Authority communicates information on its website (www.chfainfo.com) and through subscription Internet services regarding the changes to policies and procedures for First Mortgage Loans under the Program. Interest rates announced to participating Mortgage Lenders on the Authority website may change daily. The Authority also makes available on the website a guide to Mortgage Lenders setting forth requirements for the Program and information relating to the reservation procedures as more fully described in "Seller's Guide" under this caption (the "**Seller's Guide**"). Participating Mortgage Lenders are expected to obtain this information from the website, which is currently being hosted by AllRegs to improve its useability. The Seller's Guide describes each Program parameters, mortgage purchase prices, discounts, income limits and other parameters and information necessary for Mortgage Lenders to determine the eligibility of Applicants, residences and Mortgage Loans under the Program. The Seller's Guide is incorporated by reference into the Mortgage Purchase Agreement entered into between the Authority and each respective participating Mortgage Lender for eligible Mortgage Loans. See "Mortgage Purchase Agreements" under this caption.

Reservation, Delivery and Acquisition of Mortgage Loans

The Seller's Guide references and incorporates a description of reservation procedures by which a Mortgage Lender may reserve Mortgage Loan funds. Reservations may be made on a continuous basis without regard to the availability of proceeds from a specific Series of Bonds. The reservation procedures require a Mortgage Lender to have taken a loan application from an Applicant who has entered into a purchase contract with the seller of a residence or to have taken an application from an Applicant who intends to refinance their existing mortgage loan as part of the Hardship Refinance Program. The Mortgage Lender must use the Internet Reservation System to reserve funds. Prior to closing the Mortgage Loan, the Mortgage Lender may deliver to the Authority further documentation in order for the Authority to review the eligibility of the Applicant and the residence. The Mortgage Lender must then close the Mortgage Loan and deliver to the Authority the complete Mortgage Loan closing documents within specified timeframes.

In connection with any First Mortgage Loan (with the exception of Zero Interest Loans and loans under the Hardship Refinance Program) originated by a Mortgage Lender in the Single Family Mortgage Programs, a Borrower may request and obtain a Second Mortgage Loan, the proceeds of which may be used to fund upfront cash requirements of the applicable First Mortgage Loan, including payment of the origination fee, closing costs, initial required escrow deposits and/or all or a portion of a downpayment. Proceeds of a Second Mortgage Loan may also be used by a Borrower for a temporary "buy down" of the interest rate. See "Special Program Features – Second Mortgage Loans" under this caption. First Mortgage Loans will be offered with and without a Second Mortgage Loan at varying interest rates. In addition, the Authority may require a Borrower to make a cash contribution using funds other than the proceeds of a Second Mortgage Loan. The cash contribution must be from the Borrower's own funds. The Authority or the Trustee will acquire First Mortgage Loans from the Mortgage Lenders with available funds of the Authority at a price sufficient, in some cases, to pay additional lender fees. The Authority or the Trustee will also use available funds to reimburse Mortgage Lenders for any related Second Mortgage Loans originated by such Mortgage Lenders on behalf of the Authority in connection with such First Mortgage Loans.

In order to satisfy the requirements of the Tax Code in connection with certain tax-exempt Bonds, the Authority is required by the Indenture to reserve an amount in the Acquisition Account for the acquisition of First Mortgage Loans on "targeted area residences" within the meaning of Section 143 of the Tax Code ("**Targeted Area Residences**"). Such amount must be reserved until all of such amount is used to acquire First Mortgage Loans on such Targeted Area Residences or a date at least one year after the date on which the proceeds of the Series of Bonds or amounts exchanged therefor are first made available for the acquisition of such First Mortgage Loans.

Eligibility Requirements

Residency Requirements

In the case of Mortgage Loans made in the Qualified Single Family Mortgage Program, Mortgage Loans must be made only to Applicants who have not had a present ownership interest in a principal residence during the three-year period prior to the date of execution of each respective Mortgage which secures each such Mortgage Loan. Mortgage Loans in the Non-Qualified Single Family Mortgage Program to Eligible Veterans or in Targeted Areas will not be subject to this requirement. Each Applicant must also intend to occupy the Eligible Property as his or her principal place of residence.

Purchase Price Limitations

In the case of Mortgage Loans made in the Qualified Single Family Mortgage Program, the Purchase Price of an Eligible Property financed in connection with such a Mortgage Loan may not exceed certain Purchase Price limits as established by the Authority. The Authority has established Purchase Price limits for Eligible Properties, with no differentiation between new and existing residences, based on the county in which such Eligible Property is located. These limits range from \$243,900 to \$417,000. Certain of these Purchase Price limits are somewhat lower than those permitted by the Tax Code in order to better serve persons and families of lower income. Purchase Price limits determined by the Authority may be amended by the Authority from time to time without notice to Bondowners. Furthermore, a Mortgage Loan may be made in an amount up to \$15,000 for an existing Residence to finance certain capital improvements to the Eligible Property for energy efficiency purposes. In addition to the proceeds of a First Mortgage Loan, an Eligible Property may be financed with amounts received and secured by a second mortgage encumbering the property. For other Mortgage Loans and in certain jurisdictions, the Authority has established or may establish higher Purchase Price limits, not in excess of 90% (110% in the case of Targeted Area Residences) of the Average Area Purchase Price, as defined below, of previously occupied or new single family residences, as the case may be, for the statistical area in which the Eligible Property is located.

The term "Purchase Price" means that cost of acquiring an Eligible Property from the seller as a completed residential unit, including: (i) all amounts paid, either in cash or in kind, by the Eligible Borrower (or a related party or for the benefit of the Eligible Borrower) to the seller (or a related person or for the benefit of the seller) as consideration for the Eligible Property, (ii) the purchase price of the land and (iii) if the Eligible Property is incomplete, the reasonable cost of completing it (to the extent that the builder thereof normally completes work on similar residences which he builds, and so that occupancy thereof is legally permitted); but exclusive of (A) usual and reasonable settlement or financing costs (but only to the extent that such amounts do not exceed the usual and reasonable costs which would be paid by the Applicant where financing is not provided through the proceeds of qualified mortgage bonds the interest on which is excludable from the gross income of the recipient for federal income tax purposes), (B) the value of services performed by the Eligible Borrower or members of his or her family in completing the Eligible Property, (C) the value of an income-producing component of the Eligible Property, (D) the value of all items of personal property included in the Eligible Property and (E) the cost of land if owned by the Eligible Borrower for at least two years prior to the commencement of construction.

The term "Average Area Purchase Price" means the average area purchase price under the safe harbor limitations calculated as provided in Revenue Procedure 2011-23. This Revenue Procedure announces that the Treasury Department and the Internal Revenue Service have determined that FHA loan limits provide a reasonable basis for determining average area purchase price safe harbor limitations. Because FHA loan limits do not differentiate between new and existing residences, the Revenue Procedure contains a single average area purchase price safe harbor for both new and existing residences in a statistical area. If the Treasury Department and the Internal Revenue Service become aware of other sources of average purchase price data, including data that differentiate between new and existing residences, consideration will be given as to whether such data provide a more accurate method for calculating average area purchase price safe harbors. If no purchase price safe harbor is available for a statistical area, the safe harbor for "All Other Areas" may be used for that statistical area.

If the FHA revises the FHA loan limit for any statistical area after December 1, 2010, an issuer of qualified mortgage bonds or mortgage credit certificates may use the revised FHA loan limit for the statistical area to compute a revised average area purchase price safe harbor for that statistical area, provided that the issuer maintains records evidencing the revised FHA loan limit. In accordance with the

Tax Code, the average area purchase price may be determined by the Authority, in lieu of the safe harbor limitations described above, if the Authority uses more accurate and comprehensive data.

On December 1, 2010, FHA issued Mortgagee Letter 2010-40 which provided notice of the 2011 comprehensive update to the FHA single-family loan limits, under the authority of Continuing Resolution 2011 ("**CR**") as part of the Department of Interior Environmental and Related Agencies Appropriations Act, Public Law 111-242. The loan limits described in ML-2010-40 were effective for loans with credit approval issued by the mortgagee between January 1, 2011 and September 30, 2011. The CR mandates that the FHA loan-limit floor for the first nine months of 2011 remain at 65% of the national conforming limit, which remains at \$417,000, set by the Economic Stimulus Act of 2008 ("**ESA**") and section 203(b), as amended by the Housing and Economic Recovery Act of 2008 ("**HERA**"). The CR further provides that the FHA loan-limit ceiling for 2011 is set at 175% (subject to certain exceptions) of the conforming loan limit of \$417,000 based on the ceiling set under ESA. The limits set under ESA and HERA are based on the national conforming loan limits (used by Fannie Mae and Freddie Mac for one-unit homes in the continental United States). HERA stipulated that the national conforming loan limits be established using a house price index chosen by the Federal Housing Finance Agent ("**FHFA**"). On November 19, 2010, the FHFA announced that the national conforming loan limit for the first nine months of 2011 would remain unchanged from the 2010 loan limits.

On August 19, 2011, the FHA issued Mortgagee Letter 2011-29 which provided notice of the maximum loan limits effective October 1, 2011 through December 31, 2011 for FHA insured to FHA-insured refinance transactions and also set forth eligibility criteria and instructions for pipeline loans which had not closed on or before September 30, 2011.

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The most recently published safe harbor limitations for Average Area Purchase Prices for Single Family Residences in the State were as follows:

<u>Area</u>	<u>Average Purchase Price Safe Harbor</u>
Summit County	\$738,987
Pitkin County	738,987
Lake County	738,987
Eagle County	738,987
Routt County	683,544
San Miguel County	659,494
Hinsdale County	564,557
Ouray County	488,608
Boulder County	465,823
La Plata County	449,367
Gunnison County	439,241
San Juan County	430,380
Garfield County	430,380
Weld County	422,785
Park County	411,392
Jefferson County	411,392
Gilpin County	411,392
Elbert County	411,392
Douglas County	411,392
Denver County	411,392
Clear Creek County	411,392
Broomfield County	411,392
Arapahoe County	411,392
Adams County	411,392
Mesa County	375,949
Grand County	360,759
Teller County	329,114
El Paso County	329,114
Archuleta County	321,519
Larimer County	316,456
Mineral County	303,797
Chaffee County	283,544

Source: Internal Revenue Service Corrected Revenue Procedure 2011-23, IRB 2011-15, dated April 11, 2011.

Condominium Projects

Under the Qualified Single Family Mortgage Program, Mortgage Loans on a limited number of condominium units which qualify for FHA insurance, VA or Rural Housing Service guarantees or PMI may be purchased. The aggregate principal amount of Mortgage Loans encumbering condominium units may not exceed 20% of the aggregate principal amount of all Mortgage Loans financed by the Bonds at the time such Mortgage Loans are originated or purchased.

Income Limits

An Applicant may be a Borrower for purposes of a Mortgage Loan only if such Applicant has a current Gross Annual Household Income which does not exceed the limits set forth in the Seller's Guide. Income limits determined by the Authority may be amended by the Authority from time to time without notice to Bondowners.

Credit Scores for Originated Mortgage Loan Applicants

Applicants for Mortgage Loans originated under the Qualified Single Family Mortgage Program must meet a minimum FICO credit score requirement of 580. Applicants who have credit scores greater than or equal to 580 but less than or equal to 619 (and in some cases with credit scores less than or equal to 659) must successfully pass the Authority's CHFA Risk Information Score Card ("**RISC**") to utilize any Qualified or Non-Qualified Single Family Mortgage Loan Program. RISC evaluates a comprehensive list of "mortgage compensating factors" to determine homeownership preparedness. While some Applicants do not meet the mortgage program requirements at the time of application, they may be able to qualify later by addressing some or all of the issues identified in the RISC Score Card. The list of "mortgage compensating factors" evaluated in the RISC Score Card includes, among other things, the amount of investment by the Applicant in the subject property, the amount of cash reserves held by the Applicant, and whether the Applicant uses budgeting or credit-counseling services.

Homebuyer Education Requirement

Applicants for Mortgage Loans originated under the Qualified Single Family Mortgage Program will be required by the Authority (at the Authority's expense) to attend homebuyer education classes. Homebuyer education classes are intended to give Applicants a clearer understanding, among other things, of their debt obligations. Applicants obtaining financing under the Authority's HomeAccess Program must attend the class prior to executing a contract with respect to the applicable property. Homebuyer education classes are offered statewide and at no cost to the Borrower by Authority-approved housing counseling agencies and housing authorities under contract with the Authority. Homebuyer education certificates are only valid for nine months from the date of the certificate through the date of the purchase contract. Pursuant to its contracts with such agencies, the Authority will pay up to certain amounts for the classroom education. Homebuyer education is also available online on the Authority's website.

Mortgage Purchase Agreement

Each Mortgage Lender approved by the Authority to participate in the Authority's Single Family Mortgage Program has executed a Mortgage Purchase Agreement. Additional Mortgage Lenders may become eligible to participate and, if approved by the Authority, will enter into a Mortgage Purchase Agreement. Purchases of Mortgage Loans by the Authority from Mortgage Lenders are made pursuant to Mortgage Purchase Agreements, which in most cases incorporate by reference the terms and provisions of the Seller's Guide. A reservation of Mortgage Loan funds is for a specific Applicant, residence, Mortgage Loan amount and interest rate. The Seller's Guide provides that an origination fee equal to one percent (1%) of the aggregate principal amount of each First Mortgage Loan may be charged to a Borrower and Mortgage Lenders may receive an additional payment from the Authority as a servicing release fee and, in the case of First Mortgage Loans originated in non-metropolitan areas, an additional 50/100 of one percent (.50%) fee will be paid to Mortgage Lenders. In the case of Mortgage Loans originated in the HomeAccess Program and as 203K rehabilitation loans, an additional one percent (1%) fee will be paid to Mortgage Lenders. Mortgage Lenders will also be paid one-hundred fifty dollars (\$150.00) for Second Mortgage Loans.

The Authority reserves the right to modify or otherwise change its procedures under the Program from time to time on the basis of its experience in order to meet changed conditions. To the extent that such modifications or changes are made, the Authority will be governed by the Act and by the covenants contained in the Indenture.

Seller's Guide

Each Mortgage Purchase Agreement (applicable only to Mortgage Loans other than Zero Interest First Mortgage Loans) incorporates by reference the Seller's Guide, including all of the terms, conditions, representations and warranties therein. The Seller's Guide describes the procedures for reservation, loan delivery and acquisition, and contains representations, warranties, covenants and agreements of the Mortgage Lender to the Authority, certain of which relate to: (i) the legality and validity of the Mortgage Loans and related documents; (ii) the existence and conveyance to the Authority of a valid lien (subject only to current taxes and assessments not yet due and payable, and encumbrances permitted by the Authority) on the Eligible Property, located in the State and held in fee simple; (iii) the absence of delinquencies with respect to payments on each Mortgage Loan; (iv) the absence of defaults under each Mortgage Loan; (v) the Mortgage Lender's right to sell each Mortgage Loan to the Authority; (vi) the existence and validity of hazard insurance on the Eligible Property in an amount equal to the lesser of (a) 100% of the replacement value of improvements (as established by the property insurer) or (b) the unpaid principal balance of the First Mortgage Loan plus any Second Mortgage Loan held by the Authority; provided, however, that under no circumstances may the amount of insurance be less than 80% of the replacement value of the improvements; (vii) compliance by the Mortgage Lender with all requirements relating to the insurance or guaranty of the Mortgage Loan; (viii) compliance with the applicable requirements of the Tax Code; and (ix) the requirement that any insurance or guaranty will inure to the benefit of the Authority. The Authority has the right to decline to purchase any Mortgage Loan offered to it if, in the reasonable opinion of the Authority, the Mortgage Loan does not conform to the requirements of the Act or the Seller's Guide. See "Mortgage Purchase Agreement" under this caption.

The Seller's Guide may be amended or supplemented by the Authority from time to time without notice to the owners of the Bonds.

Servicing of the Mortgage Loans

Through its in-house servicing operations put into effect in 1997, the Authority is currently servicing its portfolios of single-family mortgage loans and intends to service all of the Mortgage Loans. The Authority has covenanted in the Indenture to service, or cause to be serviced, each Mortgage Loan in accordance with acceptable mortgage servicing practices of prudent lending institutions or in accordance with such other standards as are required to maintain the government mortgage insurance or guaranty or private mortgage insurance, as applicable, with respect to such Mortgage Loan. The Authority believes that it is servicing Mortgage Loans in compliance with this covenant. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

The Mortgage Purchase Agreement requires all originating Mortgage Lenders to sell to the Authority all of the loan servicing rights to the Mortgage Loans. In that connection, the Authority will in most cases retain an annual servicing fee of 30/100 of one percent (0.30%) of the outstanding balance of the First and Second Mortgage Loans (except that no servicing fee will be charged for Zero Interest Second Mortgage Loans and only a nominal administrative fee will be charged for Zero Interest First Mortgage Loans). In addition, the Authority plans to retain any and all investment earnings on the loan payments which accrue after such payments are received by the Authority but before the date the Authority is required by the Indenture to remit such payments to the Trustee.

The Authority begins servicing the Mortgage Loans after they have been purchased by the Authority. The Seller's Guide also gives the Authority the right to not purchase or transfer the servicing of certain Mortgage Loans back to the Mortgage Lender if the Mortgage Loan is not purchased within the time frames established by the Authority.

Loss Mitigation

For Mortgages in default, the Authority actively seeks alternatives to foreclosure. The Authority is making use of HUD's loss mitigation procedures (see **Appendix I** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE – FHA Insurance") for all HUD loans, and follows the loss mitigation procedures for all other loan types as applicable. These loss mitigation alternatives include an informal or formal forbearance plan (depending on the length of the repayment period), a forbearance with a partial claim (FHA-insured loans only), loan modification, a pre-foreclosure sale, or a deed in lieu of foreclosure. The Authority also refers all Mortgages in default to HUD-approved counseling agencies for assistance. HUD evaluates loss mitigation efforts by loan servicers on a quarterly basis, six months in arrears. HUD assigns a tier ranking of one to four, with one being the highest ranking. The Authority's most recent ranking as a loan servicer is Tier 2.

Hazard Insurance

Each Mortgage must maintain a hazard insurance policy covering loss against fire and hazards included within the term extended coverage.

In general, the standard form of fire and extended coverage policy covers physical damage to or destruction of a residence by fire, lightning, smoke, windstorm and hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy. Although the policies relating to the Mortgage Loans may be underwritten by different insurers and therefore will not contain identical terms and conditions, the basic terms thereof are dictated by Colorado law. Most such policies typically do not cover any "physical damage" resulting from the following: war, revolution, governmental actions, earthquake, floods and other water-related causes, nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. The foregoing list is merely indicative of certain kinds of uninsured risks and is not intended to be all-inclusive.

Most hazard insurance policies typically contain a "coinsurance" clause which will require the Mortgage at all times to carry insurance of a specified percentage (generally 80% to 90%) of the full replacement value of the improvements on the residence in order to recover the full amount of any partial loss. If the coverage falls below the specified percentage, the insurer's liability in the event of partial loss would not exceed the larger of (i) the actual cash value of the improvements damaged or destroyed or (ii) such proportion of the loss as the amount of insurance carried bears to the specified percentage of the full replacement cost of such improvements. The effect of coinsurance in the event of partial loss may be that hazard insurance proceeds will be insufficient to restore fully the damage to the Eligible Property.

Special Program Features

Zero Interest First Mortgage Loans

The Authority may use amounts in the Acquisition Account to acquire as Mortgage Loans certain loans referred to as "**Zero Interest First Mortgage Loans**." Zero Interest First Mortgage Loans are loans which have been made by a non-profit organization to Borrowers in principal amounts equal to the cost of construction of the dwelling, with no interest. The Borrowers are expected to contribute over 400 hours of "sweat equity" into the construction of the dwelling in lieu of a down payment. The annual repayment obligation of Zero Interest First Mortgage Loans will be based on 25% of the respective Borrower's gross annual household income and the respective maturities of the Zero Interest First Mortgage Loans will be derived as a result of the repayment terms. The Zero Interest First Mortgage Loans will not be insured or guaranteed and do not need to meet any loan-to-value ratios. However, in the event of default, the non-profit organization is required to substitute the defaulted Zero Interest First

Mortgage Loan with a comparable performing Zero Interest First Mortgage Loan. Zero Interest First Mortgage Loans are purchased by the Authority, and they may have cash assistance or a second mortgage loan from other entities. Terms of the Zero Interest First Mortgage Loans may be amended from time to time and the level of such Zero Interest First Mortgage Loans so acquired may be determined by the Authority, to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the related Series Indenture to demonstrate that the Class I Asset Requirement, the Class II Asset Requirement and the Class III Asset Requirement for the particular Series of Bonds will be met after taking into account such terms and level. The Authority charges a small one-time, up-front administrative fee for each Zero Interest First Mortgage Loan.

HomeAccess Program

The Authority may use amounts in the Acquisition Account to acquire Mortgage Loans originated under the Authority's HomeAccess Program, which is intended to assist very low-income persons with disabilities or the parents of a child with a disability to achieve homeownership. These Borrowers may receive First Mortgage Loans (referred to herein as "**HomeAccess Loans**") at current market rates. A Mortgage Loan in the HomeAccess Program will be made only to a Borrower who makes a cash contribution of at least \$750 or \$500 with automatic checking account payments and who meets certain income limits lower than those established for Borrowers of other First Mortgage Loans. The Authority may provide certain Borrowers under the HomeAccess Program with a Second Mortgage Loan for downpayment and closing cost assistance of up to \$25,000. The HomeAccess Second Mortgage Loans bear interest at an annual interest rate of 0% with repayment deferred for three-hundred sixty (360) months, then repaid at two hundred dollars (\$200) per month thereafter. Terms of the Mortgage Loans made under the HomeAccess Program may be amended from time to time and the level of such Mortgage Loans so acquired may be determined by the Authority, to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the related Series Indenture to demonstrate that the Class I Asset Requirement, the Class II Asset Requirement and the Class III Asset Requirement for the particular Series of Bonds will be met after taking into account such terms and level.

SectionEight and SectionEight Plus Programs

The Authority may use amounts in the Acquisition Account to acquire Mortgage Loans originated under the Authority's SectionEight and SectionEight Plus Programs. Under its SectionEight Program, the Authority may make 30-year Mortgage Loans to first time homebuyers that meet certain income limit requirements, for eligible property not exceeding certain purchase price limits, and subject to certain other restrictions. Persons who receive Housing Assistance Payments ("**HAP**") from Public Housing Authorities ("**PHA**") and who are approved to participate in a PHA's homeownership programs may be eligible to participate in the Authority's SectionEight and SectionEight Plus Programs. Under the SectionEight Plus Program, the Authority may make Second Mortgage Loans to eligible borrowers to finance a down payment and/or closing costs.

Second Mortgage Loans

Proceeds of certain Bonds have in the past been and may in the future be used by the Authority to acquire Second Mortgage Loans made to Borrowers of First Mortgage Loans, including such Second Mortgage Loans made to Borrowers of First Mortgage Loans as well as Second Mortgage Loans originated under the Master Indenture in connection with first mortgage loans purchased and pledged to repay certain GNMA Securities expected to be issued by the Authority. Under most programs, Second Mortgage Loans have been and will be originated for three percent (3%) of the first mortgage loan amount on an interest-bearing basis, with a term of thirty (30) or forty (40) years. See **Appendix B-2** for information regarding the outstanding Second Mortgage Loans under the Master Indenture. Generally,

Second Mortgage Loans are due in full upon the sale of the property, the refinance of the related First Mortgage Loan, payment in full of the related First Mortgage Loan, default of the related First Mortgage Loan, transfer of title, or if the property is no longer the Borrower's principal residence. Under certain specialty programs, the second mortgage rate is zero percent (0%) and repayment of the entire balance of the Second Mortgage Loan is due in month three-hundred sixty (360) or four-hundred eighty (480) (after repayment of the thirty (30) or forty (40) year first mortgage loan). The Second Mortgage Loan can be prepaid in full or in part at any time without penalty. The Second Mortgage Loan is not assumable.

The percentage and aggregate amounts available from Bond proceeds for acquisition of such Second Mortgage Loans from time to time must be at levels consistent with the then current Cash Flow Statements and Authority Certification required by the related Series Indenture to demonstrate that the Class I Asset Requirement, the Class II Asset Requirement and the Class III Asset Requirement for the particular Series of Bonds will be met after taking into account such levels for Second Mortgage Loans.

Refinancing Programs

Proceeds of the Bonds (or amounts exchanged therefor) provide funding for the Authority's mortgage purchase activities under the Single Family Mortgage Programs. The Authority is using, and in the future plans to use, such proceeds and exchanged amounts to fund mortgage refinancing activities. Any such refinancing programs as part of the Program may result in the prepayment of outstanding mortgage loans, including the Mortgage Loans, with a corresponding redemption at par of Bonds secured by such Mortgage Loans in accordance with the redemption provisions of the related Series Indenture.

Community Land Trust Program

The Authority uses proceeds of Bonds to acquire First Mortgage Loans with a first lien on residences built on leased ground in connection with a Community Land Trust. The remaining term of the ground leases will not be less than the term for repayment of the Bonds secured by the First Mortgage Loans. The Community Land Trust's ground lease may include certain resale restrictions to limit future property purchasers to low and moderate families or to limit the maximum sales price of the property. The Authority will require appropriate recorded documentation such as a Land Lease Rider (the "**Rider**") among the Borrower, the Authority and the Community Land Trust which will provide that such restrictions will terminate automatically on foreclosure of, or acceptance of a deed-in-lieu of foreclosure for, the leasehold mortgage. The documentation will also provide that in no event shall the leasehold terminate except for (1) nonpayment of amounts due under the lease; (2) violation of the restrictions on sale; and (3) violation of the requirement that the Borrower occupy the land as their primary residence. The documentation shall give the Authority the prior right to cure any such default without terminating the lease or to foreclose its mortgage, at which point a new lease between the Authority and the Community Land Trust will be automatically created.

Payment of Recapture Tax

The Authority has established a reimbursement program for certain current and new Borrowers that may be subject to paying a recapture tax under the Internal Revenue Code (the "**Recapture Tax**"). The Internal Revenue Code mandates, under certain circumstances, a "recapture" of some of the subsidy received by a Borrower through borrowing under the Authority's tax-exempt mortgage revenue bond funded loan programs. A payment of Recapture Tax may be required if (i) the Authority financed property ceases to be the Borrower's principal residence in the first full nine years of ownership; (ii) there is a profit on the sale of the home; and (iii) the Borrower's household income increases significantly (generally more than five percent (5%) per year). Upon receipt of proof that a Borrower who was subject to a Recapture Tax actually paid to the IRS the Recapture Tax, the Authority will reimburse the Borrower

the amount paid upon satisfaction of certain conditions. The reimbursement will be paid from general funds of the Authority. The Authority has evaluated the risks associated with this reimbursement program and determined that the likelihood is relatively low that a Borrower will be required to pay a Recapture Tax and that the Authority will subsequently have to reimburse such Borrower.

NO IMPAIRMENT OF CONTRACT BY THE STATE

Pursuant to the provisions of Section 29-4-731 of the Act, the Authority has included in the Indenture the pledge and agreement of the State of Colorado that the State of Colorado will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of such Owners, are fully met and discharged.

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

The Act provides that the Bonds are eligible for investment in the State by all public officers, public bodies and political subdivisions of the State, banking associations, savings and loan associations, trust companies, investment companies and insurance companies, and all executors, administrators, trustees and other fiduciaries of funds in their control or belonging to them; provided that, at the time of purchase by a public entity, such Bonds are rated in one of the two highest rating categories by one or more nationally recognized organizations which regularly rate such obligations. The Act makes the Bonds securities which may properly and legally be deposited with and received by any municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is authorized by law.

INDEPENDENT AUDITORS

The financial statements of the Authority as of December 31, 2010 and for the year then ended, included in this Official Statement as **Appendix G**, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. BKD, LLP has not been engaged to perform and has not performed, since the date of their report included herein, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures related to this Official Statement.

MISCELLANEOUS

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, including the Indenture, may be obtained, during the offering period, upon request to the Authority and upon payment to the Authority of a charge for copying, mailing and handling, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director.

The distribution of this Official Statement has been duly authorized by the Authority. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or owners of any 2011 Series B Bonds.

**COLORADO HOUSING AND FINANCE
AUTHORITY**

By: /s/ Cris A. White
Executive Director

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APPENDIX A

Summary of Certain Provisions of the Indenture

The Master Indenture and the 2011 Series B Indenture, copies of which are available from the Authority and the Trustee, contains various covenants and security provisions, some of which are summarized below.

Definitions of Certain Terms

"Accreted Value" means, with respect to each compound interest Bond as of any date of calculation, an amount equal to the sum of (i) the principal amount of such Bond, plus (ii) any interest that has been compounded, i.e., any interest amount that is itself then bearing interest, all determined as of such date.

"Acquisition Account" means the Account so designated, which is created and established in the Program Fund by the Master Indenture. See "Program Fund; Acquisition Account" under this caption.

"Act" means the Colorado Housing and Finance Authority Act, being Part 7, Article 4, Title 29 of Colorado Revised Statutes.

"Adjustable Rate Bonds" means Bonds the interest rate on which is not fixed to maturity.

"Aggregate Debt Service" means for any particular period, Bonds and Auxiliary Obligations, the Debt Service Payments becoming due and payable on all Payment Dates during such period with respect to such Bonds and such Auxiliary Obligations.

"Aggregate Principal Amount" means as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

"Alternate Tax-Exempt Term Rate" means on any Rate Determination Date for a Tax-Exempt Bond in the Term Rate Mode, an index published or provided by Kenny Information Systems, which index is based on yield evaluations at par of bonds the interest on which is excluded from gross income for purposes of Federal income taxation and are not subject to a "minimum tax" or similar tax under the Code (unless all tax-exempt bonds are subject to such tax). The bonds upon which the index is based shall include not less than five "high grade" component issuers selected by Kenny Information Systems which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time-to-time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation.

"Amortized Value" means, when used with respect to an Investment Security purchased at a premium above or at a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such Investment Security was purchased by the number of days remaining to the first call date (if callable) or the maturity date (if not callable) of such Investment Securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (a) in the case of an Investment Security purchased at a premium, by deducting the product thus obtained from the purchase price and (b) in the case of an Investment Security purchased at a discount, by adding the product thus obtained to the purchase price.

"Authority" means the Colorado Housing and Finance Authority, the body corporate and political subdivision of the State or any successor thereto under or with respect to the Act.

"Authority Certificate" means, as the case may be, a document signed by the Chair, Vice Chair or an Authorized Officer either (a) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (b) setting forth matters to be determined by such Authorized Officer pursuant to the Indenture.

"Authorized Officer" means the Chair, Chair pro tem or Executive Director of the Authority, and any other officer designated from time to time as an Authorized Officer by resolution of the Authority and, when used with reference to any act or document, also means any other person authorized by resolution of the Authority to perform such act or sign such document.

"Auxiliary Agreements" means Interest Rate Contracts and Liquidity Facilities.

"Auxiliary Agreement Providers" means Interest Rate Contract Providers and Liquidity Facility Providers.

"Auxiliary Obligations" means obligations of the Authority for the payment of money under Auxiliary Agreements.

"Bond" or "Bonds" means any of the bonds, notes or other financial obligations (however denominated) of the Authority authorized and issued under the Indenture, including any Refunding Bonds.

"Bond Counsel" means any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed from time to time by the Authority.

"Bondowner" or "Owner" or "Owner of Bonds" or similar term, when used with respect to a Bond or Bonds, means the registered owner of any Outstanding Bond.

"Bond Year" means, with respect to each Series, the twelve-month period designated as such by the Related Series Indenture, except that the first Bond Year for any Bonds may commence on the date of issuance thereof and end on the date specified by such Series Indenture.

"Borrower" means the maker of, and any other party obligated on, a Mortgage Loan in connection with the acquisition or rehabilitation of Residential Housing, who is a person or family of "low or moderate income" qualifying as such under the Act and the Rules and Regulations and in accordance with the Code.

"Business Day" means, except as set forth in a Series Indenture, any day (a) on which banks in the cities in which the respective principal offices of the Paying Agent, the Bond Registrar, the Trustee and Related Auxiliary Obligation Providers are located are not required or authorized by law to be closed and (b) on which the New York Stock Exchange is open. For purposes of this definition, the principal office of a Liquidity Facility Provider shall be the office to which demands for payment are delivered.

"Cash Flow Statement" means, with respect to any particular Bonds and Auxiliary Obligations, an Authority Certificate (a) setting forth, for the then current and each future Bond Year during which such Bonds and Auxiliary Obligations will be Outstanding, and taking into account (i) any such Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Year upon or in

connection with the filing of such Certificate, (for which purpose, if such Authority Certificate is delivered as of a date prior to a scheduled mandatory tender date for any Adjustable Rate Bonds, the Purchase Price of all such Adjustable Rate Bonds subject to mandatory tender on such tender date shall be assumed to be due and payable on such mandatory tender date), (ii) any such Auxiliary Obligations expected to be incurred upon or in connection with the filing of such Certificate, (iii) the interest rate, purchase price, discount points and other terms of any Related Mortgage Loans, and (iv) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such Certificate:

(A) the amount of Mortgage Repayments and Prepayments reasonably expected to be received by the Authority in each such Bond Year from Related Mortgage Loans, together with Related Investment Revenues, Related Interest Rate Contract Revenues and other moneys (including without limitation moneys in any special escrows established with the Trustee) that are reasonably expected to be available to make Related Debt Service Payments, to pay Related Program Expenses and to pay the Purchase Price of any such Adjustable Rate Bonds subject to mandatory tender on any such tender date; and

(B) the Aggregate Debt Service for each such Bond Year on all such Bonds and Auxiliary Obligations reasonably expected to be Outstanding, together with the Related Program Expenses reasonably estimated for each such Bond Year;

and (b) showing that in each such Bond Year the aggregate of the amounts set forth in clause (a)(iv)(A) of this definition exceeds the aggregate of the amounts set forth in clause (a)(iv)(B) of this definition. Reference to a Cash Flow Statement with respect to a Series shall be taken to mean a Cash Flow Statement with respect to such Series and any Related Auxiliary Obligations and any other Series and Related Auxiliary Obligations to which such Series has been linked for Cash Flow Statement purposes.

"Class I Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class I Auxiliary Obligations in the Related Series Indenture.

"Class I Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class I Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class I Obligations" means the Class I Bonds and the Class I Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class I Bonds and any Related Class I Auxiliary Obligations.

"Class I Sinking Fund Installment" means the amount designated for any particular due date in the Related Series Indenture for the retirement of Class I Bonds on an unconditional basis, less any amount credited pursuant to the Master Indenture.

"Class II Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class II Auxiliary Obligations in the Related Series Indenture.

"Class II Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class II Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class II Obligations" means the Class II Bonds and the Class II Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class II Bonds and any Related Class II Auxiliary Obligations.

"Class II Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class II Bonds, as set forth in the Related Series Indenture, which amount may be

conditioned upon the transfer of sufficient moneys to the Class II Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Class III Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class III Auxiliary Obligations in the Related Series Indenture.

"Class III Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class III Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class III Obligations" means the Class III Bonds and the Class III Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class III Bonds and any Related Class III Auxiliary Obligations.

"Class III Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class III Bonds, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class III Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Class IV Auxiliary Obligations" means Auxiliary Obligations which the Authority designates as Class IV Auxiliary Obligations in the Related Series Indenture.

"Class IV Bonds" means the Colorado Housing and Finance Authority Single Family Mortgage Class IV Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class IV Obligations" means the Class IV Bonds and the Class IV Auxiliary Obligations and, with respect to a Series of Bonds, the Related Class IV Bonds and any Related Class IV Auxiliary Obligations.

"Code" means the Internal Revenue Code of 1986, as amended, with respect to a Series, to the date of initial issuance of such Series, and the regulations of the United States Treasury Department promulgated thereunder.

"Costs of Issuance" means the items of expense payable or reimbursable directly or indirectly by the Authority and other costs incurred by the Authority, all related to the authorization, sale and issuance of Bonds, the execution and delivery of Auxiliary Agreements and the establishment of the Program, which costs and items of expense shall include, but not be limited to, underwriters' compensation, printing costs, costs of developing, reproducing, storing and safekeeping documents and other information processing or storage of materials, equipment and software related to the Bonds, filing and recording fees, travel expenses incurred by the Authority in relation to such issuance of Bonds or for the Program, initial fees, charges and expenses (including counsel's fees and expenses) of the Authority, the Trustee, the Bond Registrar and the Paying Agent, initial premiums with respect to insurance required by the Indenture to be paid by the Authority or by the Trustee, legal fees and charges (including, without limitation, the fees and expenses of Bond Counsel, the Authority's disclosure counsel, counsel to the underwriter and counsel to the Authority), professional consultants' fees, accountants' fees, mortgagor counseling fees, costs of bond ratings, fees and charges for execution, transportation and safekeeping of the Bonds, accrued interest paid in connection with the purchase of any Investment Securities with the proceeds of Bonds and any other costs, charges and fees in connection with the foregoing.

"Debt Service Payment" means, when used with respect to any Payment Date, the sum of the (a) interest, if any, and (b) Principal Installments, if any, and (c) Auxiliary Obligations, if any, due and payable on such date with respect to the Bonds and Auxiliary Agreements referred to.

"Debt Service Reserve Fund" means the Fund so designated, which is created and established by the Master Indenture. See "Debt Service Reserve Fund" under this caption.

"Debt Service Reserve Fund Requirement" with respect to each Series of Bonds, shall have the meaning set forth in the Related Series Indenture.

"Defeasance Securities" means any Investment Securities used to effect defeasance of Bonds in accordance with the Master Indenture if upon such defeasance the Bonds so defeased are rated in the highest rating category by each Rating Agency rating such Bonds, and which are not subject to redemption by the issuer thereof prior to their maturity.

"Depository" means any bank, trust company, or savings and loan association (including any Fiduciary) selected by the Authority and approved by the Trustee as a depository of moneys, Mortgage Loans or Investment Securities held under the provisions of the Indenture, and its successor or successors.

"Eligible Borrower" means a person or a family qualifying as a mortgagor for a Mortgage Loan under determinations made by the Authority in accordance with the Act.

"Escrow Payment" means all payments made by or on behalf of the obligor of a Mortgage Loan in order to obtain or maintain mortgage insurance or guaranty coverage of, and fire and other hazard insurance with respect to, a Mortgage Loan, and any payments required to be made with respect to such Mortgage Loan for taxes, other governmental charges and other similar charges required to be escrowed under the Mortgage.

"Excess Earnings" means, with respect to Mortgage Loans held in any subaccount of the Acquisition Account or the Loan Recycling Account established in connection with a Series of Tax-exempt Bonds, the "excess earnings," as defined in Treasury Regulations § 1.148-10T, with respect thereto.

"Fiduciary" means the Trustee, the Bond Registrar, the Paying Agent or a Depository or any or all of them, as may be appropriate.

"Fiduciary Expenses" means the fees and expenses of Fiduciaries, including fees and expenses of Fiduciary's counsel, but not including Servicing Fees payable to such Persons.

"General Obligation Bond" means a Bond, the payment of principal of and interest on which is a General Obligation of the Authority.

"General Obligations" means Bonds or Auxiliary Obligations secured or additionally secured, as provided in the Related Series Indenture, by a pledge of general revenues or moneys of the Authority legally available therefor, subject only to agreements made or to be made with owners of notes, bonds or other obligations pledging particular revenues or moneys for the payment thereof and subject to the Authority's right at any time to apply such revenues and moneys to any lawful purpose.

"Indenture" means the Master Indenture authorized, executed and issued by an Authorized Officer and any amendments or supplements made in accordance with its terms, including all Series Indentures.

"Interest Payment Date" means, for each Bond, any date upon which interest on such Bond is due and payable in accordance with the Related Series Indenture.

"Interest Rate Contract" means an interest rate exchange or swap contract, a cash flow exchange or swap contract, any derivative of such contracts, including forward swaps and options to enter into swaps, and interest rate floors, caps or collars, entered into between the Authority and an Interest Rate Contract Provider.

"Interest Rate Contract Provider" means a Person that is a party to an Interest Rate Contract with the Authority with respect to specified Bonds and who satisfies the applicable requirements of the Interest Rate Exchange Agreements Act, being Article 59.3, Title 11 of Colorado Revised Statutes, and whose credit rating by each nationally recognized Rating Agency then rating the Class I Bonds is sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or the equivalent of such rating by virtue of guarantees or insurance arrangements.

"Interest Rate Contract Revenues" means all payments and receipts received by the Authority under an Interest Rate Contract.

"Investment Provider" means any commercial bank or trust company, bank holding company, investment company or other entity (which may include the Trustee, the Bond Registrar or the Paying Agent), whose credit rating (or the equivalent of such rating by virtue of guarantees or insurance arrangements) by each nationally recognized Rating Agency then rating the Class I Bonds or Class II Bonds is sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or is otherwise acceptable to each such Rating Agency in order to maintain the then current rating on such Bonds by such Rating Agency, which Investment Providers shall be approved by the Agency for the purpose of providing investment agreements.

"Investment Revenues" means amounts earned on investments (other than Mortgage Loans) credited to any Fund or Account pursuant to the Indenture (including gains upon the sale or disposition of such investments) except the Rebate Requirement and any Excess Earnings.

"Investment Securities" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds:

(i) Direct, general obligations, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;

(ii) Obligations, debentures, notes, collateralized mortgage obligations, mortgage backed securities or other evidence of indebtedness issued or guaranteed by any of the following: Cooperatives; Federal Farm Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Fannie Mae (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Financing Bank; Federal Housing Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

(iii) Repurchase agreements, collateralized by Investment Securities described in clause (i) or clause (ii) of this definition, with any institution, any registered broker/dealer subject to the Securities

Investors' Protection Corporation jurisdiction or any commercial bank rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, and collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency;

(iv) General obligations or revenue obligations (including bonds, notes or participation certificates) of, or "private activity bonds" (within the meaning of the Code) issued by any state of the United States of America or any political subdivision thereof, or any agency or instrumentality of any state of the United States of America or any political subdivision thereof, which obligations are rated by each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, or any money market or short term investment fund investing substantially in or consisting substantially of and secured by obligations described above in this item (iv), which fund is rated by each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency and which fund, if the income from such investment is intended to be excluded from gross income for federal income tax purposes, is included in the definition of "tax-exempt bond" set forth in Treasury Regulation § 1.150-1(b);

(v) General obligations of Investment Providers under the investment agreement described under "Assumptions Regarding Revenues, Debt Service Requirements, Operating Expenses and Certain Other Matters" or other investment agreements having substantially similar terms;

(vi) Certificates of deposit, interest-bearing time deposits, or other similar banking arrangements with a bank or banks (a) rated by each Rating Agency rating Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or (b) collateralized in such manner to meet all requirements for collateralized agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency;

(vii) Commercial paper rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency;

(viii) Shares in the statutory law trust known as the Colorado Local Government Liquid Asset Trust (COLOTRUST), created pursuant to Part 7 of Article 75 of Title 24, Colorado Revised Statutes; and

(ix) Units of a money market fund or a money market mutual fund which has a rating from each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency;

provided, that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those listed above which the Authority deems from time to time to be in the interest of the Authority to include as Investment Securities if at the time of inclusion the Trustee shall have received written confirmation from the Rating Agencies that such inclusion will not, in and of itself, impair, or cause any of the Bonds to fail to retain, the then existing rating assigned to them by the Rating Agencies.

"Liquidity Facility" means a letter of credit, standby bond purchase agreement, security bond, reimbursement agreement or other agreement between the Authority and a Liquidity Facility Provider with respect to specified Bonds issued under the Master Indenture.

"Liquidity Facility Provider" means a Person that is a party to a Liquidity Facility with the Authority with respect to specified Bonds and whose credit rating by each nationally recognized Rating Agency then rating the Class I Bonds is sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or the equivalent of such rating by virtue of guarantees or insurance arrangements.

"Mortgage" means a mortgage, deed of trust or other instrument constituting a valid lien on real property in the State and improvements constructed or to be constructed thereon or on a leasehold under a lease having a remaining term, at the time such instrument is acquired by the Authority, of not less than the term for repayment of the Mortgage Loan secured by such instrument.

"Mortgage Lender" means a "lender" as defined in the Act and which has been approved by the Authority pursuant to the Rules and Regulations.

"Mortgage Loan" means a permanent loan secured by a Mortgage for the purchase or rehabilitation of Residential Housing made to a Borrower either by the Authority or by an originating Mortgage Lender which is purchased by the Authority pursuant to a Mortgage Purchase Agreement and which loan satisfies the requirements of the Master Indenture.

"Mortgage Repayments" means, with respect to any Mortgage Loan, the amounts received by or for the account of the Authority as scheduled payments of principal and interest on such Mortgage Loan by or on behalf of the Borrower to or for the account of the Authority and does not include Prepayments, Servicing Fees or Escrow Payments.

"Mortgage Revenues" means all Revenues other than Investment Revenues and Interest Rate Contract Revenues.

"Outstanding" means, when used with respect to all Bonds as of any date, all Bonds theretofore authenticated and delivered under the Indenture except:

(a) any Bond cancelled or delivered to the Bond Registrar for cancellation on or before such date;

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Defeasance Securities maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Defeasance Securities prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Bond Registrar;

(c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the Indenture; and

(d) any Bond deemed to have been paid as provided in the Master Indenture;

and, with respect to any Auxiliary Obligations, means Auxiliary Obligations which have not been paid or otherwise satisfied.

"Participant" means a broker-dealer, bank or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

"Payment Date" means for each Bond, each date on which interest or a Principal Installment or both are payable on such Bond; and for each Auxiliary Obligation, each date on which an amount is payable with respect to such Auxiliary Obligation, and, unless limited, means all such dates.

"Person" means an individual, partnership, corporation, trust or unincorporated organization or a government or any agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

"Prepayment" means any moneys received or recovered by or for the account of the Authority from any unscheduled payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan, but excluding any Servicing Fees with respect to the collection of such moneys) on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (a) by voluntary prepayment made by the Borrower or (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof or (c) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or (d) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceedings taken by the Authority.

"Principal Installment" means, as of any date of calculation, and for any Payment Date, (a) the principal amount or Accreted Value of all Bonds due and payable on such date, plus (b) any Class I, Class II, Class III and Class IV Sinking Fund Installments due and payable on such date.

"Program" means the Authority's Single Family Mortgage Program pursuant to which the Authority has determined to purchase Mortgage Loans in accordance with the Act, the Rules and Regulations and the Indenture.

"Program Expenses" means all the Authority's expenses of administering the Program under the Indenture and the Act and shall include without limiting the generality of the foregoing; salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, including information processing equipment; software, insurance premiums, credit enhancement fees, legal, accounting, management, consulting and banking services and expenses; Fiduciary Expenses; remarketing fees; Costs of Issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Authority.

"Qualified Mortgage Loan Mortgage Backed Securities" means Investment Securities which constitute collateralized mortgage obligations issued by Fannie Mae, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, underlying mortgages of which would constitute Mortgage Loans for purposes of the Indenture if acquired by the Trustee from moneys in the Acquisition Account.

"Qualified Surety Bond" means any surety bond, letter of credit, insurance policy or other instrument which has liquidity features equivalent to a letter of credit, deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for moneys on deposit therein, which shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency.

"Rating Agency" means, at any particular time, any nationally recognized credit rating service designated by the Authority, if and to the extent such service has at the time one or more outstanding ratings of Bonds. The Authority shall at all times have designated at least one such service as a Rating Agency under the Indenture.

"Rebate Requirement" means the amount of arbitrage profits earned from the investment of gross proceeds of Tax-exempt Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as "Rebate Amount" in Section 1.148-3 of the Treasury Regulations, which is payable to the United States at the times and in the amounts specified in such provisions.

"Record Date" means, except as otherwise provided in a Series Indenture (i) with respect to each Payment Date, with respect to Bonds which are not Adjustable Rate Bonds the Bond Registrar's close of business on the fifteenth day of the month immediately preceding such Payment Date or, if any such date is not a Business Day, the next preceding day which is a Business Day, and with respect to Adjustable Rate Bonds the Bond Registrar's close of business on the Business Day immediately preceding such Payment Date; and (ii) in the case of each redemption, such Record Date as shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than fifteen (15) calendar days before the transmission of such notice of redemption.

"Redemption Price" means, when used with respect to a Bond or portion thereof to be redeemed, the principal amount or Accreted Value of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof as determined by the Series Indenture authorizing the Series of Bonds.

"Related" (whether capitalized or not) means, with respect to any particular Bond, Class, Series, Series Indenture, Supplemental Indenture, Cash Flow Statement, Fund, Account, Mortgage Loan (or portion thereof), Auxiliary Agreement, moneys, Investment Securities, Mortgage Repayment or Prepayment, having been created in connection with the issuance of, or having been derived from the proceeds of, or having been reallocated to, or concerning, the same Series, as the case may be.

"Residential Housing" or "Residence" means a single-family, owner-occupied dwelling located within the State that qualifies for financing by the Authority within the meaning of the Act, the Rules and Regulations, the Code and related regulations.

"Revenue Fund" means the Fund so designated, which is created and established by the Master Indenture. See "Revenue Fund" under this caption.

"Revenues" means (a) all Mortgage Repayments, Prepayments and, except insofar as such payments may constitute Servicing Fees, any penalty payments on account of overdue Mortgage Repayments, (b) Investment Revenues, (c) Interest Rate Contract Revenues, and (d) all other payments and receipts received by the Authority with respect to Mortgage Loans, but shall not include (i) Escrow Payments, (ii) Servicing Fees, unless such fees are specifically pledged to the Trustee, (iii) any commitment, reservation, extension, or application fees charged by the Authority in connection with a Mortgage Loan or Mortgage Purchase Agreement, (iv) any commitment, reservation, extension or application fees charged by a Mortgage Lender in connection with a Mortgage Loan or (v) accrued interest received in connection with the purchase of any Investment Securities.

"Rules and Regulations" means the Authority's Single Family Mortgage Program Rules and Regulations adopted by the Authority pursuant to the Act governing the activities authorized by the Act as the same may be amended and supplemented from time to time.

"Second Mortgage Loan" means a Mortgage Loan secured by a Mortgage constituting a second lien on real property.

"Securities Depository" means The Depository Trust Company, New York, New York, and its successors and assigns, or any additional or other securities depository designated in a Series Indenture, or (i) if the then Securities Depository resigns from its functions as depository of the Bonds, or (ii) if the Authority discontinues use of the Securities Depository pursuant to the Master Indenture, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority with the consent of the Trustee.

"Series" means and refers to all of the Bonds designated as such in the Related Series Indenture and authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in Class, dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Master Indenture and a Related Series Indenture.

"Servicer" means a state-chartered bank or national banking association, state or federal savings and loan association or mortgage banking or other financial institution which has been approved by the Authority as experienced and qualified to service Loans, and any successor thereto.

"Servicing Agreement" means a written agreement between the Authority and a Servicer (other than the Authority) providing for the servicing of Mortgage Loans on behalf of the Authority.

"Servicing Fees" means (a) any fees paid to or retained by a Servicer in connection with the servicing obligations undertaken by the Servicer in accordance with the Related Servicing Agreement and (b) any fees and ancillary income retained by or expenses reimbursed to the Authority with respect to Mortgage Loans serviced by the Authority.

"Short-Term Bonds" means any Bonds for which the denominator of the Class I Asset Requirement, the Class II Asset Requirement and/or Class III Asset Requirement, as applicable, is calculated based on 100% of the Aggregate Principal Amount of such Bonds.

"Supplemental Indenture" means any supplemental indenture (including a Series Indenture) approved by the Agency in accordance with the Master Indenture amending or supplementing the Indenture.

"Targeted Area" means a "targeted area" within the meaning of Section 143 of the Code.

"Targeted Area Residence" means a "targeted area residence" within the meaning of Section 143 of the Code.

"Tax-exempt Bonds" means Bonds the interest on which is intended to be excluded from gross income of the owner thereof for federal income tax purposes.

"Trust Estate" means the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the Granting Clauses of the Master Indenture.

"Unrelated" (whether capitalized or not) means not "Related," within the meaning of that term.

"Zero Interest First Mortgage Loans" means Mortgage Loans made to certain Purchasers under specific terms as described in "Part II – SINGLE FAMILY MORTGAGE PROGRAM – Special Program Features – Zero Interest First Mortgage Loans."

Funds and Accounts Established by the Indenture

The Indenture establishes the following Funds and Accounts to be held by the Trustee for application in accordance with the Indenture:

- (a) the Program Fund, consisting of:
 - (i) the Acquisition Account
 - (ii) the Short Term Bond Account;
 - (iii) the Cost of Issuance Account; and
 - (iv) the Loan Recycling Account;
- (b) the Revenue Fund;
- (c) the Debt Service Reserve Fund, which shall include the Interest Reserve Account;
- (d) the Class I Debt Service Fund which may include an Authority Payment Account;
- (e) the Class II Debt Service Fund which may include an Authority Payment Account;
- (f) the Class III Debt Service Fund which may include an Authority Payment Account;
- (g) the Class IV Debt Service Fund which may include an Authority Payment Account;
- (h) the Redemption Fund, consisting of:
 - (i) the Class I Special Redemption Account;
 - (ii) the Class II Special Redemption Account;
 - (iii) the Class III Special Redemption Account; and
 - (iv) the Class IV Special Redemption Account;
- (i) the Rebate Fund; and
- (j) the Excess Earnings Fund.

Subaccounts shall be created in all Funds and Accounts described in the Master Indenture for each Series of Bonds. Except as otherwise provided in the Master Indenture or in a Series Indenture, bond proceeds and other moneys relating to a Series of Bonds shall be deposited in the Related subaccounts created with respect to such Series of Bonds.

The Authority may reallocate moneys, investments and Mortgage Loans (or portions thereof or interest therein) among Series under any of the following circumstances:

- (a) if and to the extent required by the Indenture;
- (b) if and to the extent necessary to enable the Authority to deliver a Cash Flow Statement with respect to one or more Series;
- (c) in connection with an Authority Request filed pursuant to the Indenture; and
- (d) if and to the extent that the aggregate amount of moneys, investments and Mortgage Loans allocated to any particular Series exceeds the aggregate amount of Outstanding Bonds of such Series.

If the Authority determines to make such a reallocation of moneys, investments and Mortgage Loans among Series, the Authority shall deliver to the Trustee an Authority Request specifying such reallocations. Upon receipt of such request, the Trustee shall transfer moneys, investments and/or Mortgage Loans (or portions thereof or interests therein) among subaccounts Related to each Series as requested. Mortgage Loans (or portions thereof or interests therein) reallocated among Series are not required to meet the requirements of the Series Indenture Related to the Series to which such Mortgage Loans (or portions thereof or interests therein) are being reallocated, if such Mortgage Loans at the time of their original acquisition by the Authority met the requirements of the Master Indenture and the applicable requirements of the Series Indenture Related to such Mortgage Loans at the time of their purchase.

Special temporary accounts in the Program Fund and the Debt Service Reserve Fund may be created and established to facilitate the refunding of the Authority's bonds and any exchange of funds related thereto.

Program Fund; Acquisition Account

Proceeds of the Bonds and other moneys deposited in the Acquisition Account shall be applied to make or purchase Mortgage Loans in accordance with the provisions of the Indenture; provided, however, that such Mortgage Loans must satisfy the terms and conditions set forth in the Master Indenture and applicable provisions of the Related Series Indenture, and the Authority shall not use such proceeds or other moneys to finance a Mortgage Loan providing a yield that, in the aggregate with other Mortgage Loans credited or expected to be credited to the Acquisition Account or the Loan Recycling Account, exceeds any limitation on yield required by Section 103 or Section 143 of the Code, unless there shall be filed with the Trustee an opinion of Bond Counsel to the effect that the financing of Mortgage Loans providing a higher yield will not cause the interest on the Related Tax-exempt Bonds to be included in the gross income of the recipient thereof for federal income tax purposes.

The Trustee shall withdraw moneys from the Acquisition Account for the purchase of a Mortgage Loan pursuant to the Master Indenture upon receipt of an Authority Request stating (i) the name of the Person to be paid, (ii) the amount to be paid, including principal, premium, if any, unpaid accrued interest and prepaid discount fees, if any, and (iii) that all conditions precedent to the purchase of such Mortgage Loan have been fulfilled. Any moneys deposited in the Acquisition Account that the Authority certifies from time to time will not be used to purchase Mortgage Loans in accordance with the Master Indenture and the Related Series Indenture shall be withdrawn by the Trustee on the date specified in the Related Series Indenture or such other date or dates on or after such date as may be specified by the Authority, and transferred to the Related subaccount of the Redemption Fund for application in accordance with the Related Series Indenture; provided, however, that such transfer or transfers may be made on a later date as to all or any part of such moneys, if the Authority shall have filed with the Trustee an Authority

Request specifying a later date or dates for such withdrawal, and certifying that such Authority Request is consistent with the most recently filed Cash Flow Statement and the Related Series Indenture.

When no Bonds of a particular Series or Related Auxiliary Obligations remain Outstanding, upon receipt of an Authority Request to withdraw all or any portion of the Related moneys, investments and/or Mortgage Loans from the Related Funds, Accounts and subaccounts, the Trustee shall make such withdrawal and shall transfer such moneys, investments and/or Mortgage Loans, as the case may be, to or upon the order of, the Authority; provided, however, that the Authority Request must certify that such withdrawal is consistent with the most recently filed Cash Flow Statement for all Bonds and the most recently filed Cash Flow Statement for any Series to which such retired Series has been linked.

The Authority may determine that a Mortgage Loan will be financed or refinanced with proceeds of more than one Series of Bonds. In such event, all provisions of the Indenture which relate to a Mortgage Loan, Mortgage Repayments and Prepayments, and moneys in any Fund or Account, shall be interpreted and applied to relate such Mortgage Loan, Mortgage Repayments, Prepayments and moneys to each Series furnishing proceeds for such Mortgage Loan in proportion to the respective principal amounts of Bonds of each such Series the proceeds of which were or will be used to finance or refinance such Mortgage Loan.

Cost of Issuance Account

Upon the issuance, sale and delivery of Bonds, certain moneys as specified in the Related Series Indenture shall be deposited in the Related subaccount of the Cost of Issuance Account. There may also be paid into the Cost of Issuance Account, at the option of the Authority, any moneys received by the Authority from any source, unless required to be otherwise applied as provided by the Indenture. Moneys in such Account shall be used to pay Costs of Issuance and for no other purpose except that any excess remaining upon payment of all Costs of Issuance shall be transferred by the Trustee to the Authority or to the Related subaccount in the Acquisition Account.

In the event that the moneys deposited in the Cost of Issuance Account are not sufficient to pay all Costs of Issuance, Costs of Issuance may be paid from any available moneys of the Authority.

Program Fund; Loan Recycling Account

There shall be paid into the Related subaccount of the Loan Recycling Account established within the Program Fund any amounts transferred pursuant to the Master Indenture. Except as otherwise required or permitted by the Master Indenture, Mortgage Loans (or portions thereof) allocated to a Series of Bonds and financed or refinanced with moneys in the Related subaccount of the Loan Recycling Account shall be held in such subaccount of the Loan Recycling Account.

Before any moneys are transferred to the Loan Recycling Account pursuant to the Master Indenture, the Authority shall file with the Trustee (a) a Cash Flow Statement, (b) an Authority Certificate demonstrating that the Related Class I Asset Requirement, Class II Asset Requirement, Class III Asset Requirement or Class IV Asset Requirement, as applicable, will be met, and (c) a letter from each Rating Agency then rating any Bonds confirming that such transfer will not, in and of itself, result in a lowering, suspension, or withdrawal of the ratings then applicable to any Bonds, except to the extent a previous Cash Flow Statement, Authority Certificate and rating confirmation shall apply to such transfer and the Mortgage Loans to be made with such amounts.

Amounts deposited in the Loan Recycling Account shall be applied, upon Authority Request, to finance or refinance Mortgage Loans that satisfy the requirements of the Master Indenture and applicable

provisions of the Related Series Indenture with respect to the Mortgage Loans to be financed or refinanced. The Trustee shall withdraw moneys from the Related subaccount of the Loan Recycling Account for the financing of a Mortgage Loan upon receipt of an Authority Request stating (i) the name of the Person to be paid, and (ii) the amount to be paid.

Moneys remaining in the Related subaccount of the Loan Recycling Account on the date set forth in the Cash Flow Statement in connection with which such moneys were deposited in such subaccount shall be withdrawn therefrom by the Trustee on such date (or such earlier date or dates as may be specified by the Authority), and shall be transferred to the Revenue Fund.

Revenue Fund

The Authority shall pay all Revenues or cause all Revenues to be paid to the Trustee at least once each month. Except as otherwise provided in the Master Indenture or in a Series Indenture, all Revenues Related to each Series of Bonds shall be deposited by the Trustee in the Related subaccount of the Revenue Fund amounts transferred thereto from the Related subaccount of the Loan Recycling Account pursuant to the Master Indenture, from the Related subaccount of the Class I Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Debt Service Reserve Fund pursuant to the Master Indenture, from the Related subaccount of the Class I Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class II Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class III Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class IV Special Redemption Account pursuant to the Master Indenture, from the Related subaccount of the Class II Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Class III Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Class IV Debt Service Fund pursuant to the Master Indenture, from the Related subaccount of the Rebate Fund pursuant to the Master Indenture, and from the Related subaccount of the Excess Earnings Fund pursuant to the Master Indenture.

There may also be deposited in the Revenue Fund, at the option of the Authority, any other moneys of the Authority, unless required to be otherwise applied as provided by the Indenture.

Promptly upon receipt of interest on a Mortgage Loan with respect to which moneys were withdrawn from the Acquisition Account to pay for interest accrued on such Mortgage Loan at the time of purchase from a Mortgage Lender, the Trustee shall withdraw from the Related subaccount of the Revenue Fund and transfer to the Related subaccount of the Acquisition Account an amount equal to such accrued interest paid. Alternatively, accrued interest on Mortgage Loans at the time of purchase may be paid from the Related subaccount of the Revenue Fund as the Authority shall direct in an Authority Request.

The Trustee shall pay or transfer from the Related subaccount of the Revenue Fund (i) directly to the Fiduciaries, all Fiduciary Expenses, when and as payable and (ii) to the Authority or to its order other reasonable and necessary Program Expenses, respectively, only to the extent, if any, provided in the following paragraphs.

On the last Business Day prior to each Payment Date or more frequently if required by a Series Indenture, or on other dates specifically provided below, the Trustee shall withdraw from each subaccount of the Revenue Fund and deposit into the Related subaccounts of the following Funds or Accounts and shall pay to the following parties the following amounts, in the following order of priority, the requirements of each such Fund, Account or party (including the making up of any deficiencies in any such Fund or Account resulting from lack of Revenues sufficient to make any earlier required deposit) at

the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any payment or transfer is made subsequent in priority:

(A) On each August 1, into the Related accounts of the Rebate Fund, an amount to be calculated by the Authority which, when added to the amount already within such respective accounts, will equal the Rebate Requirement Related to the Tax-exempt Bonds of each respective Series, as determined by the Authority;

(B) On each August 1, into the Related accounts of the Excess Earnings Fund, an amount to be calculated by the Authority which, when added to the amount already within such respective accounts, will equal the amount determined by the Authority to be required to be on deposit therein;

(C) Into the Related subaccount of the Class I Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of interest becoming due and payable on such Payment Date upon all Class I Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments becoming due and payable on the Outstanding Related Class I Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class I Auxiliary Obligations on such Payment Date; provided however, that if such Payment Date is not a date for the payment of a Principal Installment on Related Class I Bonds, such transfer shall include an amount equal to that, if made in substantially equal installments on each subsequent Payment Date to and including the next Payment Date that is a date for the Payment of a Principal Installment on Related Class I Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class I Bonds on the next Payment Date;

(D) Into each Unrelated subaccount of the Class I Debt Service Fund, after making any transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (C) as of such date;

(E) Into (1) the Related subaccount of the Loan Recycling Account, at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, but subject to the requirements of the Master Indenture, or (2) the Related subaccount of the Class I Special Redemption Account, or any combination of (1) and (2) above at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, the amount, if any, needed to ensure that the Class I Asset Requirement of the Related Series of Bonds will be met on such Payment Date following such transfer;

(F) Into each Unrelated subaccount of the Class I Special Redemption Account, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (E) as of such date;

(G) Into the Related subaccount of the Class II Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of interest becoming due and payable on such Payment Date upon all Class II Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount

to include the aggregate amount of Principal Installments becoming due and payable on Outstanding Related Class II Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class II Auxiliary Obligations on such Payment Date; provided however, that if such Payment Date is not a date for the payment of a Principal Installment on Related Class II Bonds, such transfer shall include an amount equal to that, if made in substantially equal installments on each subsequent Payment Date to and including the next Payment Date that is a date for the payment of a Principal Installment on Related Class II Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class II Bonds on the next following Payment Date;

(H) Into each Unrelated subaccount of the Class II Debt Service Fund, after making any transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (G) as of such date;

(I) Into the Related subaccount of the Debt Service Reserve Fund, the amount, if any, needed to increase the amount in such subaccount (including the Related Interest Reserve Account), together with the available amount of any Qualified Surety Bond therein, to the Debt Service Reserve Fund Requirement of the Related Series of Bonds;

(J) Into each Unrelated subaccount of the Debt Service Reserve Fund, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of Related Revenues sufficient to make the deposit required by paragraph (I) as of such date;

(K) Into (1) the Related subaccount of the Loan Recycling Account, at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, but subject to the requirements of the Master Indenture, or (2) the Related subaccount of the Class II Special Redemption Account, or any combination of (1) and (2) above at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, the amount, if any, needed to ensure that the Class II Asset Requirement of the Related Series of Bonds will be met on such Payment Date following such transfer;

(L) Into each Unrelated subaccount of the Class II Special Redemption Account, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by paragraph (K) as of such date;

(M) To the Authority, the amount of any reasonable and necessary Fiduciary Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the Authority or reasonably anticipated to be payable in the following six months (or directly to the Fiduciaries, Fiduciary Expenses with respect to the Related Series of Bonds, when and as payable); provided, however, that in no event shall the aggregate of all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries or to the Authority under this paragraph (M) exceed any limitation set forth in the Related Series Indenture for any period;

(N) To the Authority, the amount of any reasonable and necessary Fiduciary Expenses with respect to Unrelated Series of Bonds, on a proportionate basis with all other Unrelated Series of Bonds or as otherwise directed by Authority Request, any deficiency resulting

from the lack of moneys sufficient to make the deposit required by subsection (M) as of such date;

(O) Into the Related subaccount of the Class III Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to the aggregate amount of interest becoming due and payable on such Payment Date upon all Class III Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments required to be paid for the Outstanding Related Class III Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class III Auxiliary Obligations on such Payment Date; provided however, that if such Payment Date is not a date for the payment of a Principal Installment on Related Class III Bonds, such transfer shall include an amount that, if made in substantially equal installments on each subsequent Payment Date to and including the next Payment Date that is a date for the payment of a Principal Installment on Related Class III Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class III Bonds on the next following Payment Date;

(P) Into each Unrelated subaccount of the Class III Debt Service Fund, after making any transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by subsection (O) as of such date;

(Q) To the Authority, the amount of any reasonable and necessary Program Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the Authority or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of such amounts paid to the Authority, plus amounts paid to the Authority with respect to such Series of Bonds pursuant to subsections (M) and (N) above and plus all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries exceed any limitations set forth in the Related Series Indenture;

(R) To the Authority, the amount of any reasonable and necessary Program Expenses with respect to Unrelated Series of Bonds, on a proportionate basis with all other Unrelated Series of Bonds or as otherwise directed by Authority Request, any deficiency resulting from the lack of moneys sufficient to make the deposit required by subsection (Q) as of such date;

(S) Into (1) the Related subaccount of the Loan Recycling Account, at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, but subject to the requirements of the Master Indenture, or (2) the Related subaccounts of the Redemption Fund, or any combination of (1) and (2) above at the election of the Authority evidenced by an Authority Certificate filed with the Trustee, the amount, if any, necessary to satisfy the Class III Asset Requirement of the Related Series of Bonds, calculated as of such next succeeding Payment Date and giving effect to such transfer, which amount shall be allocated to the Related subaccounts of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amounts Outstanding of the Related Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all Related Class I, Class II and Class III Bonds Outstanding;

(T) Into each Unrelated subaccount of the Redemption Fund, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, the additional amount, if any, necessary (after the deposits required by subsection (S) for the Related Series of Bonds) to satisfy the Class III Asset Requirement of such Unrelated Series of Bonds, calculated as of such next succeeding Payment Date and giving effect to such transfer, which amount shall be allocated to the applicable subaccount of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amount Outstanding of the applicable Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all applicable Class I, Class II, and Class III Bonds Outstanding (for purposes of this subsection (T), "applicable" means Related to such Unrelated Series);

(U) Into the Related subaccount of the Class IV Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to the aggregate amount of interest becoming due and payable on such Payment Date upon all Class IV Bonds of the Related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments required to be paid for the Outstanding Related Class IV Bonds on such Payment Date; plus (z) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount becoming due and payable on Outstanding Related Class IV Auxiliary Obligations on such Payment Date;

(V) Into each Unrelated subaccount of the Class IV Debt Service Fund, after making the transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any deficiency in such subaccounts resulting from the lack of moneys sufficient to make the deposit required by subsection (U) as of such date; and

(W) Upon Authority Request, to the Related subaccount of the Loan Recycling Account, in order to finance or refinance Loans or Authority Projects, to the extent permitted by the applicable Series Indenture.

The Authority may direct the Trustee to make any of the above transfers more frequently than on the last Business Day prior to Payment Dates, in amounts proportionate to the frequency of transfers so directed.

Following such transfers, the balance, if any, in each subaccount of the Revenue Fund, or such lesser amount thereof as shall be requested by the Authority shall be paid to the Authority for the payment of Program Expenses or for any other purposes free and clear of the lien and pledge of the Indenture upon receipt of an Authority Request made within 30 days of such Payment Date. Any amount in each subaccount of the Revenue Fund not so paid to the Authority shall be transferred to the Related subaccounts of the Redemption Fund and allocated among the Related subaccounts of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account as provided in the Related Series Indenture.

Prior to, but as close as practicable to, the latest date on which the Trustee would be permitted to give notice of a redemption to occur on a Payment Date from amounts deposited in the Redemption Fund, the Trustee shall calculate the amounts then on deposit in each subaccount of the Revenue Fund which would be transferred to the Related subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund and the Class IV Debt Service Fund, and the Related subaccounts of the Redemption Fund, in accordance with the priorities and provisions of such subsection. Such amounts may be withdrawn from such subaccount of the Revenue Fund for application on or prior

to the next succeeding Payment Date (A) upon receipt of an Authority Request, to the purchase in lieu of redemption of the Related Class I Bonds, Class II Bonds, Class III Bonds or Class IV Bonds, (B) to the payment of accrued interest on Bonds being purchased pursuant to or redeemed pursuant to the Indenture, or (C) to the redemption of Related Class I Bonds, Class II Bonds, Class III Bonds and Class IV Bonds on such Payment Date.

In the event Bonds are to be redeemed on a date other than a Payment Date, and to the extent moneys are not available in the Related subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund or the Class IV Debt Service Fund to pay accrued interest on such redemption date for such Class I Bonds, Class II Bonds, Class III Bonds and Class IV Bonds, respectively, the Trustee shall apply or cause the Paying Agent to apply available moneys in the Related subaccount of the Revenue Fund for the payment of such interest.

Class I Debt Service Fund

Amounts in each subaccount of the Class I Debt Service Fund shall be used and withdrawn by the Trustee solely for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying the interest and Principal Installments on the Related Class I Bonds as the same shall become due and payable (including accrued interest on any Class I Bonds purchased or redeemed prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class I Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class I Bonds purchased in lieu of redemption by Related Class I Sinking Fund Installments.

Amounts remaining in each subaccount of the Class I Debt Service Fund after all the Related Class I Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Debt Service Reserve Fund

Upon the issuance, sale and delivery of a Series of Bonds pursuant to the Indenture, the Trustee shall deposit in the Related subaccount of the Debt Service Reserve Fund and in the Related subaccount of the Interest Reserve Account therein such amounts, if any, as shall be required by the provisions of the Related Series Indenture, which aggregate amount, together with the available amount of any Qualified Surety Bond or Bonds in the Debt Service Reserve Fund, shall be at least sufficient to equal the Debt Service Reserve Fund Requirement relating to such Series of Bonds, calculated after giving effect to the issuance of such Bonds. Moneys on deposit in the Related subaccount of the Interest Reserve Account shall at all times be deemed to be a part of the Related subaccount of the Debt Service Reserve Fund. Additional moneys may be deposited in the Related subaccount of the Debt Service Reserve Fund in accordance with the provision relating to the allocation of moneys in the Revenue Fund described in "Revenue Fund" under this caption.

On or prior to each Payment Date, the Trustee shall calculate the amount of the Debt Service Reserve Fund Requirement for each Series of Bonds as of the next succeeding Payment Date and shall determine the amount, if any, which would then be in the Related subaccount of the Debt Service Reserve Fund (other than amounts attributable to accrued, but unrealized interest purchased on Investment Securities) is in excess of such Requirement, shall notify the Authority of such excess amount and shall, unless otherwise instructed by an Authority Request, transfer such excess amount from the Related subaccount of the Debt Service Reserve Fund, other than the Related subaccount of the Interest Reserve Account therein, to the Related subaccount of the Revenue Fund; provided, however, that if such excess is attributable to amounts invested in Qualified Mortgage Loan Backed Securities, such excess may, at the

option of the Authority, be retained in the Debt Service Reserve Fund. The transfer of such amounts may result in the redemption of Bonds.

On the last Business Day prior to each Payment Date or more frequently if required by a Series Indenture, and in each case in conjunction with the transfers, deposits and payments to be made from the Revenue Fund, the Trustee shall transfer from each subaccount of the Debt Service Reserve Fund (including from the Interest Reserve Account as provided below) to the specified subaccounts of other Funds or Accounts the following amounts (from any cash, Investment Securities or Qualified Surety Bonds therein), in the following order of priority, the requirements of each such transfer to be satisfied, and the results of such satisfaction being taken into account, before any payment or transfer is made subsequent in priority:

(i) In the event that the amount transferred to any subaccount of the Class I Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class I Obligations on the next succeeding Payment Date, the Trustee shall transfer first from the Related subaccount of the Interest Reserve Account, and then if and to the extent necessary from the Related subaccount of the Debt Service Reserve Fund, to such subaccount of the Class I Debt Service Fund the amount of such insufficiency.

(ii) In the event that the amount transferred to any subaccount of the Class I Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class I Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts of the Interest Reserve Account, and then if and to the extent necessary from subaccounts of the Debt Service Reserve Fund, to such subaccount of the Class I Debt Service Fund the amount of such insufficiency.

(iii) In the event that the amount transferred to any subaccount of the Class II Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class II Obligations on the next succeeding Payment Date, the Trustee shall transfer first from the Related subaccount of the Interest Reserve Account, and then if and to the extent necessary from the Related subaccount of the Debt Service Reserve Fund, to such subaccount of the Class II Debt Service Fund the amount of such insufficiency.

(iv) In the event that the amount transferred to any subaccount of the Class II Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class II Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund, on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts of the Interest Reserve Account, and then if and to the extent necessary from subaccounts in the Debt Service Reserve Fund, to such subaccount of the Class II Debt Service Fund, the amount of such insufficiency.

(v) In the event that the amount transferred to any subaccount of the Class III Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class III Obligations on the next succeeding Payment Date, the Trustee shall transfer first from the Related subaccount of the Interest Reserve Account and then if and to the extent necessary from the Related subaccount of the Debt Service Reserve Fund to such subaccount of the Class III Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in the Related subaccount

of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

(vi) In the event that the amount transferred to any subaccount of the Class III Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class III Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts in the Interest Reserve Account, and then if and to the extent necessary from subaccounts in the Debt Service Reserve Fund, to such subaccount of the Class III Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

(vii) In the event that the amount transferred to any subaccount of the Class IV Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class IV Obligations on the next succeeding Payment Date, the Trustee shall transfer from first the Related subaccount of the Interest Reserve Account and then if and to the extent necessary the Related subaccount of the Debt Service Reserve Fund to such subaccount of the Class IV Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in the Related subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

(viii) In the event that the amount transferred to any subaccount of the Class IV Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class IV Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request, first from subaccounts in the Interest Reserve Account, and then if and to the extent necessary from subaccounts in the Debt Service Reserve Fund to such subaccount of the Class IV Debt Service Fund the amount of such insufficiency; provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

Class II Debt Service Fund

Amounts in each subaccount of the Class II Debt Service Fund shall be used and withdrawn by the Trustee for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class II Bonds as the same become due and payable (including accrued interest on any such Class II Bonds redeemed or purchased prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class II Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class II Bonds purchased in lieu of redemption by Class II Sinking Fund Installments.

Amounts remaining in each subaccount of the Class II Debt Service Fund after all the Related Class II Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Class III Debt Service Fund

Amounts in each subaccount of the Class III Debt Service Fund shall be used and withdrawn by the Trustee for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class III Bonds as the same become due and payable (including accrued interest on any such Class III Bonds redeemed or purchased prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class III Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class III Bonds purchased in lieu of redemption by Class III Sinking Fund Installments.

Amounts remaining in each subaccount of the Class III Debt Service Fund after all the Related Class III Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Class IV Debt Service Fund

Amounts in each subaccount of the Class IV Debt Service Fund shall be used and withdrawn by the Trustee for transfer to the Paying Agent (i) on each Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class IV Bonds as the same become due and payable (including accrued interest on any such Class IV Bonds redeemed or purchased prior to maturity pursuant to the Indenture), (ii) on each Payment Date for the purpose of paying amounts due under Related Class IV Auxiliary Obligations as the same shall become due and payable or (iii) on each purchase date for the purpose of paying the purchase price of Related Class IV Bonds purchased in lieu of redemption by Class IV Sinking Fund Installments.

Amounts remaining in each subaccount of the Class IV Debt Service Fund after all the Related Class IV Obligations have been paid or funds have been set aside and held in trust for such payment shall be transferred to the Related subaccount of the Revenue Fund.

Rebate Fund

To the extent required by the Master Indenture, all amounts on deposit in the Related subaccounts of the Funds and Accounts with respect to Tax-exempt Bonds and all amounts pledged to Debt Service Payments on the Related Series of Tax-exempt Bonds pursuant to the Indenture, (i) shall be invested in compliance with the procedures established by the Related Series Indentures and Authority Certificates delivered in connection therewith, and (ii) to the extent required by such Authority Certificates, the investment earnings thereon shall be deposited from time to time into the Related subaccount of the Rebate Fund for timely payment of the Related Rebate Requirement. Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of the Indenture to the extent such amounts constitute the Rebate Requirement. The Authority shall verify or cause to be verified at least annually from the date of delivery of each Series of Tax-exempt Bonds that (i) all of the requirements of this section have been met on a continuing basis, (ii) the proper amounts are deposited into each subaccount of the Rebate Fund, and (iii) the timely payment of the Rebate Requirement from each subaccount of the Rebate Fund has been made. Upon receipt of an opinion of Bond Counsel that the balance in any subaccount of the Rebate Fund is in excess of the amount required to be included therein, such excess shall be transferred to the Revenue Fund.

Excess Earnings Fund

All amounts in a subaccount of the Excess Earnings Fund, including all investment earnings thereon, shall remain therein until transferred or paid by the Trustee to such other Fund or the United States Department of the Treasury or for such other purpose, as the Authority shall specify, upon receipt by the Trustee of (a) an Authority Request directing the Trustee to so transfer or pay a specified amount, and (b) a written opinion of Bond Counsel to the effect that any such transfer or payment, upon satisfaction of any conditions set forth in such opinion, would not cause interest on such Bonds to be includable in the gross income of the Owners thereof for federal income tax purposes. Upon receipt of an opinion of Bond Counsel that the balance in a subaccount of the Excess Earnings Fund is in excess of the amount required to be included therein, such excess shall be transferred to the Revenue Fund.

Moneys in a subaccount of the Excess Earnings Fund may be used to purchase Mortgage Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account, at a purchase price equal to the unpaid balances of the principal amounts of such Mortgage Loans plus accrued interest, if any, thereon, and any unamortized premium, and any such Mortgage Loans so purchased shall be credited to such subaccount of the Excess Earnings Fund. Mortgage Loans in a subaccount of the Excess Earnings Fund may be exchanged for Mortgage Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account having an aggregate principal balance not less than the aggregate principal balance of such Mortgage Loans in such subaccount of the Excess Earnings Fund, upon receipt by the Trustee of an Authority Request specifying the Mortgage Loans to be so exchanged.

If, on the final maturity of all of a Series, there is a balance in a subaccount of the Excess Earnings Fund which is allocated to payments related to such Series, and the Trustee has not received directions meeting the requirements described above for the disposition of such balance, the Trustee shall obtain an opinion of Bond Counsel as to the purposes, if any, to which such balance may be applied without adversely affecting the federal income tax status of interest on such Bonds, and shall thereafter dispose of such balance in accordance with such opinion.

Application of Authority Payment Accounts

If, following transfers made from the Revenue Fund and the Debt Service Reserve Fund, there are not sufficient moneys, or any moneys allocated, to pay all interest or any other required payment due and payable on any General Obligation or to pay any Principal Installment on any General Obligation, the Trustee shall immediately notify the Authority in writing of the amount of such insufficiency and shall request from the Authority an immediate deposit of legally available funds equal to such insufficiency. The Authority shall pay to the Trustee (from the Authority's other general revenues or moneys legally available therefor, subject only to agreements made or to be made with holders of notes, bonds or other obligations pledging particular revenues or moneys for the payment thereof) for deposit in the Related subaccounts of the Authority Payment Account the amount of such insufficiency. If the amount provided by the Authority is less than the amount of such insufficiency, any shortfall shall be allocated pro rata among the holders of the Related General Obligations in proportion to the amounts then due and payable on such Bonds.

Amounts deposited with the Trustee by the Authority as described above shall be deposited into the respective subaccounts of the Authority Payment Accounts for the General Obligations for which such amounts are provided. Amounts in such subaccounts shall only be used to pay interest or Principal Installments or other amounts due and payable on the Related General Obligations and may not be transferred to any Debt Service Fund for Bonds or Auxiliary Obligations which are not General Obligations or to any other Fund or Account for any reason.

Redemption Fund

Moneys deposited in the subaccounts of the Redemption Fund shall be applied by the Trustee to the purchase or applied by the Paying Agent (if directed by the Trustee) to the redemption of Bonds in accordance with the provisions of the Master Indenture and each Related Series Indenture.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class I Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture, shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class I Bonds. Any amounts remaining in such Class I Special Redemption Account after all Class I Bonds of the Related Series have been paid shall be transferred to the Related subaccount of the Revenue Fund.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class II Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class II Bonds. Any amounts remaining in such Class II Special Redemption Account after all Class II Bonds of the Related Series have been paid shall be transferred to the Related subaccount of the Revenue Fund.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class III Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class III Bonds. Any amounts remaining in such Class III Special Redemption Account after all Class III Bonds of the Related Series have been paid shall be transferred to the Revenue Fund.

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class IV Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the earliest practicable date to redeem Related Class IV Bonds. Any amounts remaining in such Class IV Special Redemption Account after all Class IV Bonds of the Related Series have been paid shall be transferred to the Revenue Fund.

Notwithstanding anything contained in the Master Indenture to the contrary, the Authority may by the delivery of an Authority Request to the Trustee at any time prior to the mailing of notices of redemption, instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to another subaccount of the same Account in the Redemption Fund to be applied to the redemption of the same Class of Bonds of a different Series. Each such Authority Request (i) shall certify that it is consistent with the most recently filed Related Cash Flow Statement (which may, if necessary, link the Related Series) and not prohibited by the Related Series Indentures and (ii) shall be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series.

In addition, notwithstanding anything contained in the Master Indenture to the contrary, the Authority may by the delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to a Related or an Unrelated subaccount of the Acquisition Account to be applied to make or purchase Mortgage Loans. Each such Authority Request (i) shall certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture and (ii) shall be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series.

Investment of Moneys Held by the Trustee; Limitation on Investment Yields

Moneys in all Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Securities, in accordance with directions given to the Trustee in an Authority Request or Certificate; provided that the maturity date or the date on which such Investment Securities may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes of the Indenture.

Amounts credited to any Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Investment Security or Investment Securities, provided that each such investment complies in all respects with the provisions of the Master Indenture as they apply to each Fund or Account for which the joint investment is made, the Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein and amounts credited to the Rebate Fund and the Excess Earnings Fund may be invested together with amounts credited to any other Fund or Account. The maturity date or the date on which Investment Securities may be redeemed at the option of holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes provided in the Indenture.

Except as otherwise specifically provided for in the Indenture, the income or interest earned by, or gain to, all Funds and Accounts due to the investment thereof shall be transferred by the Trustee upon receipt thereof to the Related subaccount of the Revenue Fund, in accordance with the Indenture, except that no such transfer shall be made from, and such income, interest or gain (as described above) shall be retained in, the Debt Service Reserve Fund, unless after giving effect to the transfer the amount therein at least equals the aggregate Debt Service Reserve Fund Requirement.

Program Covenants; Enforcement of Mortgage Loans and Servicing Agreements

The Authority covenants in the Indenture that:

(a) It shall use and apply the proceeds of the Bonds and other moneys deposited in the Acquisition Account and any moneys deposited in the Loan Recycling Account for the purposes provided in the Indenture, and consistent with sound banking practices and principles shall do all such acts and things necessary to receive and collect Revenues and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority for the enforcement of all terms, covenants and conditions of Mortgage Loans.

(b) It shall file with the Trustee with each direction to purchase Mortgage Loans, a schedule of Mortgage Loans to be made or purchased by the Trustee identifying the same by reference to the Authority loan number, the party (if applicable) from whom the Mortgage Loan will be purchased, the name of the Borrower, the principal amount due on the Mortgage Loan and the date through which the interest has been paid by the Borrower, the interest rate on the Mortgage Loan and the term of the Mortgage Loan.

(c) It shall maintain an account for each Mortgage Lender having entered into a Mortgage Purchase Agreement with the Authority and shall record therein a description of each Mortgage Loan purchased from such Mortgage Lender.

(d) It shall enforce diligently and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of

all Mortgage Loans consistent with sound lending practices and principles and applicable requirements under the Code, including the prompt payment of all Mortgage Repayments and all other amounts due the Authority thereunder. The Authority shall not without good cause release the obligations of any Borrower under any Mortgage Loan, or of the Servicer under the Servicing Agreement and shall not consent or agree to or permit any amendment or modification of the economic terms of any Mortgage Loan except with respect to a Mortgage Loan in default (or which, with the giving of notice or the passage of time or both, would be in default), and to the extent permitted by law, at all times shall defend, enforce, preserve and protect the rights and privileges of the Authority, the Trustee and the Bondowners under or with respect to all Mortgage Loans, the obligations evidencing such Mortgage Loans and the agreements securing such Mortgage Loans and the Servicing Agreement relating thereto; provided, however, that nothing in this subparagraph (d) or in subparagraph (e) or (f) below shall be construed to prevent the Authority from (i) settling a default on any Mortgage Loan on such terms as the Authority shall determine to be in the best interests of the Authority and the Bondowners; (ii) releasing any Borrower, Servicer or any other Person from, or waiving, any of such Person's obligations under the respective Mortgage Loan, any agreement with respect to security therefor or Servicing Agreement to the extent necessary to comply with the provisions of the Master Indenture or to the extent required by the governmental or private insurer or guarantor, if any, of such Mortgage Loan; or (iii) releasing any mortgagor in connection with an assumption of a Mortgage Loan as permitted in accordance with the requirements of any governmental or private insurer or guarantor.

(e) Whenever it shall be necessary in order to protect and enforce the rights of the Authority under a Mortgage Loan and to protect and enforce the rights and interests of the Trustee and Bondowners under the Indenture, the Authority shall take necessary actions to realize on any applicable mortgage insurance on such Mortgage Loan and to collect, sell or otherwise dispose of the property secured by the Mortgage and, if the Authority deems such to be advisable, shall bid for and purchase the property secured by the Mortgage at any sale thereof and take possession of such property. As an alternative to foreclosure proceedings, the Authority may take such other action as may be appropriate to acquire and take possession of the mortgaged property, including, without limitation, acceptance of a conveyance in lieu of foreclosure.

(f) It shall request payment of governmental insurance or guaranty benefits in cash and not in debentures of such governmental insurer or guarantor in any case where, under government regulations, it is permitted to request such debentures as payment with respect to a defaulted Loan, provided that the Authority may request payment in debentures if it files with the Trustee a Cash Flow Statement. The Authority shall take all necessary actions so as to receive payment from any governmental insurer or guarantor of the maximum amount of insurance or guaranty benefits on the earliest possible date.

Assignment or Disposition of Mortgage Loans; Amendment of Mortgage Loan

Following the acquisition of a Mortgage Loan by the Trustee, the Authority shall not sell, assign, transfer, pledge or otherwise dispose of or encumber any Mortgage Loan or any of the rights of the Authority with respect to any Mortgage Loan or arising out of the Mortgage or the other obligations evidencing or securing any Mortgage Loan except a Mortgage Loan in default, unless the Authority determines that such sale, assignment, transfer or other disposition would not have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Outstanding Bonds. No Bonds shall be redeemed from the proceeds of the sale of Mortgage Loans, other than Mortgage Loans in default, except in accordance with the optional redemption provisions with respect to such Bonds.

The Authority shall not consent or agree to or permit any amendment or modification of the financial terms of any Mortgage Loan in any manner which would have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Outstanding Bonds.

Tax Covenants

The Authority covenants for the benefit of the Owners of each Series of Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes that it will not take any action or omit to take any action with respect to such Bonds, the proceeds thereof, or any other funds of the Authority if such action or omission would cause the interest on such Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, would subject the Authority to any penalties under Section 148 of the Code, or would cause such Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of such Bonds until the date all obligations of the Authority in fulfilling the above covenant under the Code have been met. The Authority shall execute and deliver from time to time such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the Authority with said Sections and the regulations thereunder with respect to the use of the proceeds of such Bonds and any other funds of the Authority. Such certificates, instruments and documents may contain stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the Authority and the Trustee hereby covenant and agree to comply with the provisions of any such stipulation throughout the term of such Bonds.

Creation of Liens

The Authority covenants that it shall not issue any bonds or other evidences of indebtedness, other than the Bonds and Auxiliary Obligations, secured by a pledge of the Revenues or of the moneys, securities, rights and interests pledged or held or set aside by the Authority or by any Fiduciary under the Indenture and shall not create or cause to be created, other than by the Indenture, any lien or charge on the Revenues or such moneys, securities, rights or interests; provided, however, that nothing in the Indenture shall prevent the Authority from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived after the pledge of the Revenues provided in the Indenture shall be discharged and satisfied as provided in the Master Indenture; or (ii) notes or bonds or other obligations of the Authority not secured under the Indenture; or (iii) notes, bonds or other obligations which are general obligations of the Authority under the Act.

Events of Default

Each of the following constitutes an "Event of Default" under the Indenture:

- (a) The Authority shall fail to pay any Principal Installment of any Class I Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;
- (b) The Authority shall fail to pay any installment of interest on any Class I Bond or fail to pay any Class I Auxiliary Obligation when and as the same shall become due and payable, and such failure shall continue for a period of 5 days;
- (c) The Authority shall fail to pay any Principal Installment or interest on any Class II Bond or fail to pay any Class II Auxiliary Obligation when and as the same shall become due

and payable, provided that sufficient moneys for such payment are available in the Class II Debt Service Fund;

(d) The Authority shall fail to pay any Principal Installment or interest on any Class III Bond or fail to pay any Class III Auxiliary Obligation when and as the same shall become due and payable, provided that sufficient moneys for such payment are available in the Class III Debt Service Fund;

(e) The Authority shall fail to pay any Principal Installment or interest on any Class IV Bond or fail to pay any Class IV Auxiliary Obligation when and as the same shall become due and payable, provided that sufficient moneys for such payment are available in the Class IV Debt Service Fund;

(f) The Authority shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Indenture (except the requirement that a Cash Flow Statement satisfy the requirements of clause (b) of the definition thereof and the requirement that the Authority pay amounts to the Trustee from its other revenues, moneys or assets in connection with General Obligations), or in the Bonds and such failure shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than 10% in Aggregate Principal Amount of the Bonds Outstanding; or

(g) The Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of Outstanding Bonds following an Event of Default shall, give 30 days notice in writing to the Authority of its intention to declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Owners of a majority (except as provided in the following paragraph) in Aggregate Principal Amount of Outstanding Bonds shall, by notice in writing to the Authority, declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such Bonds shall become and be immediately due and payable, anything in the Bonds or in the Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

Notwithstanding the preceding paragraph, following an Event of Default described in paragraph (f) or (g) in "Events of Default" under this caption (except for a failure which could adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-exempt Bonds), the Trustee shall not declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable unless the Trustee is so directed by the written request of Owners of 100% in Aggregate Principal Amount of Outstanding Bonds.

At any time after the Aggregate Principal Amount of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may (and, at the direction of the Owners of a majority in Aggregate Principal Amount of the Outstanding Bonds, shall) annul such declaration and its consequences with

respect to any Bonds not then due by their terms if (i) moneys shall have been deposited in the Revenue Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Bonds; (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable under the Indenture as described in "Events of Default" under this caption, including amounts due pursuant to Auxiliary Agreements, shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture; or (ii) to preserve or protect the interests of the Bondowners and Auxiliary Agreement Providers, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of Bonds not making such request or the interests of Auxiliary Agreement Providers.

During the continuance of an Event of Default, the Trustee shall apply, or cause the Paying Agent to apply, all moneys and securities held in any Fund or Account (except the Rebate Fund, the Excess Earnings Fund, the Bond Purchase Fund, the Short Term Bond Account and, with respect to any Bonds or Auxiliary Obligations that are not General Obligations, any Authority Payment Account) (moneys and securities in the Short Term Bond Account and any Authority Payment Account are to be applied only to the payment of interest and Principal Installments on Bonds and payments on Auxiliary Obligations with respect to which such moneys and securities have been pledged), Revenues, payments and receipts and the income therefrom as follows and in the following order:

- (i) To the payment of the reasonable and proper Fiduciary Expenses;
- (ii) To the payment of the interest, Principal Installments and other amounts then due and payable on the Class I Obligations, subject to the provisions of the Master Indenture; as follows:
 - (A) Unless the Aggregate Principal Amount of all of the Class I Bonds shall have become or have been declared due and payable.

First: To the payment to the persons entitled thereto of all installments of interest then due and payable on the Class I Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to

the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Installments of any Class I Obligations and any other required payment on the Class I Obligations which shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Class I Obligations due and payable on any date, then to the payment thereof ratably, according to the amounts of Principal Installments due on such date, to the persons entitled thereto, without any discrimination or preference.

(B) If the Aggregate Principal Amount of all of the Class I Obligations shall have become or have been declared due and payable, to the payment of the principal, interest and other amounts then due and unpaid upon the Class I Obligations without preference or priority of principal over interest or other amounts or of interest over principal or other amounts, or of other amounts over principal or interest or of any installment of interest over any other installment of interest, or of any Class I Obligation over any other Class I Obligation, ratably, according to the amounts due respectively for principal and interest and other amounts, to the persons entitled thereto without any discrimination or preference.

(iii) To the payment of the Principal Installments of and interest and other amounts then due on the Class II Obligations in accordance with the provisions of paragraph (ii) above as if such paragraph referred to the Class II Obligations rather than the Class I Obligations.

(iv) To the payment of the Principal Installments of and interest and other amounts then due on the Class III Obligations in accordance with the provisions of paragraph (ii) above as if such paragraph referred to the Class III Obligations rather than the Class I Obligations.

(v) To the payment of the Principal Installments of and interest and other amounts then due on the Class IV Obligations in accordance with the provisions of paragraph (ii) above as if such paragraph referred to the Class IV Obligations rather than the Class I Obligations.

(vi) To the payment of the amounts required for reasonable and necessary Program Expenses.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute (including the Act) on or after the date of adoption of the Indenture.

Majority Bondowners Control Proceedings

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or to take any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions (in particular, those relating to the priority of the Class I Obligations over Class II, III and IV

Obligations, Class II Obligations over Class III and IV Obligations and Class III Obligations over Class IV Obligations) of the Indenture (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondowners not joining in such direction and provided further that nothing shall impair the right of the Trustee in its discretion to take any other action under the Indenture which it may deem proper and which is not inconsistent with such direction by Bondowners.

General Obligation Bond Default

If the Authority shall fail to pay interest on any General Obligation Bond when due or shall fail to pay any Principal Installment on any General Obligation Bond when due, provided that such failure shall not constitute an Event of Default under the Master Indenture, such failure is declared a "General Obligation Bond Default" under the Indenture. A General Obligation Bond Default shall not constitute an Event of Default under the Indenture and shall not affect the priority of the lien on and pledge granted to Owners of Bonds or Auxiliary Agreement Providers under the Indenture.

Upon the occurrence of a General Obligation Bond Default, the Trustee may and, upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, give 30 days notice in writing to the Authority of its intention to declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Owners of a majority in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, by notice in writing to the Authority, declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such General Obligation Bonds shall become and be immediately due and payable. In such event, there shall be due and payable on the General Obligation Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

At any time after the Aggregate Principal Amount of the General Obligation Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may (and, at the direction of the Owners of a majority in Aggregate Principal Amount of the Outstanding General Obligation Bonds, shall) annul such declaration and its consequences with respect to any General Obligation Bonds not then due by their terms if (i) moneys shall have been deposited in the Related Authority Payment Account sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding General Obligation Bonds; and (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee. No such annulment shall extend to or affect any subsequent General Obligation Bond Default or impair any right consequent thereon.

Upon the occurrence and continuance of a General Obligation Bond Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce the rights of the General Obligation Bondowners under the Act, the General Obligation Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient and consistent with the limitations specified below, including but not limited to:

- (i) Suit upon all or any part of the General Obligation Bonds;
- (ii) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of General Obligation Bonds; and
- (iii) Enforcement of any other right of the General Obligation Bondowners conferred by law or by the Indenture.

Regardless of the happening of a General Obligation Bond Default, the Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture; or (ii) to preserve or protect the interests of the Holders of the General Obligation Bonds, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of General Obligation Bonds not making such request.

The rights and remedies of Owners of General Obligation Bonds upon the occurrence of a General Obligation Bond Default shall be limited to the enforcement of the Authority's general obligation covenant with respect thereto and to the disbursement of amounts available to Owners of General Obligation Bonds from time to time in the Related Debt Service Fund, the Related Special Redemption Account and the Related Debt Service Reserve Fund after provision is made for, and after taking into account the rights of, Owners of Bonds other than General Obligation Bonds and the rights of Auxiliary Agreement Providers as provided in the Indenture. The exercise of remedies upon the occurrence of a General Obligation Bond Default shall not in any manner affect, disturb or prejudice the security and rights of such Owners of Bonds or Auxiliary Agreement Providers under the Indenture.

If the Authority shall fail to pay any amount on any Auxiliary Obligation which constitutes a General Obligation when due, provided that such failure shall not also constitute an Event of Default under the Master Indenture, such failure shall not constitute an Event of Default under the Indenture and shall not affect the priority of the lien and pledge on the Trust Estate granted to Owners of Bonds or Auxiliary Agreement Providers under the Indenture. The rights and remedies of Auxiliary Agreement Providers having Auxiliary Obligations which constitute General Obligations shall be governed by the Related Auxiliary Agreement; however, such rights and remedies shall be limited to the enforcement of the Authority's general obligation covenant with respect thereto and to the disbursement of amounts available with respect to Related Auxiliary Obligations from time to time in the Related Debt Service Fund, the Related Special Redemption Account and the Related Debt Service Reserve Fund based on the lien priority of such Auxiliary Obligation after provision is made for, and after taking into account the rights of, Owners of Bonds or Auxiliary Agreement Providers having a prior lien on the Trust Estate as provided in the Indenture and such exercise of remedies upon shall not in any manner affect, disturb or prejudice the security and rights of such Owners of Bonds or such Auxiliary Agreement Providers under the Indenture.

Modification of Indenture and Outstanding Bonds

The Indenture provides procedures whereby the Authority may amend the Indenture by execution and delivery of a Supplemental Indenture. Amendments that may be made without consent of Bondowners or the Trustee must be for only the following purposes: (a) to add to the covenants and agreements of the Authority in the Indenture, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (b) to add

to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Indenture of the Revenues or of any other moneys, securities or funds; (d) to modify any provisions of the Indenture in any respect whatever, provided that the modification, in the sole judgment of the Authority, is reasonably necessary to assure that the interest on Tax-exempt Bonds remains excludable from the gross income of the owners thereof for federal income tax purposes; or (e) to provide for the issuance of Bonds pursuant to the Indenture and to provide for the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed.

With the consent of the Trustee, a Supplemental Indenture may be executed and delivered by the Authority: (a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture, or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable, provided such action shall not adversely affect the interest of the Owners under the Indenture and are not contrary to or inconsistent with the Indenture theretofore in effect; (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owens or the Trustee; (c) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed by the Authority; (d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture, provided that the loss of such right, power or privilege shall not adversely impact the Revenues available to pay the Outstanding Bonds; (e) to include as pledged revenues or money under, and subject to the provisions of, the Indenture any additional revenues or money legally available therefor; (f) to provide for additional duties of the Trustee in connection with the Mortgage Loans; (g) to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (1) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution by the Authority of such Supplemental Indenture shall cease to be Outstanding, and (2) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution by the Authority of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; (h) to modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939; (i) to make any change as shall be necessary in order to maintain the rating(s) on any of the Bonds from any Rating Agency; or (j) to make any other amendment or change that will not materially adversely affect the interest of Owners of Outstanding Bonds.

Any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Bondowners, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Master Indenture of the Owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owners of all such Bonds, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment without the consent of the Owners of all Bonds then Outstanding or shall change the provisions of the Indenture relating to the ability to declare the Aggregate Principal Amount of Bonds to be due and payable without the consent of the Owners of all Bonds then Outstanding or shall materially adversely affect the rights of the Owners of Class II Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class II Bonds Outstanding, or shall materially adversely affect the rights of the Owners of Class III Bonds without the consent of the

Owners of a majority in Aggregate Principal Amount of Class III Bonds then Outstanding, or shall materially adversely affect the rights of the Owners of Class IV Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class IV Bonds then Outstanding; or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. If any such modification or amendment will, by its terms not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. The Trustee, relying upon a Counsel's Opinion, may determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular maturity would be affected by any modification or amendment of the Indenture, and any such determination shall be binding and conclusive on the Authority and the Bondowners.

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Bondowners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture and if the Authority shall pay or cause to be paid to all Auxiliary Agreement Providers all amounts due and payable under all Auxiliary Agreements, then the pledge of any Revenues, and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to or upon the order of the Authority all moneys or securities held by them pursuant to the Indenture that are not required for the payment of principal, or Redemption Price, if applicable, of or interest on Bonds not theretofore surrendered to them for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or the Paying Agent (through deposit by the Authority of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. Outstanding Bonds shall be deemed, prior to the maturity or redemption date thereof, to have been paid within the meaning and with the effect expressed in the Master Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Bond Registrar in form satisfactory to it irrevocable instructions to transmit a notice of redemption of such Bonds on said date; (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Securities the principal of and the interest on which when due (whether at maturity or the prior redemption thereof at the option of the holder thereof) will provide moneys in an amount that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given to the Bond Registrar in form satisfactory to it irrevocable instructions to transmit, as soon as practicable, a notice to the Bondowners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or

Redemption Price of and interest on said Bonds, and (iv) except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or redemption date, the sufficiency of such moneys or Defeasance Securities shall have been confirmed to the Authority in an opinion signed by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Authority.

APPENDIX B-1

The Outstanding Bonds and Auxiliary Obligations

The Outstanding Bonds

As of August 1, 2011, the Authority had issued and outstanding the following Series of Bonds under the Master Indenture in the Classes as indicated:

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (August 1, 2011)(1)</u>
2001 Series AA:		
Taxable Adjustable 2001 Series AA-1 (Class I)	\$50,000,000	\$30,000,000
Adjustable 2001 Series AA-2 (Class I)	46,840,000	46,840,000
Adjustable 2001 Series AA-3 (Class I)	25,000,000	25,000,000
2001 Series AA-4 (Class II)	10,000,000	10,000,000
2002 Series A:		
Adjustable 2002 Series A-1 (Class I)	\$41,000,000	\$ 7,385,000
Adjustable 2002 Series A-2 (Class I)	12,990,000	4,040,000
Adjustable 2002 Series A-3 (Class I)	23,075,000	18,985,000
2002 Series A-4 (Class I)	4,545,000	2,895,000
2002 Series A-5 (Class II)	12,455,000	2,455,000
2002 Series B:		
Taxable Adjustable 2002 Series B-1 (Class I)	\$15,000,000	\$10,000,000
Taxable Adjustable 2002 Series B-2 (Class I)	60,000,000	8,525,000
Adjustable 2002 Series B-3 (Class I)	40,000,000	39,025,000
2002 Series C:		
Adjustable 2002 Series C-1 (Class I)	\$30,000,000	\$13,185,000
Adjustable 2002 Series C-2 (Class I)	75,000,000	5,780,000
Adjustable 2002 Series C-3 (Class I)	40,000,000	40,000,000
2002 Series C-4 (Class II)	10,000,000	2,800,000
2002 Series C-5 (Class III)	17,000,000	1,365,000
2003 Series A:		
Adjustable 2003 Series A-1 (Class I)	\$42,000,000	\$ 4,620,000
Adjustable 2003 Series A-2 (Class I)	20,000,000	20,000,000
2003 Series A-3 (Class II)	7,000,000	3,000,000
2003 Series A-4 (Class III)	9,000,000	2,745,000
2003 Series B:		
Taxable Adjustable 2003 Series B-1 (Class I)	\$40,000,000	\$33,455,000
Taxable Adjustable 2003 Series B-2 (Class I)	80,000,000	22,670,000
Adjustable 2003 Series B-3 (Class I)	60,000,000	60,000,000
2003 Series B-4 (Class III)	20,000,000	920,000
2003 Series C:		
Taxable Adjustable 2003 Series C-1 (Class I)	\$70,000,000	\$16,360,000
Adjustable 2003 Series C-2 (Class I)	40,000,000	40,000,000
2003 Series C-3 (Class III)	13,000,000	2,100,000

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (August 1, 2011)(1)</u>
2004 Series A:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$60,000,000	\$16,080,000 (2)
Adjustable 2004 Series A-2 (Class I)	50,000,000	50,000,000
2004 Series A-3 (Class III)	13,000,000	2,400,000
2004 Series B:		
Taxable Adjustable 2004 Series B-1 (Class I)	\$50,000,000	\$18,830,000 (2)
Adjustable 2004 Series B-2 (Class I)	40,000,000	40,000,000
2004 Series B-3 (Class III)	11,000,000	2,790,000
2005 Series A:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$50,000,000	\$19,255,000 (2)
Adjustable 2005 Series A-2 (Class I)	40,000,000	40,000,000
2005 Series A-3 (Class III)	10,000,000	2,535,000
2005 Series B:		
Adjustable 2005 Series B-2 (Class I)	\$80,000,000	\$78,050,000
2005 Series B-3 (Class II)	20,000,000	3,500,000
2005 Series B-1A (Class I)	40,000,000	17,510,000
2005 Series B-1B (Class I)	40,000,000	17,510,000
2006 Series A:		
Taxable Adjustable 2006 Series A-1 (Class I)	\$30,000,000	\$ 5,800,000
Adjustable 2006 Series A-2 (Class I)	20,590,000	17,590,000
Adjustable 2006 Series A-3 (Class I)	40,000,000	40,000,000
2006 Series A-4 (Class II)	19,410,000	15,210,000
2006 Series B:		
Taxable Adjustable 2006 Series B-1 (Class I)	\$60,000,000	\$25,790,000
Adjustable 2006 Series B-2 (Class I)	49,325,000	49,325,000
Adjustable 2006 Series B-3 (Class I)	62,945,000	62,945,000
2006 Series B-4 (Class II)	20,000,000	2,685,000
2006 Series C:		
Taxable Adjustable 2006 Series C-1 (Class I)	\$60,000,000	\$25,770,000
Adjustable 2006 Series C-2 (Class I)	70,700,000	70,700,000
2006 Series C-3 (Class II)	29,300,000	23,900,000
2007 Series A:		
Taxable Adjustable 2007 Series A-1 (Class I)	\$70,000,000	\$39,840,000
Adjustable 2007 Series A-2 (Class I)	70,000,000	70,000,000
2007 Series A-3 (Class III)	35,000,000	24,000,000
2007 Series B:		
Taxable Adjustable 2007 Series B-1 (Class I)	\$120,000,000	\$64,565,000
Adjustable 2007 Series B-2 (Class I)	50,000,000	50,000,000
Adjustable 2007 Series B-3 (Class II)	50,000,000	50,000,000
2008 Series A:		
Taxable Adjustable 2008 Series A-1 (Class I)	\$ 60,000,000	\$ 58,080,000
Taxable Adjustable 2008 Series A-2 (Class I)	170,000,000	126,335,000
Adjustable 2008 Series A-3 (Class I)	80,000,000	80,000,000
2008 Series A-4 (Class II)	15,000,000	6,955,000
2008 Series A-5 (Class III)	23,955,000	19,955,000

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (August 1, 2011)(1)</u>
2009 Series A:		
2009 Series A-1 (Class I)	<u>\$90,000,000</u>	\$78,900,000
Total Class I Bonds:	\$2,363,280,000	\$1,611,640,000
Total Class II Bonds:	181,865,000	120,505,000
Total Class III Bonds:	151,955,000	58,810,000
Total Class IV Bonds:	<u>None</u>	<u>None</u>
 TOTAL	 <u>\$2,659,130,000</u>	 <u>\$1,790,955,000</u>

- (1) A portion of these Bonds will be refunded with proceeds of the 2011 Series B Bonds as described in "Part I – PLAN OF FINANCE – The Refunding." This total outstanding principal amount does not include the 2011 Series B Bonds. Concurrently with delivery of the 2011 Series B Bonds, the Authority expects to issue additional Series of Bonds, the proceeds of which will also be used to refund certain of these Bonds. See "Part I – PLAN OF FINANCE – Additional Refunding Bonds." For further details about the terms of the Bonds, see footnote (6) to the audited 2010 financial statements of the Authority, included as **Appendix G**.
- (2) 2004 Series A-1 Bonds in the principal amount of \$3,500,000, 2004 Series B-1 Bonds in the principal amount of \$2,200,000 and 2005 Series A-1 Bonds in the principal amount of \$3,000,000 were redeemed at the option of the Authority on September 1, 2011.

The Outstanding Auxiliary Obligations

The Auxiliary Obligations under the Master Indenture are the obligations of the Authority for the payment of money under Liquidity Facilities and Interest Rate Contracts.

Liquidity Facilities

The Authority has previously entered into Standby Bond Purchase Agreements (constituting Liquidity Facilities under the Master Indenture) among the Authority, the Paying Agent and a Liquidity Facility Provider. The following table describes the Liquidity Facility currently in effect (or to be in effect as a result of the remarketing of the Remarketed Bonds) with respect to each outstanding Series of Adjustable Rate Bonds under the Master Indenture, the name of the Liquidity Facility Provider and the expiration date (unless earlier terminated or, in some cases as permitted, extended).

Outstanding Liquidity Facilities and Providers (1)

<u>Series of Adjustable Rate Bonds (2)</u>	<u>Related Liquidity Facility Provider</u>	<u>Expiration Date of Liquidity Facility</u>	<u>Bank Bond Rate/ Accelerated Payments/Lien</u>
2001AA-1, AA-2, and AA-3	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2002A-1, A-2, and A-3	Federal Home Loan Bank of Topeka	April 25, 2012	(6)
2002B-1, B-2, and B-3	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2002C-1, C-2, and C-3	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2003A-1 and A-2	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2003B-1	Fannie Mae and Freddie Mac	December 16, 2012 (4)	(5)
2003B-2	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2003B-3	Federal Home Loan Bank of Topeka	December 16, 2013	(6)
2003C-1	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2003C-2 (3)	Dexia Credit Local	April 13, 2012	(7)
2004A-1	Dexia Credit Local	April 13, 2012	(7)
2004A-2	Royal Bank of Canada	October 12, 2014	(8)
2004B-1	Dexia Credit Local	April 13, 2012	(7)
2004B-2	Royal Bank of Canada	October 12, 2014	(8)
2005A-1 and A-2	Royal Bank of Canada	October 12, 2014	(8)
2005B-2	Barclays Bank PLC	September 6, 2012	(9)
2006A-1, A-2 and A-3	Federal Home Loan Bank of Topeka	May 6, 2014	(6)
2006B-1	Fannie Mae and Freddie Mac	December 16, 2012 (4)	(5)
2006B-2 and B-3	Federal Home Loan Bank of Topeka	June 3, 2014	(6)
2006C-1	Fannie Mae and Freddie Mac	December 16, 2012 (4)	(5)
2006C-2	Federal Home Loan Bank of Topeka	June 24, 2014	(6)
2007A-1	Fannie Mae and Freddie Mac	December 16, 2012 (4)	(5)
2007A-2	Federal Home Loan Bank of Topeka	June 24, 2014	(6)
2007B-1	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)
2007B-2	Royal Bank of Canada	October 12, 2014	(8)
2007B-3	KBC Bank N.V.	October 18, 2012	(10)
2008A-1, A-2 and A-3	Fannie Mae and Freddie Mac	December 31, 2012 (4)	(5)

(1) As of August 1, 2011 (except as noted).

(2) A portion of these Bonds will be refunded with proceeds of the 2011 Series B Bonds as described in "Part I – PLAN OF FINANCE – The Refunding" and with proceeds of certain additional Bonds expected to be issued by the Authority concurrently with delivery of the 2011 Series B Bonds, as described in "Part I – PLAN OF FINANCE – Additional Refunding Bonds." Upon redemption, the related Liquidity Facilities will no longer be in effect with respect to such portions of these Series of Bonds which are refunded.

(3) Following the refunding anticipated as described in footnote (2), the Authority expects to substitute a standby bond purchase agreement delivered by Royal Bank of Canada for the Liquidity Facilities relating to all or a portion of the related Series of Bonds.

(4) The Department of Treasury announced in September, 2011 its understanding that Fannie Mae and Freddie Mac intend to amend the Temporary Credit and Liquidity Facilities to extend the expiration dates from December 2012 to December 31, 2015.

(5) (a) Bank Rate: prime rate (based on JPMorgan Prime Rate) plus 1.00%.

(b) Term out provisions: accelerated principal payment due in full on tenth anniversary of the purchase date. Class I lien.

(6) (a) Bank Rate: One-Month LIBOR plus 2.00% (1.50% for 2003 Series B-3 Bonds).

(b) Term out provisions: repayments due 90 days following purchase date in equal semiannual installments until fifth anniversary of the purchase date. Class III lien/General Obligation.

(7) (a) Bank Rate: the higher of (a) prime rate and (B) Fed funds rate plus .50%.

(b) Term out provisions: eight equal quarterly payments following the purchase date. Class III lien/General Obligation.

(8) (a) Bank Rate: for the first 90 days following the purchase date, the "Base Rate" which equals the highest of (i) the prime rate plus 2.50%, (ii) the Fed funds rate plus 3.00% and (iii) 8.00%; then for the period 91-180 days following the purchase date, the Base Rate plus 1.00%; then for the period 181 days and higher following the purchase date, the Base Rate plus 2.00%.

(b) Term out provisions: repayments due on the first business day of February, May, August or November on or following 90 days following purchase date and thereafter quarterly on each such dates in equal installments to the third anniversary of such purchase date. Class I lien.

(9) (a) Bank Rate: for the first 30 days following the purchase date, the "Base Rate" which equals the highest of the Fed funds plus 5%, prime rate plus 5% and Three-Month LIBOR plus 5%; then for the period 31-90 days following the purchase date, the Base Rate plus 2.00%; then for the period 91 days and higher following the purchase date, 12%.

(b) Term out provisions: accelerated principal payment due in full on the date which is three years following the purchase date. Class III lien/General Obligation.

(10) (a) Bank Rate: the higher of (a) prime rate or (b) Fed funds rate plus 1%.

(b) Term out provisions: 10 equal semiannual installments following the purchase date. Class III lien/General Obligation.

The Authority's obligations to repay the Liquidity Facility Providers prior to stated maturity or any mandatory sinking fund redemption date for any principal amounts due on any Bank Bonds outstanding under a Liquidity Facility constitute in some cases Class III Obligations under the Master Indenture and also constitute general obligations of the Authority and, for other Series, constitute Class I Obligations under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to the Liquidity Facility Providers and the Liquidity Facilities."

Outstanding Interest Rate Contracts

In connection with the issuance of certain outstanding Adjustable Rate Bonds under the Master Indenture, the Authority has previously entered into the following Interest Rate Contracts:

<u>Outstanding Interest Rate Contracts (1)</u>	<u>Amount (2)</u>	<u>Counterparty</u>
2001 Series AA Interest Rate Contracts:		
Taxable Adjustable 2001 Series AA-1 (Class I)	\$30,000,000	Barclays Bank PLC
Adjustable 2001 Series AA-2 (Class I)	\$46,840,000	Barclays Bank PLC
Adjustable 2001 Series AA-3 (Class I)	\$15,340,000	Barclays Bank PLC
2002 Series A Interest Rate Contract:		
Adjustable 2002 Series A-3 (Class I)	\$18,155,000	Barclays Bank PLC
2002 Series B Interest Rate Contract:		
Adjustable 2002 Series B-3 (Class I)	\$39,025,000	Barclays Bank PLC
2002 Series C Interest Rate Contract:		
Adjustable 2002 Series C-3 (Class I)	\$40,000,000	Barclays Bank PLC
2003 Series A Interest Rate Contract:		
Adjustable 2003 Series A-2 (Class I)	\$20,000,000	Barclays Bank PLC
2003 Series B Interest Rate Contracts:		
Taxable Adjustable 2003 Series B-1 (Class I)	\$33,455,000	Barclays Bank PLC
Taxable Adjustable 2003 Series B-2 (Class I)	\$22,670,000	Royal Bank of Canada
Adjustable 2003 Series B-3 (Class I)	\$60,000,000	Barclays Bank PLC
2003 Series C Interest Rate Contracts:		
Taxable Adjustable 2003 Series C-1 (Class I)	\$6,825,000	Bayerische Landesbank
Adjustable 2003 Series C-2 (Class I)	\$40,000,000	Barclays Bank PLC
2004 Series A Interest Rate Contracts:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$5,405,000	Bayerische Landesbank
Adjustable 2004 Series A-2 (Class I)	\$50,000,000	AIG Financial Products Corp.
2004 Series B Interest Rate Contracts:		
Taxable Adjustable 2004 Series B-1 (Class I)	\$4,370,000	UBS AG, Stamford Branch
Adjustable 2004 Series B-2 (Class I)	\$40,000,000	AIG Financial Products Corp.
2005 Series A Interest Rate Contracts:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$9,100,000	UBS AG, Stamford Branch
Adjustable 2005 Series A-2 (Class I)	\$40,000,000	AIG Financial Products Corp.
2005 Series B Interest Rate Contract:		
Adjustable 2005 Series B-2 (Class I)	\$78,050,000	AIG Financial Products Corp.
2006 Series A Interest Rate Contracts:		
Taxable Adjustable 2006 Series A-1 (Class I)	\$5,800,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series A-3 (Class I)	\$40,000,000	Bank of America, N.A.
2006 Series B Interest Rate Contracts:		
Taxable Adjustable 2006 Series B-1 (Class I)	\$25,790,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series B-2 (Class I)	\$49,325,000	Bank of America, N.A.
Adjustable 2006 Series B-3 (Class I)	\$62,945,000	Bank of America, N.A.
2006 Series C Interest Rate Contracts:		
Taxable Adjustable 2006 Series C-1 (Class I)	\$25,770,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series C-2 (Class I)	\$70,700,000	Bank of America, N.A.

2007 Series A Interest Rate Contracts:

Taxable Adjustable 2007 Series A-1 (Class I)	\$35,595,000	JPMorgan Chase Bank, N.A.
Adjustable 2007 Series A-2 (Class I)	\$70,000,000	Bank of America, N.A.

2007 Series B Interest Rate Contracts:

Taxable Adjustable 2007 Series B-1 (Class I)	\$64,565,000	JPMorgan Chase Bank, N.A.
Adjustable 2007 Series B-2 (Class I)	\$50,000,000	Bank of America, N.A.
Adjustable 2007 Series B-3 (Class II)	\$50,000,000	Barclays Bank PLC

2008 Series A Interest Rate Contracts:

Taxable Adjustable 2008 Series A-1 (Class I)	\$57,580,000	JPMorgan Chase Bank, N.A.
Taxable Adjustable 2008 Series A-2 (Class I)	\$87,315,000	Citi
Adjustable 2008 Series A-3 (Class I)	\$80,000,000	AIG Financial Products Corp.

Total Outstanding Class I Interest Rate Contracts (1) \$1,324,620,000

Total Outstanding Class II Interest Rate Contracts (1) \$50,000,000

(1) Certain of these Interest Rate Contracts relate to the Refunded Bonds and the Bonds to be refunded with certain additional Bonds expected to be issued by the Authority concurrently with delivery of the 2011 Series B Bonds. In connection with the Refunding, such Interest Rate Contracts related to the Refunded Bonds will be allocated in whole or in part to the 2011 Series B Bonds. See "Part I – PLAN OF FINANCE."

(2) As of August 1, 2011.

Any payments or receipts received by the Authority under the Interest Rate Contracts are pledged under the Master Indenture as Revenues, as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Revenues" and "– Interest Rate Contracts." Other than in the case of the Interest Rate Contract relating to the Single Family Mortgage Adjustable Rate Class II Bonds, 2007 Series B-3, the Authority's obligation to make regular interest payments to the counterparties under each of the Interest Rate Contracts constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Interest Rate Contracts in the event of early termination is a general obligation of the Authority and not secured by the Trust Estate under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to Interest Rate Contracts" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority." See footnote (8) to the audited 2010 financial statements of the Authority, included as **Appendix G**.

APPENDIX B-2

The Mortgage Loan Portfolio

As of August 1, 2011, First Mortgage Loans with an outstanding aggregate principal balance of \$1,419,720,174 and Second Mortgage Loans with an outstanding aggregate principal balance of \$32,899,217 had been acquired in the Acquisition Account as a part of the Trust Estate. The following information with respect to such outstanding Mortgage Loans has been provided as of the dates so indicated:

INFORMATION CONCERNING THE MORTGAGE LOANS AS OF AUGUST 1, 2011								
Series of Bonds	Outstanding Aggregate Principal Balance of First Mortgage Loans	Aggregate Number of Outstanding First Mortgage Loans	Average Principal Balance per First Mortgage Loan	Average Coupon of First Mortgage Loans	Weighted Average Maturity of First Mortgage Loans	Outstanding Aggregate Principal Balance of Second Mortgage Loans	Aggregate Number of Outstanding Second Mortgage Loans	Average Principal Balance per Second Mortgage Loan
2001AA	\$69,051,170	696	\$99,211	6.08%	22.66	\$17,388,093	4,451	\$3,907
2002A	29,335,657	318	92,250	5.76	21.79	--	--	--
2002B	45,712,361	442	103,422	6.00	22.20	475,611	127	3,745
2002C	57,066,803	542	105,289	5.80	22.15	624,381	170	3,673
2003A	27,524,616	261	105,458	5.51	21.97			
2003B	83,972,621	795	105,626	5.48	22.25	1,182,027	332	3,560
2003C	51,121,302	493	103,694	5.48	22.50	--	--	--
2004A	57,131,038	522	109,446	5.33	22.89	--	--	--
2004B	51,908,072	421	123,297	5.29	23.29	--	--	--
2005A	53,065,962	433	122,554	5.46	23.62	--	--	--
2005B	95,857,966	797	120,273	5.46	23.96	--	--	--
2006A	64,526,235	548	117,749	5.39	24.34	--	--	--
2006B	105,407,231	869	121,297	5.72	24.83	2,612,131	661	3,952
2006C	85,493,234	688	124,263	6.11	25.34	7,564,983	1,901	3,979
2007A	109,075,460	859	126,980	5.74	25.67	3,001,991	788	3,810
2007B	135,951,488	1,064	127,774	6.05	26.06	--	--	--
2008A	231,609,679	1,698	136,401	6.26	27.53	50,000	2	25,000
2009A	65,909,279	554	118,970	5.60	26.94	--	--	--
Total	\$1,419,720,174	12,000	\$118,310	5.79%	24.67	\$32,899,217	8,432	\$3,902
Average for Portfolio	\$78,873,343	667	\$118,310	5.79%	24.67	\$1,827,734	468	\$3,902

**MORTGAGE INSURANCE INFORMATION FOR MORTGAGE LOANS
AS OF AUGUST 1, 2011**

Series of Bonds	First Mortgage Loans					Second Mortgage Loans - Uninsured
	Private Mortgage Insurance	FHA – Insured	VA – Guaranteed	RHCDS-Guaranteed	Uninsured	
2001AA	9.4%	55.1%	4.5%	3.7%	7.3%	20.1%
2002A	2.1	86.1	5.4	3.2	3.2	0.0
2002B	8.0	77.7	5.0	3.4	4.9	1.0
2002C	7.4	77.1	6.8	2.9	4.8	1.1
2003A	2.5	85.1	8.5	1.0	2.9	0.0
2003B	3.9	82.0	5.1	3.2	4.4	1.4
2003C	1.5	87.2	4.8	2.5	4.0	0.0
2004A	5.4	73.2	9.1	4.2	8.2	0.0
2004B	3.1	79.2	13.7	2.1	1.9	0.0
2005A	3.7	77.1	10.5	2.9	5.8	0.0
2005B	6.3	74.2	11.3	3.1	5.1	0.0
2006A	9.4	67.2	13.1	2.4	8.0	0.0
2006B	22.8	54.5	7.3	3.0	9.9	2.4
2006C	24.1	57.5	3.9	2.0	4.3	8.1
2007A	41.9	40.4	5.1	1.9	8.0	2.7
2007B	42.5	44.6	4.6	1.5	6.9	0.0
2008A	31.6	59.9	4.5	1.4	2.6	0.0
2009A	0.8	83.6	4.5	1.6	9.5	0.0
Average for Portfolio	18.3%	64.8%	6.5%	2.4%	5.7%	2.3%

**INFORMATION CONCERNING PROPERTY TYPES FOR FIRST MORTGAGE LOANS
AS OF AUGUST 1, 2011**

Series of Bonds	Single Family Detached	Condo/Townhome	Other
2001AA	79.8%	15.0%	5.2%
2002A	74.1	23.7	2.2
2002B	70.9	26.0	3.1
2002C	68.1	27.6	4.3
2003A	65.3	30.8	3.9
2003B	69.6	27.2	3.2
2003C	67.1	28.9	4.0
2004A	70.7	25.4	3.9
2004B	72.5	23.8	3.7
2005A	72.5	24.2	3.3
2005B	68.7	27.0	4.2
2006A	71.3	24.2	4.5
2006B	72.0	23.1	5.0
2006C	67.4	23.6	9.0
2007A	66.7	20.9	12.3
2007B	67.3	23.6	9.1
2008A	75.4	16.0	8.6
2009A	70.4	18.4	11.2
Average for Portfolio	71.0%	22.5%	6.5%

FORECLOSURE AND DELINQUENCY STATISTICS FOR FIRST AND SECOND MORTGAGES (1) AS OF AUGUST 1, 2011												
Series of Bonds	Number of Loans Financed	Number of Loans Prepaid in Full	Number of Loans Foreclosed to Date	Number of Real Estate Owned	Number of Mortgage Loans Outstanding	Number of Loan Delinquencies 60-90 Days	Value of Loans Delinquent 60-90 Days	Percentage of Total Loans Delinquent 60-90 Days*	Number of Loans in Foreclosure	Value of Loans in Foreclosure	Percentage of Loans in Foreclosure*	Percentage of All Loans Delinquent and Foreclosure*
2001AA	10,667	5,341	185	4	5,147	101	\$5,355,635	6.20%	13	\$1,230,914	1.42%	1.42%
2002A	1,156	730	108	3	318	19	1,906,437	6.50	9	777,028	2.65	2.65
2002B	1,767	1,039	160	0	569	38	4,506,465	9.76	13	1,309,958	2.84	2.84
2002C	2,071	1,222	138	3	712	33	4,015,418	6.96	11	1,098,464	1.90	1.90
2003A	672	333	78	0	261	22	2,432,346	8.84	5	574,932	2.09	2.09
2003B	2,576	1,285	165	5	1,127	50	5,577,520	6.55	18	1,829,855	2.15	2.15
2003C	947	366	88	1	493	31	3,294,418	6.44	7	787,690	1.54	1.54
2004A	908	289	97	1	522	37	3,851,636	6.74	11	956,527	1.67	1.67
2004B	684	197	65	2	421	24	2,909,322	5.60	12	1,311,862	2.53	2.53
2005A	701	192	76	1	433	17	2,559,662	4.26	11	1,177,279	2.22	2.22
2005B	1,240	317	126	4	797	57	7,081,719	7.39	27	3,374,045	3.52	3.52
2006A	773	163	62	4	548	35	4,831,021	7.49	10	1,330,366	2.06	2.06
2006B	2,258	612	117	9	1,530	57	7,332,525	6.79	20	2,739,040	2.54	2.54
2006C	3,471	802	82	6	2,589	58	7,183,941	7.72	23	2,581,860	2.77	2.77
2007A	2,136	412	78	12	1,647	68	9,170,508	8.18	21	2,786,871	2.49	2.49
2007B	1,441	289	88	10	1,064	88	11,549,284	8.50	33	4,320,790	3.18	3.18
2008A	2,204	384	121	14	1,700	149	20,727,367	8.95	64	8,618,546	3.72	3.72
2009A	662	96	14	1	554	39	5,203,213	7.89	21	2,643,623	4.01	4.01
Total	36,334	14,069	1,848	80	20,432	923	\$109,188,436	7.52%	329	\$39,449,650	2.72%	2.72%

(1) Estimated

*Percentages are based on outstanding principal amount of the Loans.

As of August 1, 2011, the following balances were held in the respective subaccounts under the Master Indenture:

<u>Accounts</u>	<u>Amounts on Deposit (as of August 1, 2011)</u>
<u>2001AA Subaccount:</u>	
Loan Recycling Account	\$10,382,089
Loan Recycling Account (Non-Qualified)	347
<u>2002A Subaccount:</u>	
Loan Recycling Account	2,442
<u>2002B Subaccount:</u>	
Loan Recycling Account	7,719
<u>2002C Subaccount:</u>	
Loan Recycling Account	678
<u>2003A Subaccount:</u>	
Loan Recycling Account	2,750
<u>2003B Subaccount:</u>	
Loan Recycling Account (Non-Qualified)	2,017,898
<u>2004A Subaccount:</u>	
Loan Recycling Account	272
<u>2006B Subaccount:</u>	
Loan Recycling Account	3,464,452
<u>2006C Subaccount:</u>	
Loan Recycling Account	3,403,695
<u>2007A Subaccount:</u>	
Loan Recycling Account	751
<u>2008A Subaccount:</u>	
Acquisition Account	<u>520</u>
Total	<u>\$19,283,613</u>

APPENDIX C

Remarketing Agents

Remarketing Agents for Adjustable Rate Bonds

In connection with the Adjustable Rate Bonds outstanding under the Master Indenture, the Authority has entered into remarketing agreements with the respective remarketing agents set forth in the following table. *There will be no remarketing agent appointed in connection with the 2011 Series B Bonds.*

Outstanding Remarketing Agents under Master Indenture as of August 1, 2011 (except as noted)

<u>Series of Bonds</u>	<u>Remarketing Agent</u>
2001 Series AA-1	RBC Capital Markets, LLC
2001 Series AA-2	RBC Capital Markets, LLC
2001 Series AA-3	RBC Capital Markets, LLC
2002 Series A-1	D.A. Davidson & Co.
2002 Series A-2	George K. Baum & Company
2002 Series A-3	George K. Baum & Company
2002 Series B-1	J.P. Morgan Securities Inc.
2002 Series B-2	J.P. Morgan Securities Inc.
2002 Series B-3	J.P. Morgan Securities Inc.
2002 Series C-1	D.A. Davidson & Co.
2002 Series C-2	RBC Capital Markets, LLC
2002 Series C-3	Barclays Capital Inc.
2003 Series A-1	D.A. Davidson & Co.
2003 Series A-2	RBC Capital Markets, LLC
2003 Series B-1	Barclays Capital Inc.
2003 Series B-2	J.P. Morgan Securities Inc.
2003 Series B-3	J.P. Morgan Securities Inc.
2003 Series C-1	J.P. Morgan Securities Inc.
2003 Series C-2	J.P. Morgan Securities Inc.
2004 Series A-1	Loop Capital Markets, LLC
2004 Series A-2*	RBC Capital Markets, LLC
2004 Series B-1	Barclays Capital Inc.
2004 Series B-2*	RBC Capital Markets, LLC
2005 Series A-1*	RBC Capital Markets, LLC
2005 Series A-2*	RBC Capital Markets, LLC
2005 Series B-2	Barclays Capital Inc.
2006 Series A-1	George K. Baum & Company
2006 Series A-2	D.A. Davidson & Co.
2006 Series A-3	George K. Baum & Company
2006 Series B-1	Barclays Capital Inc.
2006 Series B-2*	RBC Capital Markets, LLC
2006 Series B-3	RBC Capital Markets, LLC
2006 Series C-1	Barclays Capital Inc.
2006 Series C-2	RBC Capital Markets, LLC
2007 Series A-1	Barclays Capital Inc.
2007 Series A-2	Loop Capital Markets, LLC
2007 Series B-1	J.P. Morgan Securities Inc.
2007 Series B-2	RBC Capital Markets, LLC
2007 Series B-3	RBC Capital Markets, LLC
2008 Series A-1	J.P. Morgan Securities Inc.
2008 Series A-2	Barclays Capital Inc.
2008 Series A-3	J.P. Morgan Securities Inc.

* As of October 12, 2011

The Remarketing Agents are Paid by the Authority

The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing the Adjustable Rate Bonds that are optionally tendered by the owners thereof. The Remarketing Agents are appointed by the Authority and are paid by the Authority for their services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of Adjustable Rate Bonds.

The Remarketing Agents May Purchase Adjustable Rate Bonds for their Own Account

The Remarketing Agents are permitted, but not obligated, to purchase the tendered Adjustable Rate Bonds for their own account. The Remarketing Agents, in their sole discretion, may acquire tendered Adjustable Rate Bonds for their own inventory in order to achieve a successful remarketing of the Adjustable Rate Bonds (i.e., because there otherwise are not enough buyers to purchase the Adjustable Rate Bonds) or for other reasons. However, the Remarketing Agents are not obligated to purchase Adjustable Rate Bonds, and may cease doing so at any time without notice. The Remarketing Agents may also make a market in the Adjustable Rate Bonds by purchasing and selling such Adjustable Rate Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the Adjustable Rate Bonds. If the Remarketing Agents purchase Adjustable Rate Bonds for their own account, they may offer those Adjustable Rate Bonds at a discount to par to some investors. The Remarketing Agents may also sell any Adjustable Rate Bonds they have purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Adjustable Rate Bonds. The purchase of Adjustable Rate Bonds by the Remarketing Agents may create the appearance that there is greater third party demand for the Adjustable Rate Bonds in the market than is actually the case. The practices described above also may reduce the supply of Adjustable Rate Bonds that may be tendered in a remarketing.

Adjustable Rate Bonds may be Offered at Different Prices on any Date

The Remarketing Agents are required to determine on the rate determination date the applicable rate of interest that, in their judgment, is the lowest rate that would permit the sale of the respective Adjustable Rate Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the "**Effective Date**"). The interest rate will reflect, among other factors, the level of market demand for such Adjustable Rate Bonds (including whether the Remarketing Agents are willing to purchase such Remarketed Bond for their own account). The Remarketing Agreements require that the Remarketing Agents use their best efforts to sell respective tendered Adjustable Rate Bonds at par, plus accrued interest. There may or may not be Adjustable Rate Bonds tendered and remarketed on a rate determination date or an Effective Date, the Remarketing Agents may or may not be able to remarket any respective Adjustable Rate Bonds tendered for purchase on such date at par and the Remarketing Agents may sell such Bond at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the Adjustable Rate Bonds at the remarketing price.

The Ability to Sell the Adjustable Rate Bonds other than through Tender Process may be Limited

While the Remarketing Agents may buy and sell the Adjustable Rate Bonds, they are not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Adjustable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Adjustable Rate Bonds other than by tendering the Adjustable Rate Bonds in accordance with the tender process.

APPENDIX D

Insurance Limitations and Requirements; Investments

Insurance Limitations and Requirements

The Series Indentures require that Mortgage Loans (i) be insured by the FHA, (ii) be guaranteed by the VA, HUD or the Rural Housing Service (formerly the RHCDS, a successor agency to the FmHA), (iii) be Private Mortgage Insurance Mortgage Loans, (iv) be a Mortgage Loan which is not insured or guaranteed but (except for any second mortgage) has an original principal amount less than 80% of the appraised value (at the time of origination of such Mortgage Loan) or purchase price, whichever is less, of the property securing such Mortgage Loan (an "**Uninsured Mortgage Loan**") or (v) otherwise be a type of Mortgage Loan the acquisition of which (as confirmed by each Rating Agency) will not adversely affect such Rating Agency's then current rating on any Bonds. Furthermore, the Authority may use amounts in the Acquisition Account to acquire First and Second Mortgage Loans originated under the HUD Section 184 Indian Housing Guarantee Program, which provides a 100% loan guarantee to the Authority. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM" and **Appendix I – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE."**

Private Mortgage Insurance Mortgage Loans must be insured by a private insurance company approved by the Authority, qualified to transact business in the State and to provide insurance on mortgages purchased by Freddie Mac or Fannie Mae and rated by each Rating Agency then rating the Bonds, at the time each Private Mortgage Insurance Mortgage Loan under the Indenture is made or originated, as set forth in the respective series indenture (a "**Private Insurer**"). Such insurance must remain in force except as otherwise required by the Homeowners Protection Act of 1998, as amended, 12 U.S.C. 4901, et, seq. or other applicable laws, or at the option of the Authority, the Private Mortgage Insurance (if borrower paid) may be cancelable after the outstanding principal balance of the Mortgage Loan is reduced to 80% or less of the appraised value (based on the original appraisal) of the property securing the Mortgage Loan.

As of August 1, 2011, the following Private Insurers were providing insurance for the respective percentages of First Mortgage Loans (based on outstanding principal balance):

**Private Mortgage Insurance Mortgage Loans
and Private Insurers**

<u>Name of Private Insurer (3)</u>	<u>Percentage of Trust Estate (1)</u>	<u>Percentage of Private Mortgage Insurance Mortgage Loans (2)</u>
Mortgage Guaranty Ins.	6.92%	37.82%
Genworth	5.19	28.37
RMIC	2.20	12.00
United Guaranty Corp.	1.99	10.89
PMI Mortgage Insurance (4)	1.05	5.72
Triad Guaranty Insurance	0.50	2.71
Radian Guaranty Inc.	0.40	2.16
Other	<u>0.06</u>	<u>0.33</u>
Total Percentage	18.30%	100.00%

- (1) Aggregate principal balance of First Mortgage Loans in the Trust Estate as of August 1, 2011 was approximately \$1.42 billion.
- (2) Aggregate principal balance of First Mortgage Loans as of August 1, 2011 which were Private Mortgage Insurance Mortgage Loans was approximately \$265.8 million.
- (3) The ratings of several of these Private Insurers have been downgraded since the time that the Private Mortgage Insurance Mortgage Loans in the Trust Estate which are insured by such Private Insurers were originated, and such ratings are in most cases below the rating levels which were required for such Private Insurers by the applicable series indentures at the time of such originations.
- (4) It has recently been reported that regulators have taken over PMI Mortgage Insurance, and that insurance claims made to PMI will be paid 50% in cash and the remainder of the claims will be deferred.

As of August 1, 2011, 18.30% of the \$1.42 billion aggregate principal amount of First Mortgage Loans in the Trust Estate were Private Mortgage Insurance Mortgage Loans. Due to the downgrade in the ratings of most Private Insurers, there has been a significant reduction of Private Mortgage Insurance Mortgage Loans being purchased by the Authority and an increase in the number of government insured or guaranteed Mortgage Loans being purchased by the Authority during the past two years. The Authority currently does not accept reservations for mortgage loans which are Private Mortgage Insurance Mortgage Loans except in very limited circumstances.

Investments

In connection with the prior issuance of Bonds outstanding under the Master Indenture, the Authority has invested certain amounts in Series subaccounts of Funds related to such Bonds in investment agreements with the investment providers and outstanding amounts on deposit, and at the rates, as of August 1, 2011 as set forth in the following table. As of August 1, 2011, the total amounts in Funds held under the Master Indenture invested with the respective investment providers were as follows: \$65,919,109 with Natixis Funding Corp.; \$24,340,346 with Trinity Funding Company, LLC; \$9,613,500 with Royal Bank of Canada; and \$5,500,000 with Rabobank International.

Outstanding Investment Agreements (as of August 1, 2011)

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Provider(1)</u>	<u>Amounts Invested</u>	<u>Rate</u>	<u>Termination Dates</u>
2001AA	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	\$15,000,000	5.30%/3 month LIBOR	3/1/36
2001AA	Debt Service Reserve Fund	Trinity Funding Company, LLC	2,500,000	5.30%	3/1/36
2002A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5,010,527	5.10%	11/1/32
2002A	Debt Service Reserve Fund	Trinity Funding Company, LLC	4,475,500	5.60%	11/1/32
2002B	Revenue Fund, Redemption Fund (2)	Natixis Funding Corp.	10,905,881	4.60%	11/1/32
2003A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	1,829,819	4.13%	11/1/32
2004B	Revenue Fund, Redemption Fund (2)	Natixis Funding Corp.	6,977,911	4.60%	11/1/34
2006A	Revenue Fund, Redemption Fund (2)	Natixis Funding Corp.	9,411,081	4.60%	11/1/36
2006A	Debt Service Reserve Fund	Rabobank International	5,500,000	4.71%	11/1/36
2006B	Debt Service Reserve Fund	Royal Bank of Canada	9,613,500	5.56%	11/1/36
2008A	Revenue Fund, Redemption Fund	Natixis Funding Corp.	38,624,236	4.271%	11/1/38

- (1) Neither the Authority nor the Underwriter make any representation about the financial condition or creditworthiness of the Investment Providers. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."
- (2) These funds are invested under a master repurchase agreement entered with Natixis Funding Corp. on January 29, 2010 (the "**Master Repurchase Agreement**"). The Master Repurchase Agreement replaced the investment agreements previously in effect, and provides for the delivery of securities to the Trustee at a collateralization level of 105%.

In accordance with the terms of the Master Indenture, the Authority has also from time to time instructed and will instruct the Trustee to invest certain moneys held by the Trustee in Funds and Accounts relating to Bonds in permitted Investment Securities other than investment agreements. Information about such investments is available in filings with national repositories that the Authority is obligated to make on an annual basis in connection with certain outstanding Bonds under the Master Indenture. See "Part I – INTRODUCTION – Availability of Continuing Information." The Authority expects (but is not obligated) in the future to invest certain amounts on deposit in the Debt Service Reserve Fund in mortgage backed securities, which are permitted Investment Securities under the Indenture.

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APPENDIX E

Form of 2011B Bond Counsel Opinion

November 10, 2011

Colorado Housing and Finance Authority
1981 Blake Street
Denver, Colorado 80202

Colorado Housing and Finance Authority
Taxable Single Family Mortgage
Class I Adjustable Index Rate Bonds, 2011 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority") in connection with the issuance of its Taxable Single Family Mortgage Class I Adjustable Index Rate Bonds, 2011 Series B (the "Bonds") in the aggregate principal amount of \$64,180,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. The Bonds are authorized and issued pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended, and as supplemented by the 2011 Series B Indenture dated as of November 1, 2011 (together, the "Indenture"), between the Authority and Zions First National Bank, as trustee (the "Trustee"). Capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

Regarding questions of fact material to our opinions, we have relied upon the Authority's certified proceedings and other representations and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture.
2. The Indenture has been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms.
3. Interest on the Bonds is included in gross income for federal income tax purposes.
4. The Bonds, their transfer and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date hereof.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the Authority pursuant to the Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

The provisions of this opinion letter concerning federal tax issues are not intended or written and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This writing supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

Class Asset Requirements for Bonds

The "*Class I Asset Requirement*" means the requirement that, as of any date of calculation, the sum of:

(a) amounts held in the related subaccount or subaccounts of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the related series of Class I Bonds), the related subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem the related series of Class I Bonds), the related subaccount of the Debt Service Reserve Fund and the related subaccount of the Revenue Fund after all transfers and payments made pursuant to the Master Indenture,

(b) in the case of certain series of Bonds, the amounts held in the respective subaccounts of the Accounts and Funds noted in clause (a) above that are unrelated to such series of Bonds (including amounts in such subaccounts of the Class I Debt Service Fund and the Redemption Fund only to the extent such amounts are required to be used to pay principal of or to redeem Class I Bonds) plus the aggregate unpaid principal balance of Mortgage Loans Unrelated to such series of Bonds to the extent the aggregate amount held in such subaccounts for each series of such Unrelated Bonds and the aggregate unpaid principal balance of such Mortgage Loans exceeds the percentage of the aggregate principal amount of the Class I Bonds of such series of Unrelated Bonds then Outstanding as shall be approved or required by each Rating Agency in writing, but only to the extent that such amounts have not been or are not being taken into account in satisfying the "*Class I Asset Requirement*" for any other series of Bonds Unrelated to such series of Bonds other than the Series of Bonds to which each respective "*Class I Asset Requirement*" relates, and

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to the percentage set forth in the Series Indenture of the aggregate principal amount of related series of Class I Bonds then Outstanding, or such different percentage as shall be approved or required by each Rating Agency in writing.

The "*Class II Asset Requirement*" means the requirement that, as of any date of calculation, the sum of:

(a) amounts in the related subaccount or subaccounts of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccounts of the Class I Debt Service Fund and the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of the related series of Class I Bonds or Class II Bonds), the related subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem the related series of Class I Bonds or Class II Bonds), the related subaccount of the Debt Service Reserve Fund and the related subaccount of the Revenue Fund after all transfers and payments made pursuant to the Master Indenture,

(b) the amounts held in the respective subaccounts of the Accounts and Funds listed in clause (a) above that are Unrelated to such series of Bonds (including amounts in such subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund and the Redemption Fund only to the extent such amounts are required to be used to pay principal of or to

redeem Class I Bonds or Class II Bonds) plus the aggregate unpaid principal balance of Mortgage Loans Unrelated to such series of Bonds to the extent the aggregate amount held in such subaccounts for each series of such Unrelated Bonds and the aggregate unpaid principal balance of such Mortgage Loans exceeds the percentage of the aggregate principal amount of the Class I Bonds of such series of Unrelated Bonds then Outstanding plus the percentage of the aggregate principal amount of the Class II Bonds of such series of Unrelated Bonds then Outstanding as such percentages shall be approved or required by each Rating Agency in writing, but only to the extent that such amounts have not been or are not being taken into account in satisfying the "Class II Asset Requirement" for any other series of Bonds Unrelated to such series of Bonds other than the series of Bonds to which each respective "Class II Asset Requirement" relates, and

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class I Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class II Bonds then Outstanding, or such different percentages as shall be approved or required by each Rating Agency in writing.

The "*Class III Asset Requirement*" means the requirement that, as of any date of calculation, the sum of:

(a) amounts held in the related subaccount or subaccounts of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of related Series of Class I Bonds), the related subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of related series of Class II Bonds) and the related subaccount of the Class III Debt Service Fund, the related subaccounts of the Redemption Fund, the related subaccount of the Debt Service Reserve Fund and the related subaccount of the Revenue Fund after all transfers and payments made pursuant to the Master Indenture,

(b) the amounts held in the respective subaccounts of the Accounts and Funds listed in clause (a) above that are Unrelated to such series of Bonds plus the aggregate unpaid principal balance of Mortgage Loans Unrelated to such series of Bonds to the extent the aggregate amount held in such subaccounts for each Series of such Unrelated Bonds and the aggregate unpaid principal balance of such Mortgage Loans exceeds the percentage of the aggregate principal amount of the Class I Bonds of such series of Unrelated Bonds then Outstanding plus the percentage of the aggregate principal amount of the Class II Bonds of such series of Unrelated Bonds then Outstanding plus the percentage of the aggregate principal amount of the Class III Bonds of such Series of Unrelated Bonds then Outstanding as such percentages shall be approved or required by each Rating Agency in writing, but only to the extent that such amounts have not been or are not being taken into account in satisfying the "Class III Asset Requirement" for any other series of Bonds Unrelated to such series of Bonds other than the series of Bonds to which each respective "Class III Asset Requirement" relates, and

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class I Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class II Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class III Bonds then Outstanding, or such different percentages as may be approved or required by each Rating Agency in writing.

The Class I Asset Requirement, Class II Asset Requirement and Class III Asset Requirement, respectively, with respect to a series of Bonds shall include the percentages set forth in the Related Series Indenture. The percentages for the Class Asset Requirements for each series of the Outstanding Bonds, approved at this time by each Rating Agency are 113.75% for the Class I Asset Requirement, 106% for the Class II Asset Requirement and 102% for the Class III Asset Requirement (except, in each case, with respect to the Short-Term Bonds, for which the applicable Class Asset Requirement is 100%). These percentages are subject to change and reevaluation upon the issuance of each series of Bonds and from time to time as reviewed by the Rating Agencies.

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APPENDIX G

**Financial Statements for the Year ended December 31, 2010
(with summarized Financial Information for 2009)
and Independent Accountants' Report**

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COLORADO HOUSING AND FINANCE AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2010
(With summarized Financial Information for 2009)



Prepared by:
Accounting Division

COLORADO HOUSING AND FINANCE AUTHORITY – Comprehensive Annual Financial Report

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colorado housing and finance authority



INTRODUCTORY SECTION

colorado housing and finance authority



LETTER OF TRANSMITTAL

Dear Governor Hickenlooper, Members of the Colorado General Assembly, Citizens of Colorado and the Board of Directors of the Colorado Housing and Finance Authority,

The Comprehensive Annual Financial Report of the Colorado Housing and Finance Authority (the Authority) is hereby submitted in compliance with Colorado Statutes. This Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010, was prepared by the Authority's Accounting Division and includes the report of the independent auditors, BKD, LLP. The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, remains with the Authority. Accordingly, the Authority has established and continues to refine a comprehensive framework to protect its assets and to compile sufficiently reliable information for the preparation of the Authority's financial statements in conformity with generally accepted accounting principles (GAAP).

Given that costs of control should not outweigh their benefits, the Authority's financial framework has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, to the best of our knowledge and belief, we assert that the data presented are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of the Authority's operations as measured by the financial activity of its various funds.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

The CAFR is presented in two sections: Introductory and Financial.

- The introductory section includes this transmittal letter, the Authority's organizational chart, and a list of principal officials.
- The financial section includes the MD&A, the basic financial statements, required supplementary information and other supplementary information, and the independent auditors' report on the financial statements and schedules.

The independent auditors' reports on the Authority's internal control over financial reporting, compliance and other matters are included in the Single Audit reports, which are presented separately.

The Authority is a public enterprise that finances affordable housing, business and economic growth opportunities for residents and businesses of Colorado. Its dual mission is to increase the availability of affordable, decent and accessible housing for lower and moderate income Coloradans, and to strengthen the state's development by providing financial assistance to business.

Established by the Colorado General Assembly in 1973, the Authority raises funds through the public and private sale of bonds and notes, which are not obligations of the State of Colorado. The proceeds are loaned to eligible borrowers, primarily through private lending institutions across the state under sound fiscal practices established by the Authority. As a self-sustaining organization, the Authority's operating revenues come from loan and investment income, program administration fees, loan servicing and gain on sale of loans. The Authority receives no tax appropriations, and its net revenues are reinvested in its programs.

In addition, the Authority participates in the Government National Mortgage Association (Ginnie Mae) Mortgage-Backed Securities (MBS) Programs. Through the MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority

colorado housing and finance authority



and backed by pools of mortgage loans. Holders of the securities receive a “pass-through” of the principal and interest payments on a pool of mortgage loans, less amounts required to cover servicing costs and Ginnie Mae guaranty fees. The Ginnie Mae guaranty ensures that the holder of the security issued by the Authority receives the timely payment of scheduled monthly principal and any unscheduled recoveries of principal on the underlying mortgage loans, plus interest at the rate provided for in the securities. All loans pooled under the Ginnie Mae MBS Programs are either insured by the Federal Housing Administration or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration.

In late 2009, the U.S. Department of Treasury announced a plan to assist housing and finance agencies (HFAs) through a two-part initiative: a new bond purchase program to support new lending by HFAs and a temporary credit and liquidity program to improve the access of HFAs to liquidity for outstanding HFA bonds. Pursuant to the New Issue Bond Program (NIBP), the Authority issued its Single Family Program Class I Bonds in the amount of \$275,210,000, which settled on January 12, 2010. Using authority derived from the Housing and Economic Recovery Act of 2008 (HERA), Treasury purchased Fannie Mae and Freddie Mac securities backed by these mortgage revenue bonds. The NIBP bonds initially carry variable interest rates that approximate the investment interest rates earned from the investment of bond proceeds. The NIBP bonds may be converted to fixed rate bonds by December 31, 2011, concurrent with the issuance of other mortgage revenue bonds by the Authority, or otherwise will be redeemed no later than February 1, 2012. As of December 31, 2010, no NIBP bonds had been converted. Subsequent to 2010, NIBP bonds in an aggregate principal amount of \$58,800,000 were converted as outlined in the accompanying notes.

In reviewing the CAFR, you will notice a significant change in the financial presentation due to the implementation of Governmental Accounting Standards Board Statement 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). In conjunction with the retroactive implementation of GASB 53, the Authority had to revisit the accounting for the termination and replacement of the Lehman Brothers Interest Rate Swap Derivatives (Lehman Swaps) that took place in December 2008, following the bankruptcy of Lehman Brothers, Inc. Prior to the implementation of GASB 53 and based on existing accounting literature, the Authority had deferred both the termination fees and the imputed debt (premium) received on the replacement swaps associated with the Lehman Swaps. However, the replacement swaps do not qualify for deferral treatment under GASB 53 and therefore the Authority has been required to record the losses related to the termination fees immediately as part of restated beginning net assets, while the premiums continue to be deferred and amortized to bond interest expense over the remaining life of the Lehman Swaps. As a result, the Authority has restated the 2009 financial statements as detailed in the accompanying notes to reflect a change in the beginning net assets balance, as well as other financial statement line items as required by GASB 53.

One of the main purposes of GASB 53 is to reflect the fair value of hedging activity on the balance sheet and identify effective and ineffective hedging activity. Prior to GASB 53, the fair value of hedging activity was presented only in the footnotes. The changes in the fair value for an effective swap are required to be deferred using deferred outflow (liability position swap) or deferred inflow (asset position swap) accounts in the Statement of Net Assets. If a hedging activity is considered ineffective by accounting rules, then the change in fair value is reflected in the Statement of Revenues, Expenses, and Changes in Net Assets. The difference between the net deferred inflows and outflows and the derivative instrument liability is equal to the accumulated fair value of the premiums and ineffective hedging activity over time.

Readers will also notice a contingency reserve recorded for the possible settlement of an outstanding Alternative Dispute Resolution (ADR) from Lehman Brothers Financial Products, Inc., and Lehman Brothers Special Financing, Inc., in connection with the termination of the Lehman Swaps. Further detail about this contingency reserve is detailed in the accompanying notes.

colorado housing and finance authority



Despite the restatements and the contingency reserve, the Authority experienced overall positive financial results in 2010. Through a focus on innovation, perseverance, and breaking down operational silos to form high-performing teams, staff identified new programs and partnerships. The result has been defining our “new normal,” under which the Authority’s staff has been able to meet our mission in previously unexplored ways. This “new normal” helped the Board of Directors and staff create a new vision and strategic plan in 2010, which allowed the Authority to succeed despite market challenges. In addition, the change in net assets improved dramatically compared to 2009, except for the one-time ADR reserve. The improvement was the result of a significant increase in net interest income, due to the normalization of the bond and interest markets, better-than-expected gain on sale of loans in conjunction with the Ginnie Mae program, and a reduction in operating expenses. The innovative and responsible decisions we made regarding our programs and partnerships opened many new opportunities for our customers—we served 20,198 households and supported more than 7,000 jobs, which together had a positive fiscal impact of \$1 billion.

We look forward to continuing to serve Colorado as we have over the past 37 years.

Respectfully submitted,

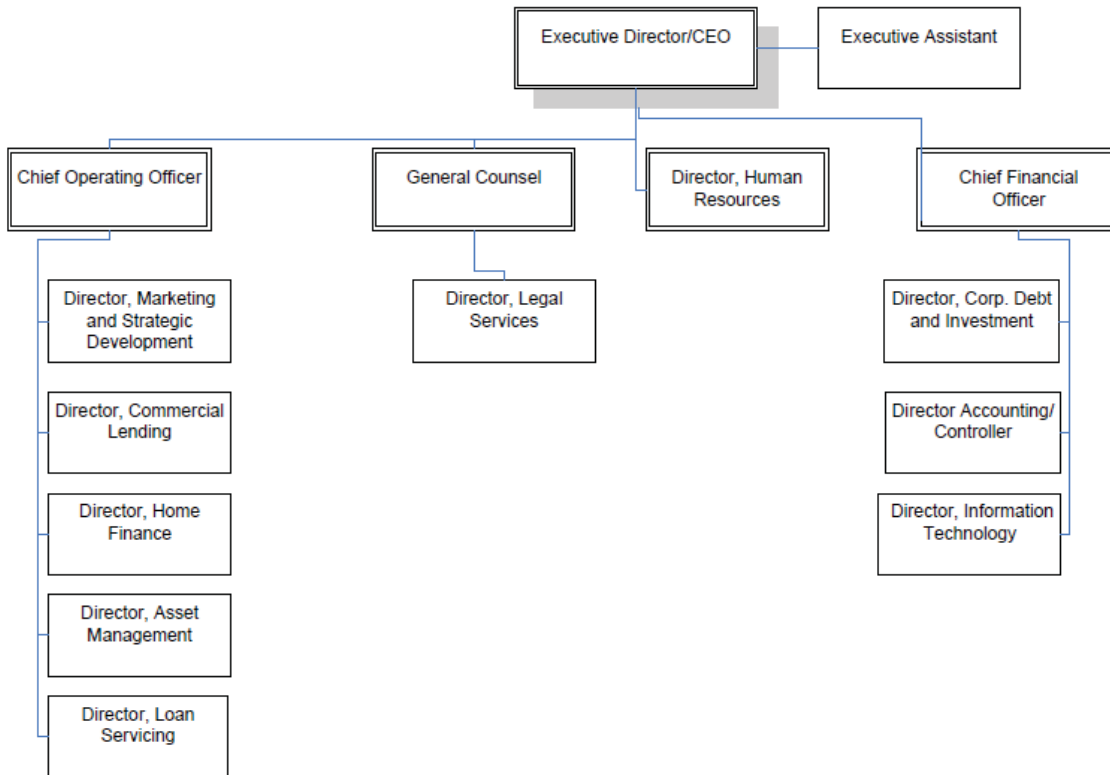
A handwritten signature in black ink that reads 'Mark MacNicholas'.

Mark MacNicholas, CPA
Director of Accounting
Colorado Housing and Finance Authority

colorado housing and finance authority



COLORADO HOUSING AND FINANCE AUTHORITY ORGANIZATIONAL CHART



colorado housing and finance authority



BOARD OF DIRECTORS

An independent eleven-member Board of Directors governs the Authority. The Board is comprised of a member of the Colorado General Assembly, the state auditor, an executive director of a principal department of the state government appointed by the governor, and eight individuals appointed by the governor and confirmed by the State Senate. The table below lists the Board of Directors at December 31, 2010.

Sam Betters.....	Board Chair
Kevin Marchman.....	Board Chair Pro Tem
Mark O'Connor.....	Board Secretary/Treasurer
Sally Symanski.....	Board Member
Roxanne Huber.....	Board Member
John Blumberg.....	Board Member
David Myler.....	Board Member
Joel S. Rosenstein.....	Board Member
Betty Boyd.....	Board Member
Anita Padilla-Fitzgerald.....	Board Member
Jim Hahn.....	Board Member

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Colorado Housing and Finance Authority
Denver, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of Colorado Housing and Finance Authority as of and for the year ended December 31, 2010, which collectively comprise Colorado Housing and Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Housing and Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information, before retroactively restated for the matter discussed in Note 16, has been derived from the Colorado Housing and Finance Authority's 2009 financial statements, which were audited by other accountants whose report dated March 25, 2010, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Colorado Housing and Finance Authority as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, during the year ended December 31, 2010, the Colorado Housing and Finance Authority changed its method of accounting for derivative instruments by retroactively restating prior year summarized financial information.

We also audited the adjustment described in Note 16 that was applied to restate the 2009 prior year summarized financial information. In our opinion, such adjustment is appropriate and has been properly applied.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colorado Housing and Finance Authority's basic financial statements. The introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

June 27, 2011

colorado housing and finance authority



MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)



This section of the Colorado Housing and Finance Authority's (the "Authority") annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended December 31, 2010. This analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The impact of the adoption of GASB 53 to the December 31, 2009, financial statements was to decrease net assets by \$72.3 million, increase hedging liabilities by \$204.5 million, decrease bonds payables by \$42.8 million, along with the establishment of hedging deferred outflows of \$112.7 million and hedging deferred inflows of \$22.3 million. This impact is reflected in the restated summarized comparative information for 2009 on the financial statements. All comparisons to 2009 below are based off of the restated amounts as a result of the adoption of GASB 53.
- Total net loans receivable as of December 31, 2010, were \$2.7 billion, a decrease of \$294.7 million, or 10.0%, compared to the amount outstanding as of December 31, 2009. Loan repayments occurred without a corresponding increase in new loans retained as the Authority continued to issue Ginnie Mae securities during the year. During 2010, \$417.5 million in loans were sold to Ginnie Mae and Fannie Mae.
- Total investments as of December 31, 2010, were \$884.6 million, an increase of \$307.2 million, or 53.2%, compared to the amount outstanding as of December 31, 2009. The majority of the increase is due to the Authority's \$275,210,000 short-term investment of proceeds received from issuance of Single Family Program Class I Bonds.
- As of December 31, 2010, total debt outstanding was \$3.3 billion, an increase of \$27.3 million, or 0.8%, compared to the balance at December 31, 2009. The increase is the result of the Authority participating in the Temporary Credit and Liquidity Program whereby the Authority issued its Single Family Program Class I Bonds in the amount of \$275,210,000. The increase is offset by a reduction in Bond principal due to amortization payments.
- Net assets as of December 31, 2010, were \$210.9 million, an increase of \$1.9 million, or 0.9%, compared to net assets of \$209.1 million as of December 31, 2009, increasing the Authority's capital position. Net assets as a percent of total assets decreased from 5.7% as of December 31, 2009, to 5.6% as of December 31, 2010.
- Total deferred outflows and inflows as of December 31, 2010 changed from the December 31, 2009 restated amounts to reflect the changes in fair values for hedging activities related to effective Interest Rate Swaps. Deferred outflows increased \$31 million while deferred inflows decreased \$16.2 million. The current year ineffective hedging fair value adjustments were recorded as a decrease in other operating income of \$473 thousand. The total fair value of all hedging instruments outstanding is included in the hedging liability derivative instrument and swap premium accounts as of December 31, 2010, which totaled \$243.6 million.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, net assets increased by \$1.9 million for 2010 as compared to a \$14.2 million decrease, after the restatement for 2009. The \$1.9 million, or 0.9% increase was primarily composed of the following:
 - A \$13.9 million increase in net interest income as a result of the normalization of interest rates in the bond market from 2009 to 2010.
 - A \$34.2 million increase in other operating revenues is a result of the following:

- \$1.8 million increase in REO rental income.
 - \$1.1 million increase in loan servicing income.
 - \$11.3 million increase in gain/sale of loans resulting from the sale of GNMA securities.
 - \$2.4 million increase in derivative and hedging activity loss.
 - \$17.7 million increase in fair value of investments.
 - \$1.0 million increase in other revenues.
- A \$32.2 million increase in operating expense is primarily a result of the following:
- \$1.6 million increase in salaries and related benefits due to increased staffing and benefit costs.
 - \$2.8 million increase in general operating expenses due to operating costs of REO properties and increased rental acquisition program (RAP) maintenance costs.
 - \$7.9 million decrease in Provision for Loan Losses in 2010 was primarily due to a change in reserve estimates to properly segregate government loans by insurance types, to better reflect credit risk considering economic, program, and borrower factors.
 - \$35 million increase to establish a contingency reserve for the Lehman Brothers, Inc., ADR.

Overview of the Financial Statements

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and the notes thereto. The Authority, a corporate body and political subdivision of the State of Colorado, is a public purpose financial enterprise and therefore follows enterprise fund accounting. The financial statements offer information about the Authority's activities and operations.

The Statement of Net Assets includes all of the Authority's assets and liabilities, presented in order of liquidity, along with the hedging deferred outflows and deferred inflows. The resulting net assets presented in these statements are displayed as invested in capital assets, net of related debt, restricted or unrestricted. Net assets are restricted when their use is subject to external limits such as bond indentures, legal agreements or statutes. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All the Authority's current year revenues and expenses are recorded in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the activities of the Authority's operations over the past year, and presents the resulting change in net assets - calculated as revenues less expenses.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital financing and investing activities. The statement provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements. The notes follow the Statement of Cash Flows.

Authority Funds – The Authority's financial statements present the activities of its three funds – the General Fund, the Single Family Fund and the Multi-Family/Business Fund. A description of each of these funds is provided in the notes to the financial statements. Interfund activity is eliminated.



Analysis of Financial Activities

The following table presents condensed information about the financial position of the Authority as of December 31, 2010 and 2009, and changes in the balances of selected items during the fiscal year ended December 31, 2010 (in thousands):

For the years ended December 31,	2010	Summarized 2009 Restated	\$ Change	% Change
Assets				
Cash				
Restricted	\$ 75,483	\$ 33,387	\$ 42,096	126.1%
Unrestricted	16,498	2,513	13,985	556.5%
Investments	652,878	285,765	367,113	128.5%
Loans receivable	98,637	163,033	(64,396)	-39.5%
Loans receivable held for sale	10,389	67,356	(56,967)	-84.6%
Other current assets	30,621	31,397	(776)	-2.5%
Current assets	884,506	583,451	301,055	51.6%
Noncurrent assets:				
Investments	231,751	291,691	(59,940)	-20.5%
Loans receivable, net	2,548,820	2,722,117	(173,297)	-6.4%
Capital assets, net	26,741	28,586	(1,845)	-6.5%
Other assets	48,667	45,364	3,303	7.3%
Total noncurrent assets	2,855,979	3,087,758	(231,779)	-7.5%
Total assets	3,740,485	3,671,209	69,276	1.9%
Total Deferred Outflows - Hedging				
Accumulated decrease in fair value of hedging derivatives	143,783	112,760	31,023	27.5%
Liabilities				
Short-term debt	87,900	73,250	14,650	20.0%
Bonds payable	299,187	18,539	280,648	1513.8%
Notes payable	79	74	5	6.8%
Other current liabilities	90,744	55,708	35,036	62.9%
Current liabilities	477,910	147,571	330,339	223.9%
Noncurrent liabilities:				
Bonds and notes payable, net	2,916,502	3,184,519	(268,017)	-8.4%
Hedging liability - derivative instrument	140,969	93,279	47,690	51.1%
Hedging liability - swap premium	102,602	111,219	(8,617)	-7.7%
Other liabilities	29,168	15,936	13,232	83.0%
Total noncurrent liabilities	3,189,241	3,404,953	(215,712)	-6.3%
Total liabilities	3,667,151	3,552,524	114,627	3.2%
Deferred Inflows				
Accumulated increase in fair value of hedging derivatives	6,168	22,363	(16,195)	-72.4%
Net assets:				
Invested in capital assets, net of related debt	26,741	28,586	(1,845)	-6.5%
Restricted by bond indentures	70,622	119,031	(48,409)	-40.7%
Unrestricted	113,586	61,465	52,121	84.8%
Total net assets	\$ 210,949	\$ 209,082	\$ 1,867	0.9%



Current assets increased \$301.1 million, or 51.6% during the current year primarily due to the Authority's \$275,210,000 short-term investment of proceeds received from issuance of Single Family Program Class I Bonds.

Total noncurrent assets decreased \$231.8 million, or 7.5%, primarily due to a \$173.3 million decrease in the noncurrent portion of loans receivable. The decrease is a result of loan repayments occurring without a corresponding increase in new loans retained as the Authority continued to issue Ginnie Mae securities during the year.

Current liabilities increased \$330.3 million, or 223.8%, compared to 2009. This increase was primarily due to a \$275,210,000 short-term issuance of Class I Bonds in its Single Family Program.

Total noncurrent liabilities decreased \$215.7 million, or 6.3%, compared to December 31, 2009. This is primarily due to reduction of Bonds Payable from the collection of mortgage payments offset by the receipt of state renewable energy program funds.



The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2010 and 2009, and the change from the prior year (in thousands):

For the years ended December 31,	2010	Summarized 2009 Restated	\$ Change	% Change
Interest income and expense:				
Interest on loans receivable	\$ 151,319	\$ 172,953	\$ (21,634)	-12.5%
Interest on investments	18,094	14,996	3,098	20.7%
Interest on debt	(139,311)	(171,771)	32,460	-18.9%
Net interest income	30,102	16,178	13,924	86.1%
Other operating income:				
Rental income	9,306	7,460	1,846	24.7%
Gain on sale of loans	19,817	8,528	11,289	132.4%
Hedging activity loss	(473)	(2,882)	2,409	-83.6%
Net increase (decrease) in the fair value of investments	7,324	(10,396)	17,720	170.5%
Other revenues	19,400	18,430	970	5.3%
Total other operating income	55,374	21,140	34,234	161.9%
Total operating income	85,476	37,318	48,158	129.0%
Operating expenses:				
Salaries and related benefits	17,808	16,180	1,628	10.1%
General operating	20,635	17,815	2,820	15.8%
Depreciation	3,773	3,159	614	19.4%
Provision for losses	6,521	14,404	(7,883)	-54.7%
Contingency reserve	35,000	-	35,000	n/a
Total operating expenses	83,737	51,558	32,179	62.4%
Net operating income (loss)	1,739	(14,240)	15,979	112.2%
Federal grant receipts	134,613	112,458	22,155	19.7%
Federal grant payments	(134,613)	(112,458)	(22,155)	19.7%
Gains on sales of capital assets	128	-	128	n/a
Nonoperating revenues and expenses, net	128	-	128	n/a
Change in net assets	1,867	(14,240)	16,107	113.1%
Net assets:				
Beginning of year	209,082	295,667	(86,585)	-29.3%
Change in accounting principle	-	(72,345)	72,345	n/a
Beginning of year, as restated	209,082	223,322	(14,240)	-6.4%
End of year	\$ 210,949	\$ 209,082	\$ 1,867	0.9%

Total operating income increased by \$48.2 million in 2010 to \$85.5 million, an increase of 129.0%, compared to 2009. The following four major components contributed to the increase:

- Interest income decreased by \$21.6 million in 2010 as a result of reduced loans receivable balances.
- Interest expense related to debt decreased by \$32.5 million due to the normalization of market rates and lower outstanding debt.
- Gain/sale of loans increased by \$11.3 million in 2010 due primarily to gains on the sale of GNMA securities.
- Lastly, the fair value of investments increased by \$17.7 million due primarily to a decrease in market rates in 2010.



Total operating expenses increased \$32.2 million in 2010 to \$83.7 million, an increase of 62.4%, compared to 2009. The following components contributed to the decrease:

- Salaries and related benefits increased by \$1.6 million or 10.1% due to increased staffing, merit increases and health insurance costs.
- General operating costs increased by \$2.8 million or 15.8% due to costs associated with RAP and Real Estate Owned (REO) including management fees, repairs and maintenance, utilities, personal and administrative costs. Additional factors included an increase in insurance, donations, other bond fees, training and maintenance costs to the Authority.
- Depreciation expense increased \$614 thousand or 19.4% due to purchase, implementation and development and computer software.
- A contingency reserve was established for \$35 million for the Lehman Brothers, Inc. ADR.
- Offsetting these increases is a \$7.9 million decrease to the provision for loan losses due to a change in the accounting estimate for reserves related to government insured loans to better reflect credit risk considering economic, program, borrower factors, and collateral values. Further detail can be found in the accompanying notes.

Total nonoperating revenues and expenses consist primarily of pass-through amounts related to the Authority's role as a contract administrator of the U.S. Department of Housing and Urban Development's Section 8 subsidy program. Under the Section 8 subsidy program, tenants pay 30% of their income toward rent and the balance is paid by federal subsidy.



BASIC FINANCIAL STATEMENTS

Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2010

(with summarized financial information for December 31, 2009 Restated)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2010	Summarized 2009 Restated
Assets						
Current assets:						
Cash (Note 2)						
Restricted	\$ 75,476	\$ -	\$ 7	\$ -	\$ 75,483	\$ 33,387
Unrestricted	16,498	-	-	-	16,498	2,513
Investments (Note 2)	73,803	471,231	107,844	-	652,878	285,765
Loans receivable (Note 3)	17,708	54,388	27,129	(588)	98,637	163,033
Loans receivable held for sale (Note 3)	10,389	-	-	-	10,389	67,356
Accrued interest receivable	4,113	11,200	5,163	(173)	20,303	23,443
Deferred debt financing costs, net	16	569	193	-	778	819
Other assets	8,585	835	120	-	9,540	7,135
Due (to) from other funds	(43,789)	29,155	14,634	-	-	-
Total current assets	162,799	567,378	155,090	(761)	884,506	583,451
Noncurrent assets:						
Investments (Note 2)	2,096	142,942	86,713	-	231,751	291,691
Loans receivable, net (Note 3)	201,875	1,577,247	786,750	(17,052)	2,548,820	2,722,117
Capital assets - non-depreciable (Note 4)	5,547	-	-	-	5,547	4,981
Capital assets - depreciable, net (Note 4)	21,194	-	-	-	21,194	23,605
Other real estate owned, net	4,535	5,250	2,720	-	12,505	10,048
Deferred debt financing costs, net	280	10,242	3,476	-	13,998	14,729
Other assets	22,164	-	-	-	22,164	20,587
Total noncurrent assets	257,691	1,735,681	879,659	(17,052)	2,855,979	3,087,758
Total assets	420,490	2,303,059	1,034,749	(17,813)	3,740,485	3,671,209
Total Deferred Outflows - Hedging						
Accumulated decrease in fair value of hedging derivatives	-	108,977	34,806	-	143,783	112,760
Liabilities						
Current liabilities:						
Short-term debt (Note 5)	87,900	-	-	-	87,900	73,250
Bonds payable (Note 6)	-	289,824	9,363	-	299,187	18,539
Notes payable (Note 6)	79	-	-	-	79	74
Accrued interest payable	736	14,159	10,919	(173)	25,641	28,567
Federally assisted program advances	60	-	-	-	60	347
Accounts payable and other liabilities	62,988	1,353	702	-	65,043	26,794
Total current liabilities	151,763	305,336	20,984	(173)	477,910	147,571
Noncurrent liabilities:						
Bonds payable, net (Note 6)	78,386	1,910,895	921,048	-	2,910,329	3,163,551
Hedging liability - derivative instrument	200	112,132	28,637	-	140,969	93,279
Hedging liability - swap premium	-	35,180	67,422	-	102,602	111,219
Notes payable (Note 6)	23,813	-	-	(17,640)	6,173	20,968
Other liabilities (Note 6)	26,001	2,270	897	-	29,168	15,936
Total noncurrent liabilities	128,400	2,060,477	1,018,004	(17,640)	3,189,241	3,404,953
Total liabilities	280,163	2,365,813	1,038,988	(17,813)	3,667,151	3,552,524
Total Deferred Inflows - Hedging						
Accumulated increase in fair value of hedging derivatives	-	-	6,168	-	6,168	22,363
Net assets						
Invested in capital assets, net of related debt	9,101	-	-	17,640	26,741	28,586
Restricted by bond indentures	-	46,223	24,399	-	70,622	119,031
Unrestricted (Note 10)	131,226	-	-	(17,640)	113,586	61,465
Total net assets	\$ 140,327	\$ 46,223	\$ 24,399	\$ -	\$ 210,949	\$ 209,082

The accompanying notes are an integral part of these statements.

Colorado Housing and Finance Authority
Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2010

(with summarized financial information for the year ended December 31, 2009 Restated)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2010	Summarized 2009 Restated
Interest income and expense:						
Interest on loans receivable	\$ 13,302	\$ 89,956	\$ 49,404	\$ (1,343)	\$ 151,319	\$ 172,953
Interest on investments	433	10,011	7,650	-	18,094	14,996
Interest on debt	(6,678)	(90,678)	(43,298)	1,343	(139,311)	(171,771)
Net interest income	7,057	9,289	13,756	-	30,102	16,178
Other operating income:						
Rental income	9,306	-	-	-	9,306	7,460
Loan servicing income	13,058	-	-	-	13,058	11,891
Section 8 administration fees	4,629	-	-	-	4,629	4,449
Gain on sale of loans	19,817	-	-	-	19,817	8,528
Hedging activity loss	(200)	(273)	-	-	(473)	(2,882)
Net increase (decrease) in the fair value of investments	47	5,704	1,573	-	7,324	(10,396)
Other revenues (losses)	1,714	111	(112)	-	1,713	2,090
Total other operating income	48,371	5,542	1,461	-	55,374	21,140
Total operating income	55,428	14,831	15,217	-	85,476	37,318
Operating expenses:						
Salaries and related benefits	17,808	-	-	-	17,808	16,180
General operating	19,305	983	347	-	20,635	17,815
Depreciation	3,773	-	-	-	3,773	3,159
Provision for losses	2,916	2,519	1,086	-	6,521	14,404
Contingency reserve	35,000	-	-	-	35,000	-
Total operating expenses	78,802	3,502	1,433	-	83,737	51,558
Net operating income (loss)	(23,374)	11,329	13,784	-	1,739	(14,240)
Nonoperating revenues and expenses:						
Federal grant receipts	134,613	-	-	-	134,613	112,458
Federal grant payments	(134,613)	-	-	-	(134,613)	(112,458)
Gains on sales of capital assets	128	-	-	-	128	-
Total nonoperating revenues, net	128	-	-	-	128	-
Income before transfers	(23,246)	11,329	13,784	-	1,867	(14,240)
Transfers from (to) other funds	2,236	(2,865)	629	-	-	-
Change in net assets	(21,010)	8,464	14,413	-	1,867	(14,240)
Net assets:						
Beginning of year	161,337	37,759	9,986	-	209,082	295,667
Change in accounting principle	-	-	-	-	-	(72,345)
Beginning of year, as restated	161,337	37,759	9,986	-	209,082	223,322
End of year	\$ 140,327	\$ 46,223	\$ 24,399	\$ -	\$ 210,949	\$ 209,082

The accompanying notes are an integral part of these statements.

Colorado Housing and Finance Authority

Statement of Cash Flows

For the year ended December 31, 2010

(with summarized financial information for the year ended December 31, 2009 Restated)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2010	Summarized 2009 Restated
Cash flows from operating activities:						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 52,952	\$ 224,905	\$ 38,462	\$ -	\$ 316,319	\$ 307,102
Interest payments received on loans receivable	12,389	93,480	50,217	(1,354)	154,732	173,035
Fundings of loans receivable	(405,641)	(8,858)	(12,988)	(731)	(428,218)	(373,589)
Receipts from sale of loans	417,478	-	-	-	417,478	308,927
Receipts (payments) for loan transfers between funds	(5,577)	6,206	(629)	-	-	-
Receipts from rental operations	9,346	-	-	-	9,346	7,553
Receipts from other revenues	19,175	109	(111)	-	19,173	18,236
Payments for salaries and related benefits	(17,109)	-	-	-	(17,109)	(16,210)
Payments for goods and services	(6,213)	(734)	(319)	-	(7,266)	(18,640)
All other, net	(579)	(456)	(150)	-	(1,185)	2,130
Net cash provided (used) by operating activities	76,221	314,652	74,482	(2,085)	463,270	408,544
Cash flows from noncapital financing activities:						
Proceeds from issuance of short-term debt	4,467,100	-	-	-	4,467,100	8,560,675
Proceeds from issuance of bonds	-	275,210	-	-	275,210	137,435
Proceeds from issuance of notes payable	125	-	-	-	125	22,530
Receipts from federal grant programs	134,308	-	-	-	134,308	112,158
Payments for federal grant programs	(134,613)	-	-	-	(134,613)	(112,458)
Principal paid on short-term debt	(4,452,450)	-	-	-	(4,452,450)	(8,652,410)
Principal paid on bonds	(9,491)	(213,467)	(24,105)	-	(247,063)	(428,759)
Principal paid on notes payable	(14,915)	-	-	-	(14,915)	(73)
Interest paid on short-term debt	(226)	-	-	-	(226)	(498)
Interest rate swap settlements	-	(62,541)	(32,789)	-	(95,330)	(86,567)
Interest paid on bonds	(4,423)	(32,897)	(15,016)	-	(52,336)	(105,131)
Interest paid on notes payable	(1,004)	-	-	-	(1,004)	(11)
Bond issuance costs paid	-	(1,109)	(256)	-	(1,365)	-
Transfers (to) from other funds	9,404	(512)	(8,892)	-	-	-
Net cash used by noncapital financing activities	(6,185)	(35,316)	(81,058)	-	(122,559)	(553,109)
Cash flows from capital and related financing activities:						
Purchase of capital assets	(2,148)	-	-	-	(2,148)	(2,210)
Proceeds from the disposal of capital assets	347	-	-	-	347	71
Principal paid on capital-related debt	(731)	-	-	731	-	-
Interest paid on capital-related debt	(1,354)	-	-	1,354	-	-
Net cash provided (used) by capital and related financing activities	(3,886)	-	-	2,085	(1,801)	(2,139)
Cash flows from investing activities:						
Proceeds from maturities and sales of investments	1,411,738	1,139,655	335,307	-	2,886,700	5,726,640
Purchase of investments	(1,421,936)	(1,428,422)	(336,331)	-	(3,186,689)	(5,601,343)
Income received from investments	425	9,128	7,607	-	17,160	27,952
Net cash provided (used) by investing activities	(9,773)	(279,639)	6,583	-	(282,829)	153,249
Net increase (decrease) in cash	56,377	(303)	7	-	56,081	6,545
Cash at beginning of year	35,597	303	-	-	35,900	29,355
Cash at end of year	\$ 91,974	\$ -	\$ 7	\$ -	\$ 91,981	\$ 35,900

The accompanying notes are an integral part of these statements.

Continued on the next page

Colorado Housing and Finance Authority

Statement of Cash Flows *(continued)*

For the year ended December 31, 2010

(with summarized financial information for the year ended December 31, 2009 Restated)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2010	Summarized 2009 Restated
Reconciliation of operating income (loss) to net cash used by operating activities:						
Net operating income (loss)	\$ (23,374)	\$ 11,329	\$ 13,784	\$ -	\$ 1,739	\$ (14,240)
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation expense	3,773	-	-	-	3,773	3,159
Amortization of service release premiums	2,946	-	-	-	2,946	3,035
Amortization of deferred loan fees/costs, net	(690)	909	(104)	-	115	(85)
Amortization of imputed debt associated with swaps	-	(3,996)	(4,621)	-	(8,617)	(8,653)
Provision for losses	2,916	2,519	1,086	-	6,521	14,404
Interest on investments	(426)	(10,011)	(7,650)	-	(18,087)	(14,990)
Interest on debt	6,678	94,673	47,919	(1,343)	147,927	180,423
Unrealized loss on derivatives	200	273	-	-	473	2,882
Unrealized (gain) loss on investments	(47)	(5,704)	(1,573)	-	(7,324)	10,396
(Gain) loss on sale of REO	412	(111)	112	-	413	148
Gain on sale of loans	(19,817)	-	-	-	(19,817)	(8,528)
Changes in assets and liabilities:						
Loans receivable and other real estate owned	55,651	222,364	24,743	(731)	302,027	239,342
Accrued interest receivable on loans and investments	(91)	2,615	906	(11)	3,419	83
Other assets	(3,798)	(208)	23	-	(3,983)	(3,136)
Accounts payable and other liabilities	51,888	-	(143)	-	51,745	4,304
Net cash used by operating activities	\$ 76,221	\$ 314,652	\$ 74,482	\$ (2,085)	\$ 463,270	\$ 408,544

The accompanying notes are an integral part of these statements.

colorado housing and finance authority



NOTES TO FINANCIAL STATEMENTS



1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation and Reporting Entity

Authorizing Legislation - The Colorado Housing and Finance Authority (the "Authority") is a body corporate and a political subdivision of the State of Colorado (the "State") established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). The Authority is not a state agency and is not subject to administrative direction by the State. The governing body of the Authority is its board of directors. Operations of the Authority commenced in 1974. The Authority is not a component unit of the State or any other entity.

The Authority was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for lower and moderate income families. Under the Act, the Authority is also authorized to finance projects and working capital loans to industrial and commercial enterprises (both for-profit and non-profit) of small and moderate size.

In 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20 which, among other things, imposes restrictions on increases in revenue and expenditures of state and local governments. In the opinion of its bond counsel, the Authority qualifies as an enterprise under the amendment and therefore is exempt from its provisions.

In 2001, the Colorado state legislature repealed the limitation on the amount of debt that the Authority can issue as well as removed the moral obligation of the State on future debt issues of the Authority. The bonds, notes and other obligations of the Authority do not constitute debt of the State.

Blended Component Units - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Hyland Park, Tanglewood and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. The Authority is financially accountable for these units because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority. Separate financial statements for the individual component units may be obtained through the Authority.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting - The Authority's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements for its funds, as well as those of the Financial Accounting Standards Board issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Authority applies only applicable GASB pronouncements.

In December, 2010, the Authority early adopted the Governmental Accounting Standards Board (GASB) issued Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements." Statement 62 incorporates guidance that previously could only be found only in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

Financial Statement Presentation - The Authority's financial statements include a classified Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Statement of Cash Flows presented using the direct method and notes to the financial statements. The Authority's financial statements present its funds in separate columns. Summarized financial information for 2009 has been



presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

The financial activities of the Authority are recorded in three funds, which are consolidated for reporting purposes and are described below.

General Fund – The General Fund is the Authority's primary operating fund. It accounts for all financial activity not specifically pledged for the repayment of bonds in the other funds.

Single Family Fund – The Single Family Fund accounts for bonds issued and assets pledged for payment of the bonds under the related indentures. Loans acquired by this fund with the proceeds of single family bond issues include FHA, conventional, USDA Rural Development and VA loans made under various loan programs.

Multi-Family/Business Fund – The Multi-Family/Business Fund accounts for bonds issued and assets pledged for payment of the bonds under the related indentures. Loans acquired by this fund with the proceeds of multi-family and business (sometimes referred to as project) bond issues include loans made for the purchase, construction or rehabilitation of multi-family rental housing. In addition, business loans are made to both for-profit and non-profit organizations primarily for the purpose of acquisition or expansion of their facilities or for the purchase of equipment.

Interfund activity is eliminated, reflected in the "Eliminations" column of the statements.

Restricted Assets – Restricted assets are primarily assets held for the benefit of respective bond holders and allocated by fund. Certain other assets are held on behalf of various governmental housing initiatives or regulations.

(c) Summary of Significant Accounting Policies

Cash and Restricted Cash – The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits held in banks.

Investments – Investments of the Authority, with the exception of nonparticipating investment agreements which are reported at cost, are carried at fair value based on quoted market prices. Investments with a maturity of one year or less are valued at amortized cost, which approximates fair value.

Loans Receivable – Mortgage loans receivable are carried at their unpaid principal balance net of deferred down payment assistance expense, deferred fee income, loan origination costs and an allowance for estimated loan losses. Deferred down payment assistance expense, deferred fee income and loan origination costs are capitalized and amortized over the life of the loan using the effective interest method. Virtually all mortgage loans receivable are serviced by the Authority.

Loans Receivable Held for Sale – Loans originated and intended for sale in the secondary market are carried at fair value. Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income.

Allowance for Loan Losses – The allowance for loan losses is a reserve against current operations based on management's estimate of expected loan losses. Management's estimate considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, guarantees, mortgage insurance, historical loss experience for each loan type, additional guarantees provided by the borrowers and economic conditions. Based on the review of these factors, a total reserve amount is calculated and a provision is made against current operations to reflect the estimated balance.



Troubled Debt Restructuring – A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Whatever the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to make the best of a difficult situation. That is, the creditor expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, by granting the concession than by not granting it.

Capital Assets – The Authority's capital assets consist of two components. Corporate capital assets include those capital assets other than those used in its rental acquisition program (RAP) activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. As of December 31, 2010, the Authority owned a total of four RAP projects, including its three component units, containing 917 units.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$2,500 in the case of corporate capital assets and \$1,500 in the case of RAP capital assets. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives, ranging from 3-30 years.

Other Real Estate Owned – Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value, which equals fair value minus closing costs.

Bond and Note Issuance Costs – Costs of debt issuance are deferred and amortized to interest expense over the lives of the bond issues using the effective interest method.

Other Assets – Included in other assets are unamortized costs of mortgage servicing rights. Mortgage servicing rights are amortized over the life of the related loans using the effective interest method.

Due from and Due to Other Funds – The outstanding balances between funds result mainly from the processing of loan payments which are initially received by the General Fund and then transferred to the Single Family Fund and Multi-Family/Business Fund on a month lag basis. All interfund payables are expected to be paid within one year.

Bonds – Bonds payable are limited obligations of the Authority, and are not a debt or liability of the State of Colorado or any subdivisions thereof. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, moneys, investments, mortgage loans, and other assets in the funds and accounts of the program. Substantially all of the Authority's loans are pledged as security for the bonds. The provisions of the applicable trust indentures require or allow for redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and program certificates. All outstanding bonds are subject to redemption at the option of the Authority, in whole or in part at any time after certain dates, as specified in the respective series indentures.

The Authority issues fixed rate and variable rate bonds. The rate on the fixed rate bonds is set at bond closing, with the variable rate bonds bearing interest at a weekly rate until maturity or earlier redemption. The remarketing agent for each bond issue establishes the weekly rate according to each indenture's remarketing agreement. The weekly rates are communicated to the various bond trustees for preparation of debt service payments. The weekly rate, as set by the remarketing agent, allows the bonds to trade in the secondary market at a price equal to 100% of the principal amount of the bonds outstanding, with each rate not exceeding maximum rates permitted by law.

Variable rate bonds have an assumed Stand-by Purchase Agreement (SBPA) which states that the issuer of the SBPA will purchase the bonds in the event the remarketing agent is unsuccessful in marketing the bonds. In this event the interest rate paid by the Authority will be calculated using a defined rate from the SBPA. If the bonds remain unsold for a period of



90 days, they are deemed to be “bank bonds” and the Authority is required to repurchase the bonds from the SBPA issuer. The timing of this repurchase, or term out, will vary by issuer from two years to ten years.

Bond Discounts and Premiums – Discounts and premiums on bonds payable are amortized to interest expense over the lives of the respective bond issues using the effective interest method.

Forward Sales Contracts – Forward sales securities commitments and private investor sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At December 31, 2010, the Authority had executed 24 forward sales transactions with a \$17,390,000 notional amount with four counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in Note 8. The forward sales will all settle by April 21, 2011.

Debt Refundings – For current and advance refundings resulting in defeasance of debt reported by the Authority, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

Interest Rate Swap Agreements – The Authority enters into interest rate swap agreements with rated swap counterparties in order to (1) provide lower cost fixed rate financing for its loan production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability. The Authority enters into fixed payor swaps, where we pay a fixed interest rate in exchange for receiving a variable interest rate from the counterparty. The variable interest rate may be based on either a taxable or tax-exempt index. By entering into a swap agreement, the Authority hedges its interest rate exposure on the underlying variable rate bonds. Additional information about the swap agreements is provided in Note 8.

Other Liabilities: At December 31, 2010, the major components of other liabilities are:

- **Servicing escrow:** the net amount of collected escrow funds currently being held to pay future obligations of property taxes and mortgage insurance premiums due on real properties. The Authority has a corresponding asset that is recorded in restricted cash.
- **Brownfield monies:** amounts advanced from the State of Colorado to be used for loans for the expansion, redevelopment, or reuse of real property which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant that have not yet been mitigated. The Authority has a corresponding asset that is restricted.
- **Governor's Energy Program (GEO):** The US Department of Energy funded a Grant to the State of Colorado to promote energy efficiency or renewable energy within the State. CHFA was retained by the State to provide administrative services and serve as the fiscal agent for the funds. Wells Fargo serves as trustee of the \$13.1 million Grant with the State of Colorado as the beneficiary. The Authority has a corresponding asset that is restricted.
- **Deferred Low Income Housing Tax Credit (LIHTC) Income:** compliance monitoring fees collected in advance on multi-family properties that have been awarded low income housing tax credits to be used over a 15-year period. These fees cover the ongoing cost the Authority incurs to certify that these properties remain low-income compliant during the 15-year period and continue to be eligible to use the tax credits awarded.
- **Compensated Absences:** employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over a maximum of 150% of their annual paid time off benefit. The liability for compensated absences is based on current salary rates and is reflected in the financial statements.

Operating and Nonoperating Revenues and Expenses - The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Authority's ongoing operations. The principal operating revenues of the Authority are interest income on loans and investment income. The Authority also recognizes revenues from rental operations and other revenues, which include loan servicing fees and other administrative fees. Operating expenses include interest expense, administrative expenses, depreciation, and the provision for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority's nonoperating revenues and expenses consist primarily of pass-through amounts related to the Authority's role as a contract administrator of the U.S. Department of Housing and Urban Development's Section 8 subsidy program. Under the Section 8 subsidy program, tenants pay 30% of their income toward rent and the balance is paid by federal subsidy.

In addition, under the federal government's American Recovery and Reinvestment Act (ARRA), passed in February 2009, the Authority became the allocator of the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). The two programs were created to assist developers holding allocations of federal Low Income Housing Tax Credits (LIHTC). In 2009, the Authority received an allocation of over \$60 million in federal funds to distribute to projects already underway across the state. The Authority has until December 2011 to distribute any remaining allocation TCEP funds and until February 2012 to distribute any remaining allocation TCAP funds.

Budget Policies - The Authority's budget year is the calendar year. The budget is developed on a full accrual basis with estimations of revenue by source and expenses by object. The Authority is not subject to the Local Budget Government Law of Colorado pursuant to Title 29, Article 1, Part 1 of the Colorado Revised Statutes.

New Accounting Principles - The Authority has evaluated the financial statement impact and adopted several new Statements issued by the Governmental Accounting Standards Board (GASB) in its current fiscal year ended December 31, 2010.

GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB No. 51"), which provides guidance on internally generated intangible assets, primarily computer software. The Statement provides guidance regarding how to identify, account for, and report intangible assets which are characterized as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. Statement 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. There was no material impact to the Authority's financial statements from the adoption of this standard.

GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). The Statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments entered into by governmental entities. GASB No. 53 requires that most derivative instruments be reported at fair value, and requires governmental entities to determine if derivatives are effective hedges of risks associated with related hedgeable items. Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for ineffective hedges the changes in fair value are recognized in the current period. See footnote 16 for the impact on the Authority's financial statements upon the adoption of this standard.

GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in Pre-November 30, 1989 FASB and AICPA Pronouncements ("GASB No. 62"). This Standard improves financial reporting by incorporating into GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and the American Institute of Certified Public Accountants ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB No. 62 will supersede Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The requirements of GASB No. 62 are effective for financial statements for periods beginning after December



Notes to Financial Statements
(tabular dollar amounts are in thousands)

15, 2011, although earlier application is encouraged. There was no material impact to the Authority's financial statements from the adoption of this standard.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates to the Authority's financial statements include the allowance for loan losses and fair value estimates. Actual results could differ from those estimates.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Cash and Investments

For General Fund investments, the Authority is authorized by means of a Board-approved investment policy to invest in notes, bonds and other obligations issued or guaranteed by the U.S. government and certain governmental agencies. Additionally, the Authority is permitted to invest, with certain restrictions as to concentration of risk, collateralization levels, maximum periods to maturity, and/or underlying rating levels applied, in revenue or general obligations of states and their agencies, certificates of deposits, U.S. dollar denominated corporate or bank debt, commercial paper, repurchase agreements backed by U.S. government or agency securities, money market mutual funds and investment agreements. The Authority is also subject to permissible investments as authorized by Title 24, Article 75, Part 6 of the Colorado Revised Statutes (CRS). Permissible investments pursuant to the CRS are either identical to or less restrictive than the Authority's investment policy. In addition, each of the trust indentures established under the Authority's bond programs contain requirements as to permitted investments of bond fund proceeds, which may be more or less restrictive than the Authority's investment policy for General Fund monies. These investments are included in the disclosures below under State & political subdivision obligations.

As of December 31, 2010, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2009
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 329,918	\$ 507	\$ -	\$ -	\$ 330,425	\$ 94,345
External investment pool	105,079	16	-	-	105,095	191,291
Repurchase agreement	2,162	-	-	2,151	4,313	4,088
U.S. Treasury	-	-	-	588	588	587
U.S. Government agencies	22,561	6,897	65,961	105,441	200,860	71,937
State & political subdivision obligations	-	-	-	3,038	3,038	61,667
Investment agreements - uncollateralized	121,991	-	-	40,277	162,268	139,175
Investment agreements - collateralized	23,967	-	-	6,875	30,842	14,366
Certificate of Deposit	47,200	-	-	-	47,200	-
Total	\$ 652,878	\$ 7,420	\$ 65,961	\$ 158,370	\$ 884,629	\$ 577,456

The pledged investments in the General Fund include the following: a \$47,200,000 certificate of deposit pledged to the FHLB line of credit, \$3,581,000 GNMA security, COLOTRUST investments of RDLP, RDLP II & RDLP V in the amounts of \$247,000, \$482,000 and \$5,325, respectively; each pledged as collateral for the of Rural Development Loan Program (RDLP) notes payable.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Interest Rate Risk – The Authority manages interest rate risk in the General Fund by generally limiting the maximum maturity date of an investment to seven years. Of the General Fund's \$75,899,000 in investments, 97% have maturities of less than one year.

In the Single Family and Multi-Family/Business Funds, the Authority matches maturities to anticipated cash flows. Of the Authority's investments with a maturity of more than ten years, 97.2% are debt service reserves.

Credit Risk – The following table provides credit ratings of the Authority's investments as determined by Moody's Investors Service and/or Standard and Poor's.

Investment Type	Rating
Money market mutual fund	AAAm/Aaa, NR/Aa2
External investment pool	AAAm/Aaa
Repurchase agreement	Not Rated
U.S. Treasury	AAA/Aaa
U.S. Government agencies	AAA/Aaa
State & political subdivision obligations	AAA/Aaa, AA-/Baa1, AA-/Aa2
Investment agreements - uncollateralized	Not Rated
Investment agreements - collateralized	Not Rated
Certificates of Deposits	Not Rated

Forty four percent of the investments in securities issued by state and political subdivisions are rated AAA. Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board's investment policy.

As of December 31, 2010, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share's fair value is \$1.00.

Concentration of Credit Risk – The Authority has various maximum investment limits both by type of investment and by issuer to prevent inappropriate concentration of credit risk. The following table provides information on issuers in which the Authority has investments representing more than 5% of its total investments or of the respective funds.

Issuer	Total	General Fund	Single Family	Multi-Family/ Business
COLOTRUST	11.97%	14.08%	15.51%	-
Federal Home Loan Bank	7.82%	62.19%	-	5.15%
Federal Natl Mf Assoc	-	-	-	9.08%
FHLMC	5.94%	-	7.90%	-
FNMA	5.50%	-	-	15.36%
GNMA II	6.66%	-	6.29%	8.56%
Heritage Money Market Fund	-	-	-	20.04%
IXIS	10.83%	-	8.04%	23.88%
Trinity	6.30%	-	9.08%	-
WestLB AG	-	-	-	8.66%
US Bank - Master Trust	31.15%	-	44.87%	-
Wells Fargo	-	13.37%	-	-



Custodial Credit Risk – Investments – All securities owned by the Authority are either in the custody of the related bond indenture trustees or held in the name of the Authority by a party other than the issuer of the security. Custodial credit risk is the risk that, in the event of the failure of the custodian, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of the custodian.

Custodial Credit Risk - Cash Deposits – In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the State of Colorado's Division of Banking's Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$25,586,000 held in a fiduciary capacity. These escrow deposits are primarily held for the payment of property taxes and insurance on behalf of the Authority's mortgagors.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

(3) Loans Receivable, Related Allowances and Troubled Debt Restructuring

Loans receivable at December 31, 2010, and 2009, consist of the following:

	2010	2009
General Fund	\$ 241,697	\$ 284,584
Single Family Fund:		
Program Senior and Subordinate	63,267	74,424
Mortgage	1,569,295	1,784,591
Total Single Family Fund loans	1,632,562	1,859,015
Multi-Family/Business Fund:		
Insured Mortgage Revenue	74,039	82,548
Multi-Family/Project	751,656	770,592
Total Multi-Family/Business Fund loans	825,695	853,140
Less intercompany loans, included in Multi-Family/Project above	(17,640)	(18,372)
Total loans receivable	2,682,314	2,978,367
Payments in process	(2,406)	(2,700)
Deferred cash assistance expense	6,635	7,132
Deferred fee income	(8,960)	(9,534)
Allowance for loan losses	(19,737)	(20,759)
Total loans receivable, net	\$ 2,657,846	\$ 2,952,506

Loans in the Single-Family Fund and the Multi-Family/Business Fund in the table above are grouped based on the related bond type (see Note 6 for additional information).

General Fund loans are made up of single-family, multi-family and business finance loans acquired under various programs of the General Fund, warehoused loans to be acquired by the Single Family and Multi-Family/Business Funds, loans held as investments, and loans backed by bonds within the General Fund. These loans are typically collateralized by mortgages on real property and improvements. Certain of these loans are also guaranteed by agencies of the United States government.

Single-family bond program loans are collateralized by mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or more, are generally either insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA) or Rural Economic and Community Development Department (RD) or insured by private mortgage insurance. The single-family loan portfolio included in the general and single-family funds as of December 31, 2010 was comprised of \$1.1 billion of FHA insured loans, \$110 million of VA guaranteed loans, \$46 million of RD loans, \$ 292 million of conventional insured loans with the balance made up of uninsured conventional and second mortgage loans.

Multi-family/business bond program loans are collateralized by mortgages on applicable real estate, and, in some cases, are further insured by an agency of the United States government, which significantly reduces the credit risk exposure to the Authority.

In 2010, the Authority completed a comprehensive review of the allowance for loan loss process for each loan type and updated the historical probability and average loan loss amounts. During this process, the Authority modified its approach to analyze the different government loan types based on insurance coverage or underlying guarantee and as a result, the allowance for loan losses appropriately considers the underlying credit risk exposure.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Activity in the allowance for loan losses for the years ended December 31, 2010 and 2009, was as follows:

	<u>2010</u>	<u>2009</u>
Beginning Balance	\$ (20,759)	\$ (12,000)
Provision	(6,521)	(14,404)
Net Charge-offs	<u>7,543</u>	<u>5,645</u>
Ending Balance	<u>\$ (19,737)</u>	<u>\$ (20,759)</u>

The Authority has granted terms and interest rate concessions to Debtors, which is considered troubled debt restructuring, in 2010 and 2009 as summarized below:

Single Family Fund:	<u>2010</u>	<u>2009</u>
Aggregate Recorded Balance	\$15,367,969	\$1,258,166
Number of Loans	116	12
Gross Interest Revenue if Receivables had been current	\$957,487	\$84,658
Interest Revenue included in Changes in Net Assets	\$855,083	\$79,313

Multi-Family/Business Fund:	<u>2010</u>	<u>2009</u>
Aggregate Recorded Balance	\$42,711,421	\$32,913,164
Number of Loans	37	26
Gross Interest Revenue if Receivables had been current	\$2,921,903	\$2,305,718
Interest Revenue included in Changes in Net Assets	\$2,681,317	\$1,992,602



Notes to Financial Statements
(tabular dollar amounts are in thousands)

(4) Capital Assets and Rental Acquisition Program (RAP)

Capital assets activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 4,785	\$ -	\$ -	\$ 4,785
Construction in progress	196	1,250	(684)	762
Total non-depreciable capital assets	4,981	1,250	(684)	5,547
Depreciable capital assets:				
Cost:				
Computer equipment/software	11,694	722	-	12,416
Furniture and equipment	1,091	53	(149)	995
Rental property - non-building related	2,087	173	(239)	2,021
Buildings and related improvements	27,568	634	(484)	27,718
Total depreciable capital assets	42,440	1,582	(872)	43,150
Less accumulated depreciation:				
Computer equipment/software	(5,367)	(2,204)	-	(7,571)
Furniture and equipment	(408)	(139)	149	(398)
Rental property - non-building related	(790)	(265)	239	(816)
Buildings and related improvements	(12,270)	(1,165)	264	(13,171)
Total accumulated depreciation	(18,835)	(3,773)	652	(21,956)
Total depreciable capital assets, net	23,605	(2,191)	(220)	21,194
Total capital assets, net	\$ 28,586	\$ (941)	\$ (904)	\$ 26,741



Notes to Financial Statements
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As discussed in Note 1(c), the Authority's capital assets consist of two components, corporate capital assets and RAP capital assets. Summary capital assets activity for these two components for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Corporate activities:				
Cost	\$ 22,344	\$ 1,387	\$ (228)	\$ 23,503
Accumulated depreciation	(8,696)	(2,750)	228	(11,218)
Net	13,648	(1,363)	-	12,285
RAP activities:				
Cost	25,077	760	(641)	25,196
Accumulated depreciation	(10,139)	(1,024)	423	(10,740)
Net	14,938	(264)	(218)	14,456
Total capital assets, net	\$ 28,586	\$ (1,627)	\$ (218)	\$ 26,741

Summary financial information for the Authority's RAP activities as of December 31, 2010, and for the year then ended is provided below:

As of December 31, 2010	
Property, net of accumulated depreciation	\$ 14,456
Total assets	18,210
Total liabilities	14,754
Net assets	3,456
For the year ended December 31, 2010	
Rental income	\$ 7,656
Gains on sales of properties	-
Gains on sales of capital assets	128
Interest income	7
General operating expenses	(5,176)
Depreciation expense	(1,024)
Interest expense	(1,093)
Operating income	\$ 498

(5) Short-term Debt

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for collateralized borrowings in an amount not to exceed the lending limit internally established by the FHLB, which is 40% of the Authority's total assets or \$1.5 billion. As of December 31, 2010, the Authority had \$87.9 million of short-term debt outstanding with the FHLB. Borrowings under these agreements are used to support the Authority's various lending programs, including warehousing of loans in the General Fund, and activities related to the Authority's private activity bond volume cap preservation program. Amounts drawn under the agreements bear interest at the same rates charged by the FHLB to its member banks and are



Notes to Financial Statements
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collateralized by certain mortgage loans and investments. There are no commitment fees associated with these agreements.

The Authority also has a revolving, unsecured, commercial bank line of credit agreement for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at 1.75% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on September 30, 2011. The Authority pays an unused line fee at the rate of 0.25% per annum, payable in arrears on the first business day after each calendar quarter. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit.

Short-term debt activity for the years ended December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Beginning Balance	\$ 73,250	\$ 164,985
Additions	4,467,100	8,560,675
Reductions	<u>(4,452,450)</u>	<u>(8,652,410)</u>
Ending Balance	<u>\$ 87,900</u>	<u>\$ 73,250</u>

(6) Bonds, Notes Payable and Other Liabilities

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business Funds are used for funding of single-family, multi-family and business loans. Long-term debt of the General Fund (including notes payable) is used to finance single-family and business loans related to various private placements, the Authority's RAP activities and for general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2010 and 2009, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on variable debt are reset on a weekly basis by the remarketing agents.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Description and due date	Interest rate (%)	2010	2009
Bonds payable:			
General Fund (all General Fund bonds carry the Authority's general obligation pledge):			
General Obligation Bonds:			
1998 Series A	2011-2017	4.90 to 5.25	\$ - \$ 895
Total General Obligation Bonds		-	895
Single Family:			
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A*	2011 - 2020	6.91	384 431
2000 Series B*	2011 - 2020	6.68	- 150
2001 Series AP*	2011 - 2021	6.14	1,287 1,415
2001 Series AV*	2011 - 2021	6.63	- 61
2002 Series AP*	2011 - 2022	5.66	- 167
2004 Series A*	2011 - 2024	4.95	1,043 1,083
2004 Series B*	2011 - 2035	4.98	2,337 2,622
2004 Series CV*	2011 - 2035	5.14	1,494 1,618
2005 Series A*	2011 - 2035	5.17	6,252 6,881
2005 Series B*	2011 - 2036	5.32	5,353 5,954
2006 Series A*	2011 - 2036	5.92	6,786 8,312
2007 Series A*	2011 - 2037	5.50	5,704 6,722
Total Single Family			30,640 35,416
Multi-Family/Business Finance:			
ACCESS Program Bonds:			
1995 Series A	2011-2015	7.67	- 20
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
1999 Series A	2011-2024	5.71	521 565
2000 Series A	2011-2025	6.76	- 145
2003 Series A*	2011-2023	5.00	1,539 1,861
2004 Series A*	2011-2024	4.62	1,995 2,513
2004 Series B*	2011-2024	4.88	5,991 6,236
2005 Series A*	2011-2025	4.81	2,524 2,656
2006 Series A*	2011-2026	5.98	3,158 3,986
2007 Series A*	2011-2027	5.89	3,290 3,555
Total Guaranteed Loan Participation Purchase Bonds			19,018 21,517
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
2004 Series AP*	2011-2024	4.90	4,497 4,972
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A	2011-2020	6.15	3,844 3,993
2002 Series AV*	2011-2022	5.55	5,476 5,696
2003 Series AV*	2011-2024	5.19	3,428 3,525
2004 Series A*	2011-2024	4.90	11,483 11,844
Total Taxable Rental Project Revenue Bonds			24,231 25,058
Total Multi-Family/Business Finance			47,746 51,567
Total General Fund			78,386 87,878

Table continued on following page.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Description and due date	Interest rate (%)	2010	2009	
Single Family Fund:				
Single Family Program Senior and Subordinate Bonds:				
1997 Series A	2011 - 2028	4.00 - 7.25	-	250
1997 Series C	2011 - 2028	4.80 - 6.88	-	400
1998 Series A	2011 - 2029	4.60 - 6.60	2,365	2,860
1998 Series B	2011 - 2029	4.50 - 6.55	2,748	3,226
1998 Series C	2011 - 2029	4.50 - 5.63	3,900	4,568
1998 Series D	2011 - 2029	4.25 - 6.35	3,815	4,435
1999 Series A	2011 - 2030	5.76 - 6.45	4,300	4,960
1999 Series B	2011 - 2030	6.50 - 6.80	1,660	2,425
1999 Series C	2011 - 2031	4.70 - 7.20	3,715	4,635
2000 Series A	2011 - 2031	7.25 - 7.54	1,730	2,230
2000 Series B	2011 - 2031	5.10 - 7.47	1,905	2,330
2000 Series C	2011 - 2031	5.70 - 8.40	1,355	1,815
2000 Series D	2011 - 2032	5.15 - 7.43	2,620	3,515
2000 Series E	2011 - 2032	5.15 - 7.10	1,980	2,485
2001 Series A	2011 - 2032	5.00 - 6.50	4,715	5,580
2001 Series B	2011 - 2033	4.12 - 6.80	5,870	6,795
2001 Series C	2011 - 2033	4.00 - 6.60	7,610	9,405
Total Single Family Program Senior and Subordinate Bonds			50,288	61,914
Single Family Mortgage Bonds:				
2001 Series AA	2011 - 2041	Variable & 5.25	111,840	118,340
2002 Series A	2011 - 2032	Variable & 4.80 - 5.65	36,190	50,565
2002 Series B	2011 - 2032	Variable & 4.80 - 5.40	58,400	65,820
2002 Series C	2011 - 2036	Variable & 4.40 - 4.95	67,550	83,125
2003 Series A	2011 - 2032	Variable & 4.75 - 5.15	33,170	41,630
2003 Series B	2011 - 2033	Variable & 5.00	120,385	127,120
2003 Series C	2011 - 2032	Variable & 5.00	62,765	68,270
2004 Series A	2011 - 2034	Variable & 5.25	72,900	81,110
2004 Series B	2011 - 2034	Variable & 5.25	64,615	68,625
2005 Series A	2011 - 2035	Variable & 5.25	64,890	70,560
2005 Series B	2011 - 2036	Variable & 4.60 - 5.22	124,770	148,090
2006 Series A	2011 - 2036	Variable & 5.00	82,600	87,185
2006 Series B	2011 - 2036	Variable & 5.10	145,495	162,645
2006 Series C	2011 - 2036	Variable & 4.63	125,125	140,810
2007 Series A	2011 - 2037	Variable & 4.80	145,115	158,840
2007 Series B	2011 - 2038	Variable	174,780	193,500
2008 Series A	2011 - 2038	Variable & 5.00 - 5.75	302,420	317,515
2009 Series A	2011 - 2029	2.40 - 5.50	78,900	90,000
Total Single Family Mortgage Bonds			1,871,910	2,073,750
Single Family Program Bonds:				
2009 Series AA	2011	Variable	275,210	-
Total Single Family Fund			2,197,408	2,135,664

Table continued on following page.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Description and due date	Interest rate (%)	2010	2009	
Multi-Family/Business Fund:				
Multi-Family Housing Insured - Mortgage Revenue Bonds:				
1997 Series A	2011-2038	4.00 - 7.13	1,540	1,580
1997 Series B	2011-2038	3.90 - 7.25	10,220	10,400
1997 Series C	2011-2039	4.10 - 6.75	20,965	21,000
1998 Series A	2011-2039	5.35 - 6.70	15,050	15,240
1998 Series B	2011-2040	5.45 - 7.00	6,750	6,780
1999 Series A	2011-2041	3.25 - 6.65	18,130	18,320
1999 Series B	2011-2041	5.25 - 5.85	5,135	5,190
1999 Series C	2011-2041	4.55 - 7.93	5,610	5,650
2002 Series AA	2011-2030	Variable	26,820	28,140
Total Multi-Family Housing Insured - Mortgage Revenue Bonds			110,220	112,300
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)				
2000 Series A	2011 - 2032	Variable & 6.15	21,715	29,480
2000 Series B*	2011 - 2042	Variable & 5.90 - 6.10	25,790	26,140
2001 Series A	2011 - 2043	4.50 - 5.65	24,560	25,005
2002 Series A	2011 - 2042	Variable & 4.50 - 5.70	22,585	23,015
2002 Series C	2011 - 2042	Variable & 4.00 - 5.30	111,575	113,985
2003 Series A	2011 - 2033	Variable	38,235	38,795
2004 Series A	2011 - 2045	Variable & 3.15 - 4.80	76,470	77,730
2005 Series A	2011 - 2040	Variable	65,390	66,690
2005 Series B	2011 - 2040	Variable	25,650	25,990
2006 Series A	2011 - 2041	Variable	53,305	53,305
2007 Series B	2011 - 2038	Variable	84,000	87,220
2008 Series A	2011 - 2043	Variable	31,470	32,340
2008 Series B	2011 - 2052	Variable	164,905	165,465
2008 Series C	2011 - 2038	Variable	34,940	35,215
2009 Series A	2011 - 2041	Variable & 1.30 - 5.40	44,605	46,845
Total Multi-Family/Project Bonds			825,195	847,220
Total Multi-Family/Business Fund			935,415	959,520
Total bonds payable			3,211,209	3,183,062
Statement of Net Assets Summary				
Current		299,187	18,539	
Non current		2,910,329	3,163,551	
Bonds payable, net		\$ 3,209,516	\$ 3,182,090	
Deferred premiums		(3,311)	(4,484)	
Deferred losses on refunding amounts		5,004	5,456	
Bonds payable, gross		\$ 3,211,209	\$ 3,183,062	
Current		79	74	
Non current		6,173	20,968	
Notes payable		\$ 6,252	\$ 21,042	



Notes to Financial Statements
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A breakdown of bonds payable as of December 31, 2010 and 2009, by fixed and variable interest rates follows in the table below. Certain of the Authority's variable rate debt has been converted to fixed rate debt by entering into pay fixed/receive variable rate interest rate swap agreements as further described in Note 8. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2010	2009
Fixed rate debt	\$ 555,879	\$ 684,082
Synthetic fixed rate debt	2,088,735	2,196,650
Unhedged variable rate debt	566,595	302,330
Total	\$ 3,211,209	\$ 3,183,062

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Assets at December 31, 2010 and 2009, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2010	2009
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	\$ 6,053	\$ 2,498	\$ 2,366
1998 Series C - 2020-2029	5.63	8,313	3,900	4,568
			\$ 6,398	\$ 6,934

Also included in the table of bonds and notes payable outstanding are certain Single-Family and Multi-Family/Project bonds which carry the Authority's general obligation pledge. These bonds are presented in the following table as of December 31, 2010 and 2009:

Description	2010	2009
Single Family Program Subordinate Bonds	\$ 505	\$ 770
Single Family Mortgage Bonds, Class III	63,525	77,240
Multi-Family/Project Bonds, Class I	272,145	274,760
Multi-Family/Project Bonds, Class II	22,625	22,860
Multi-Family/Project Bonds, Class III	2,040	2,085
Total	\$ 360,840	\$ 377,715



Notes to Financial Statements
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Bonds, notes payable and other liability activity for the year ended December 31, 2010, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 3,183,062	\$ 275,210	\$ (247,063)	\$ 3,211,209	\$ 299,345
Unamortized premium/discount	4,484	-	(1,173)	3,311	309
Deferred losses on refunding	(5,456)	-	452	(5,004)	(467)
Net bonds payable	3,182,090	275,210	(247,784)	3,209,516	299,187
Notes payable	21,042	125	(14,915)	6,252	79
Arbitrage rebate payable	3,731	(757)	(32)	2,942	-
Compensated absences	964	833	(765)	1,032	1,032
Deferred income	3,403	228	(373)	3,258	217
Other liabilities	9,039	14,369	(214)	23,194	9
Total other liabilities	17,137	14,673	(1,384)	30,426	1,258
Total liabilities	\$ 3,220,269	\$ 290,008	\$ (264,083)	\$ 3,246,194	\$ 300,524

Bonds and notes payable sinking fund installments and contractual maturities subsequent to December 31, 2010, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ 4,170	\$ 289,515	\$ 20,830	\$ 9,830	\$ 11,369	\$ 79	\$ 295
2012	-	4,170	28,220	20,519	10,350	11,125	79	294
2013	-	4,170	49,690	20,092	10,900	10,876	80	293
2014	90	4,170	48,665	19,646	12,065	10,638	81	292
2015	181	4,162	59,450	19,189	12,595	10,459	82	291
2016-2020	3,957	20,502	348,609	85,238	85,285	49,244	405	1,444
2021-2025	39,784	15,749	197,118	68,414	88,385	42,173	190	1,429
2026-2030	6,448	8,000	251,249	49,314	133,325	33,726	21	1,423
2031-2035	10,083	7,325	404,335	20,804	169,285	23,863	22	1,422
2036-2040	17,843	893	498,525	3,492	220,725	11,491	1,805	1,099
2041-2045	-	-	30,000	40	17,765	2,861	3,408	426
2046-2050	-	-	-	-	-	2,226	-	-
2051-2052	-	-	-	-	164,905	705	-	-
Total	\$ 78,386	\$ 73,311	\$ 2,205,376	\$ 327,578	\$ 935,415	\$ 220,756	\$ 6,252	\$ 8,708

* Includes \$8.0 million of future accretion of principal value on capital appreciation bonds.

In late 2009 the U.S. Department of the Treasury announced a plan to assist Housing and Finance Agencies (HFAs) through a two part initiative: a new bond purchase program to support new lending by HFAs and a temporary credit and liquidity program to improve the access of HFAs to liquidity for outstanding HFA bonds.

The New Issue Bond Program will provide financing for HFAs to issue new mortgage revenue bonds no later than December 31, 2011. Pursuant to the New Issuance Bond Program, the Authority issued its Single Family Program Class I



Bonds in the amount of \$275,210,000, which settled on January 12, 2010. Using authority under the Housing and Economic Recovery Act of 2008 (HERA), Treasury purchased securities of Fannie Mae and Freddie Mac backed by these mortgage revenue bonds. The bonds initially carry variable interest rates that approximate the investment interest rates earned from the investment of bond proceeds. The bonds are to be converted to fixed rate bonds by December 31, 2011, concurrent with the issuance of other mortgage revenue bonds by the Authority or redeemed no later than February 1, 2012.

The Temporary Credit and Liquidity Program will allow Fannie Mae and Freddie Mac to provide replacement credit and liquidity facilities available to HFAs. The Treasury will backstop the Government Sponsored Entity replacement credit and liquidity facilities for the HFAs by purchasing an interest in them using HERA authority. The liquidity program expires December 31, 2012. Pursuant to the Temporary Credit and Liquidity Program, the Authority utilized \$903,685,000 of replacement credit and liquidity facilities of which \$814,085,000 is outstanding as of December 31, 2010. The Authority plans to replace the TCLP facility with liquidity provided by other banks or convert the underlying variable rate bonds to fixed rate bonds by December 31, 2012.

The HFA initiative was developed by Treasury with input from state HFAs and reflects the commitment the Treasury has in HFA lending practices. It is designed to be temporary in nature and will be available to help bridge the transition period as HFAs resume their activities after experiencing a number of challenges in the course of the financial and housing downturn.

(7) Conduit Debt Obligation

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

As of December 31, 2010, there were 67 series of bonds outstanding, with an aggregate principal amount outstanding of \$412,413,000.

(8) Derivative Instruments

In 2010, the Authority adopted Governmental Accounting Standards Board Statement ("GASB") No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 requires the reporting of derivative instruments at fair value. This required a retroactive implementation, which is detailed in footnote number 16. The Authority's interest rate swaps, which were primarily used to hedge changes in cash flows, are considered to be cash flow derivative instruments under GASB 53, with the exception of Single Family Swap 2001-AA which is considered to be an investment derivative instrument. The fair value of all derivatives is reported on the Statement of Net Assets as a hedging liability at the end of the year. If the interest rate hedge is considered ineffective, an investment derivative, the change in fair value is reported on the Statement of Revenues, Expenses and Changes in Net Assets. The annual changes in the fair value of effective hedging derivative instruments are reported as deferred inflows and outflows, as appropriate, on the Statement of Net Assets.

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement payment on the swaps.



Swaps Transactions - The Authority has entered into pay-fixed, receive-variable interest rate swaps in order to (1) provide lower cost fixed rate financing for its production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings.

Summary of Swap Transactions - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2010, are shown in the table below. The notional amounts of the swaps approximate the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Outstanding Swaps at December 31, 2010:

Associated Bond Issue	Current		Termination Date	Fixed		Variable Rate Received *	Embedded Options	Optional		Counterparty Rating	Changes in Fair Value		Fair Value **
	Notional Amount	Effective Date		Rate Paid	Rate			Termination Date, at Par	Termination Amount		Moody's/S&P	Classification	
<u>Single Family:</u>													
2001-AA ****	\$ 30,000	12/01/09	11/01/38	4.4850%	Trigger, SIFMA + .05% or 68% LIBOR	***				Aa3/AA-	Hedging Activity Loss	(273)	\$ (3,155)
2001-AA2 ****	46,840	12/04/08	05/01/31	4.6000%	Trigger, SIFMA + .05% or 68% LIBOR					Aa3/AA-	Interest on debt	(622)	(9,598)
											Deferred Outflow	2,129	
2001-AA1	15,340	12/02/08	05/01/18	5.5260%	Trigger, SIFMA + .05% or 68% LIBOR					Aa3/AA-	Interest on debt	(77)	(3,114)
											Deferred Outflow	306	
2002-A3 ****	18,490	12/04/08	11/01/21	4.7490%	Trigger, SIFMA + .05% or 68% LIBOR					Aa3/AA-	Interest on debt	(332)	(2,870)
											Deferred Outflow	640	
2002-B3 ****	39,375	12/04/08	11/01/21	4.5060%	Trigger, SIFMA + .05% or 68% LIBOR					Aa3/AA-	Interest on debt	(605)	(5,830)
											Deferred Outflow	1,443	
2002-C3 ****	40,000	12/04/08	05/01/22	4.4220%	Trigger, SIFMA + .15% or 68% LIBOR					Aa3/AA-	Interest on debt	(534)	(5,961)
											Deferred Outflow	1,578	
2003-A2 ****	20,000	12/02/08	11/01/21	4.1600%	Trigger, SIFMA + .05% or 68% LIBOR					Aa3/AA-	Interest on debt	(239)	(2,634)
											Deferred Outflow	737	
2003-B1 ****	34,135	12/02/08	11/01/26	4.8510%	LIBOR + .05%	***	05/01/15	27,305		Aa3/AA-	Interest on debt	(245)	(2,729)
											Deferred Outflow	1,655	
2003-B-2	24,565	10/29/08	05/01/28	4.9380%	LIBOR + .05%	***	11/1/2018	all remaining		Aa1/AA-	Deferred Outflow	429	(2,171)
2003-B3 ****	60,000	12/02/08	11/01/26	4.3840%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/15	43,170		Aa3/AA-	Interest on debt	(484)	(5,787)
											Deferred Outflow	1,070	
2003-C1	10,230	12/03/03	05/01/12	4.0330%	Bayerische + .05%					A1/NR	Deferred Outflow	(344)	(308)
2003-C2 ****	40,000	12/02/08	11/01/26	4.5950%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/15	28,780		Aa3/AA-	Interest on debt	(369)	(4,230)
											Deferred Outflow	669	
2004-A1	8,155	09/01/04	05/01/12	4.4600%	Bayerische + .05%					A1/NR	Deferred Outflow	(321)	(273)
2004-A2	50,000	07/28/04	11/01/26	4.3685%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/15	35,970		A3/A-	Deferred Outflow	576	(4,869)
2004-B1	6,710	12/01/04	05/01/12	4.0520%	LIBOR + .05%					Aa3/A+	Deferred Outflow	(226)	(197)
2004-B2	40,000	11/01/04	11/01/26	4.1220%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/15	28,780		A3/A-	Deferred Outflow	552	(3,388)
2005-A1	11,600	05/01/05	05/01/13	4.3555%	LIBOR + .05%					Aa3/A+	Deferred Outflow	(259)	(548)
2005-A2	40,000	03/16/05	11/01/27	4.0710%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/15	32,290		A3/A-	Deferred Outflow	455	(3,320)
2005-B2	80,000	07/20/05	05/01/34	4.1693%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/15	48,650		A3/A-	Deferred Outflow	(181)	(6,743)
2006-A1	7,150	03/01/06	11/01/13	5.1610%	LIBOR + .05%					Aa1/AA-	Deferred Outflow	(186)	(467)
2006-A3	40,000	01/18/06	11/01/36	4.3129%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/19	37,810		Aa3/A+	Deferred Outflow	766	(4,634)
2006-B1	30,540	11/01/06	11/01/14	5.6685%	LIBOR + .05%					Aa1/AA-	Deferred Outflow	(655)	(2,664)
2006-B2	49,325	07/26/06	11/01/34	4.1951%	Trigger, SIFMA + .05% or 68% LIBOR	***	05/01/19	16,700		Aa3/A+	Deferred Outflow	962	(5,827)
2006-B3	62,945	07/26/06	11/01/36	4.5445%	Trigger, SIFMA + .15% or 68% LIBOR	***	05/01/19	59,190		Aa3/A+	Deferred Outflow	1,111	(8,656)
2006-C1	30,525	01/02/07	11/01/14	5.3143%	LIBOR + .05%					Aa1/AA-	Deferred Outflow	(535)	(2,455)
2006-C2	14,140	12/20/06	05/01/16	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	05/01/12	7,050		Aa3/A+	Deferred Outflow	(52)	(1,134)
2006-C2	10,605	12/20/06	11/01/16	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	11/01/12	5,300		Aa3/A+	Deferred Outflow	11	(949)
2006-C2	10,605	12/20/06	11/01/17	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	11/01/13	5,300		Aa3/A+	Deferred Outflow	111	(1,116)
2006-C2	35,350	12/20/06	11/01/34	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	11/01/19	21,210		Aa3/A+	Deferred Outflow	857	(4,217)
2007A-1	41,370	6/1/2007	05/01/15	5.1911%	LIBOR + .05%					Aa1/AA-	Deferred Outflow	(487)	(3,444)
2007A-2	70,000	5/9/2007	11/01/37	4.1530%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2019	62,910		Aa3/A+	Deferred Outflow	1,391	(7,072)
2007B-1	70,380	11/1/2007	11/01/26	5.5800%	Libor + 0.05%	***	11/1/2017	24,610		Aa1/AA-	Deferred Outflow	791	(8,152)
2007B-2	50,000	10/18/2007	05/01/38	4.5075%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2019	46,545		Aa3/A+	Deferred Outflow	648	(6,453)
											Up to:		
											1) 11/1/2013	1) 12,500	
											2) 11/1/2015	2) 25,000	
2007B-3 ****	50,000	12/02/08	05/01/38	4.4050%	Trigger, SIFMA + .15% or 68% LIBOR	***	11/1/2017	50,000		Aa3/AA-	Interest on debt	(114)	(3,813)
											Deferred Outflow	414	
											Up to:		
											1) 5/1/2014	1) 20,000	
											2) 5/1/2016	2) 40,000	
2008A-3	80,000	6/4/2008	5/1/2038	4.4140%	Trigger, SIFMA + .05% or 68% LIBOR	***	5/1/2018	80,000		A3/A-	Deferred Outflow	482	(6,601)
											Up to:		
											1) 11/1/2011	1) 14,260	
											2) 11/1/2013	2) 27,440	
											3) 11/1/2016	3) 38,340	
2008A-1	58,080	6/4/2008	05/01/38	5.4450%	LIBOR + .05%	***	11/1/2018	all remaining		Aa1/AA-	Deferred Outflow	2,966	(4,990)
2008A-2	94,815	6/4/2008	11/1/2027	4.5960%	LIBOR + .05%	***	5/1/2018	all remaining		A1/A+	Deferred Outflow	2,076	(6,943)
Total	1,421,270												(147,312)

Table continued on following page.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Associated Bond Issue	Current		Termination Date	Fixed		Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating	Changes in Fair Value		Fair Value **
	Notional Amount	Effective Date		Rate Paid	Rate						Classification	Amount	
Multi-Family/Business:													
2000-A1 ****	12,750	11/21/08	10/01/20	5.2350%	SIFMA + .05					Aa3/AA-	Interest on debt	(79)	(2,336)
											Deferred Outflow	287	
2000-A2 ****	8,965	11/21/08	04/01/15	5.8000%	SIFMA + .05					Aa3/AA-	Interest on debt	(171)	(937)
											Deferred Inflow	(38)	
2000-B1	5,475	10/19/00	07/01/20	7.3900%	Citigroup 3 month + .25%					A2/A	Deferred Outflow	86	(1,261)
2002-A1 ****	9,410	11/21/08	10/01/22	5.1000%	SIFMA + .15					Aa3/AA-	Interest on debt	(42)	(1,546)
											Deferred Outflow	176	
2002AA ****	26,820	11/21/08	10/01/23	6.0350%	SIFMA + .05					Aa3/AA-	Interest on debt	(335)	(6,050)
											Deferred Outflow	388	
2002-C2 ****	70,715	11/21/08	10/01/32	5.1240%	Trigger, SIFMA + .15% or 68% LIBOR	***	04/01/18	59,340		Aa3/AA-	Interest on debt	(567)	(11,693)
											Deferred Outflow	1,515	
2002-C4 ****	31,960	11/21/08	10/01/32	5.0440%	Trigger, SIFMA + .05% or 68% LIBOR	***	04/01/18	26,785		Aa3/AA-	Interest on debt	(254)	(5,341)
											Deferred Outflow	976	
2003-A1 ****	19,725	12/03/08	04/01/26	4.5550%	LIBOR +0.5%	***	10/01/09	16,576		Aa3/AA-	Interest on debt	5	(310)
											Deferred Outflow	271	
2004-A1	42,515	11/01/04	10/01/25	5.5281%	LIBOR +0.5%	***	10/01/14	all remaining		A3/A-	Deferred Outflow	1,428	(4,552)
2004-A1 ****	10,000	05/29/09	05/01/13	5.3640%	LIBOR					Aa1/AA-	Interest on debt	(191)	(1,036)
											Deferred Outflow	194	
2004-A2	10,785	09/22/04	04/01/45	4.8840%	SIFMA + .15%	***	10/01/19	all remaining		A3/A-	Deferred Outflow	211	(1,138)
2005-A1 (A)	4,845	08/01/05	10/01/35	5.8200%	LIBOR +0.5%	***	04/01/15	all remaining		A3/A-	Deferred Outflow	238	(560)
2005-A1 (B)	3,070	08/01/05	10/01/20	5.2050%	LIBOR +0.5%	***				A3/A-	Deferred Outflow	148	(469)
2005-A1 (C)	10,120	08/01/05	10/01/25	5.7120%	LIBOR +0.5%	***	04/01/15	all remaining		A3/A-	Deferred Outflow	384	(1,100)
2005-A1 (D)	3,795	08/01/05	10/01/25	5.5730%	LIBOR +0.5%	***	10/01/11	all remaining		A3/A-	Deferred Outflow	(35)	(129)
2005-A2	18,660	07/01/05	04/01/36	4.2850%	SIFMA + .05%	***	04/01/15	all remaining		A3/A-	Deferred Outflow	279	(1,322)
2005-A3 (A)	6,390	04/13/05	04/01/40	4.6560%	SIFMA + .15%	***	10/01/20	all remaining		A3/A-	Deferred Outflow	95	(694)
2005-A3 (B)	6,285	10/01/05	04/01/32	4.4800%	SIFMA + .15%	***	04/01/15	all remaining		A3/A-	Deferred Outflow	99	(429)
2005-B1	13,620	03/01/06	04/01/36	5.2350%	LIBOR +0.5%	***	10/01/15	11,125		Aa3/A+	Deferred Outflow	675	(1,453)
2005-B2 (A)	3,535	01/02/06	10/01/40	4.7350%	SIFMA + .15%	***	10/01/15	3,305		Aa3/A+	Deferred Outflow	46	(227)
2005-B2 (B)	5,940	09/01/06	10/01/38	4.5270%	SIFMA + .15%	***	10/01/21	4,520		Aa3/A+	Deferred Outflow	90	(569)
											Up to:		
2006A-1 ****	34,455	12/03/08	04/01/27	5.7100%	LIBOR + .05%	***	1) 10/1/2011 2) 10/1/2016	1) 2,840 2) 12,305		Aa3/AA-	Interest on debt	(546)	(5,190)
											Deferred Outflow	1,313	
2006A-1	11,425	12/01/06	10/01/36	5.3420%	LIBOR +0.5%	***	04/01/21	8,040		Aa3/A+	Deferred Outflow	632	(1,583)
											Up to:		
							1) 10/1/2012 2) 10/1/2017 3) 4/01/2022	1) 6,920 2) 19,460 3) 16,925		Aa3/AA-	Interest on debt	(428)	(5,357)
											Deferred Outflow	1,463	
2007B-1 ****	37,105	12/3/2008	04/01/38	5.6400%	LIBOR + .05%	***	04/01/28	6,190		Aa3/A+	Deferred Outflow	366	(927)
2007B-1	7,605	10/01/07	04/01/28	5.2200%	LIBOR +0.5%	***				Aa3/AA-	Interest on debt	(8)	(202)
2007B-2 ****	2,740	12/03/08	10/01/36	4.2870%	SIFMA + .15%	***	10/1/2017	2,040		Aa3/AA-	Deferred Outflow	49	
											Interest on debt	(3)	(145)
2007B-2 ****	2,080	12/03/08	04/01/38	4.5350%	SIFMA + .15%	***	10/2/2017	1,780		Aa3/AA-	Deferred Outflow	29	
											Interest on debt	(11)	(372)
2007B-2 ****	4,810	12/03/08	04/01/38	4.4700%	SIFMA + .15%	***	10/2/2017	4,395		Aa3/AA-	Deferred Outflow	89	
											Interest on debt	(28)	(544)
2007B-2 ****	4,790	12/03/08	04/01/28	4.6510%	SIFMA + .15%	***	4/1/2023	3,835		Aa3/AA-	Deferred Outflow	56	
											Interest on debt	(5)	(175)
2007B-3 ****	2,535	12/03/08	10/01/37	4.2970%	SIFMA +0.5%	***	10/1/2017	2,065		Aa3/AA-	Deferred Outflow	61	
											Interest on debt	(15)	(278)
2007B-3 ****	4,775	12/03/08	10/01/19	4.0967%	SIFMA +0.5%	***	10/1/2014	4,430		Aa3/AA-	Deferred Outflow	38	
											Interest on debt	(5)	(215)
2007B-3 ****	2,295	12/03/08	04/01/38	4.8805%	SIFMA +0.5%	***	10/1/2017	2,205		Aa3/AA-	Deferred Outflow	28	
											Up to:		
2008A1 ****	15,730	12/03/08	04/01/29	5.1300%	LIBOR + .05%	***	1) 4/1/2018 2) 4/1/2019	1) 3,070 2) all remaining		Aa3/AA-	Interest on debt	(162)	(1,834)
											Deferred Outflow	419	
2008A2 ****	7,780	12/03/08	04/01/43	4.5400%	SIFMA + .15%	***	04/01/19	6,340		Aa3/AA-	Interest on debt	(7)	(480)
											Deferred Outflow	40	

Table continued on following page.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Associated Bond Issue	Current		Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating	Changes in Fair Value		Fair Value **
	Notional Amount	Effective Date								Classification	Amount	
Multi-Family/Business:												
2008B (a) ****	117,370	12/03/08	10/01/44	5.1722%	LIBOR				Aa1/AA-	Interest on debt	(1,196)	(21,958)
										Deferred Outflow	8,835	
2008B (b) ****	46,715	12/03/08	03/01/47	5.2071%	LIBOR				Aa1/AA-	Interest on debt	(456)	(9,515)
										Deferred Outflow	3,764	
2008C3 ****	7,820	12/03/08	10/01/38	4.3400%	SIFMA + .05%	***	4/1/2019	6,500	Aa3/AA-	Interest on debt	(14)	(580)
										Deferred Outflow	139	
										Up to:		
										1) 10/1/2014	1) 13,580	
										2) 4/1/2024	2) all remaining	
2009A1 ****	32,055	06/24/09	10/01/41	4.7900%	SIFMA + .05%	***			Aa3/AA-	Interest on debt	(104)	(3,552)
										Deferred Outflow	433	
Total	667,465											(96,059)
Total	\$2,088,735											\$ (243,371)

(*) SIFMA is the Securities Industry Financial Markets Association Municipal Swap Index. LIBOR is the London Interbank Offered Rate.

(**) All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option.

(***) Par optional termination right

(****) Swaps for which cash premiums were received. The outstanding unamortized balance is reflected on the Statement of Net Assets.

Risk Disclosure

Credit Risk: All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the table on pages 35 and 36. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2010, the Authority was exposed to no credit risk to any of its counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the Aa/AA or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P), respectively, at the time the contract is executed.

At December 31, 2010, the Authority had executed 75 swap transactions with nine counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in the following table:

Swap Count	Notional Amount	Concentration	Counterparty Rating (Moody's / S & Ps)
1	94,815	4.5%	A1/A+
2	18,385	0.9%	A1/NR
1	5,475	0.3%	A2/A
10	436,695	20.9%	Aa1/AA-
16	403,405	19.3%	Aa3/A+
31	733,495	35.1%	Aa3/AA-
14	396,465	19.0%	A3*/A-
75	2,088,735	100.0%	

(*) Subsequent to December 31, 2010, Moody's dropped its rating from A3 to Baa1.

Interest Rate Risk: The Authority is exposed to interest rate risk in that as the variable rates on the swaps agreements decrease the Authority's net payment on the swap agreement could increase.

Basis Risk: The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations (VRDO's) is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated.



The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) rate (plus a trading spread). Certain tax-exempt swaps, as indicated in the table below, contain a trigger feature in which the Authority receives a rate indexed on SIFMA should LIBOR be less than a predetermined level (the trigger level), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority would be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and SIFMA converge.

The Authority's taxable variable-rate bond interest payments are substantially equivalent to LIBOR (plus a trading spread). The Authority is receiving LIBOR (plus a trading spread) or LIBOR flat for all of its taxable swaps and therefore is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with LIBOR.

Termination Risk: The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Authority or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

There are certain termination provisions relevant to the Authority's counterparties operating as special purpose vehicles (SPV) with a terminating structure. In the case of certain events, including the credit downgrade of the SPV or the failure of the parent company to maintain certain collateral levels, the SPV would be required to wind up its business and terminate all of its outstanding transactions with all clients, including the Authority. All such terminations would be at mid-market pricing. In the event of such termination, the Authority would be exposed to the risk of market re-entry and the cost differential between the mid-market termination and the offered price upon re-entry.

Rollover Risk: The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2010, the Authority is not exposed to rollover risk.

Amortization Risk: The Authority is exposed to amortization risk in the event that the swap amortization schedules fail to match the actual amortization of the underlying bonds as a result of loan prepayments which significantly deviate from expectations. If prepayments are significantly higher than anticipated, the Authority would have the option of reinvesting or recycling the prepayments, or calling unhedged bonds. Alternatively, if the Authority chose to call bonds associated with the swap, the Authority could elect an early termination of the related portions of the swap at a potential cost to the Authority. If prepayments are significantly lower than anticipated and the associated bonds remained outstanding longer than the relevant portion of the swap, the Authority could experience an increase in its exposure to unhedged variable rate bonds. Alternatively, the Authority could choose to enter into a new swap or an extension of the existing swap. If interest rates are higher at the time of entering into a new swap or swap extension, such action would result in an increased cost to the Authority.

Collateral Requirements: The Authority is subject to a contingency feature that would require the Authority to post collateral on swap agreements if the Class I obligations credit rating falls to a Moody's A1, or equivalent ratings by Standards and Poor's, and Fitch and is greater than the established thresholds. As of December 31, 2010, all agreements are rated higher than the Moody's A1 and do not require collateral.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

Swap Payments and Associated Debt - Using interest rates as of December 31, 2010, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2011	\$107,035	\$6,568	\$90,357	\$203,960
2012	104,985	6,240	85,421	196,646
2013	114,345	5,892	80,433	200,670
2014	108,635	5,548	75,334	189,517
2015	95,620	5,206	70,454	171,280
2016-2020	482,740	21,074	285,917	789,731
2021-2025	344,535	14,578	198,702	557,815
2026-2030	273,800	9,500	128,473	411,773
2031-2035	273,100	5,148	71,228	349,476
2036-2040	127,860	1,505	24,063	153,428
2041-2045	45,555	439	7,736	53,730
2046-2047	10,525	36	661	11,222
Total	\$2,088,735	\$81,734	\$1,118,779	\$3,289,248

Forward Sales Contracts - The Authority has entered into forward sales contracts for the delivery of Ginnie Mae securities in order to lock in the sales price for the securitization of certain taxable single-family loans. The contracts hedge changes in interest rates between the time of the loan reservations and the securitization of such loans into Ginnie Mae securities. The outstanding forward contracts, summarized by counterparty as of December 31, 2010, are shown in the table below.

Count	Par	Exposure	Original Premium	12/31/10 Premium	Fair Value	Counterparty Rating
8	\$ 5,500	33.4%	\$ 5,806	\$ 5,706	\$ (100)	A/NR
2	1,500	9.1%	1,581	1,574	(7)	A+/Aa3
13	9,000	54.5%	9,479	9,383	(96)	AA/Aa2
1	500	3.0%	524	527	3	NR
24	\$ 16,500	100.0%	\$ 17,390	\$ 17,190	\$ (200)	

(9) Debt Refundings

On June 24, 2009, the Authority issued its Multi-Family/Project Bonds 2009 Series A, in the aggregate principal amount of \$47,435,000. Proceeds of the bonds were used to refund a portion of its outstanding Multi-Family/Project Bonds 2006 Series A in the amount of \$44,380,000. The refunding resulted in a decrease in the aggregate debt service requirement of approximately \$15,754,000, based on the change in variable interest rates at the time of refunding, and an approximate economic gain to the Authority of \$8,669,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$736,000 was deferred and is being amortized over the estimated life of the old debt. There were no debt refundings in 2010.

Economic gain or loss is calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements less related upfront costs of issuance, bond call premiums and bond insurance premiums, discounted at the effective interest rate.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased



bonds are not included in the Authority's financial statements. On December 31, 2010, \$58.9 million of bonds outstanding are considered defeased.

(10) Restricted Net Assets

The amounts restricted for the Single-Family Fund and the Multi-Family/Business Fund are for the payment of principal, redemption premium, if any, or interest on all outstanding single-family and multi-family/business bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance if (1) updated cash flow projections indicate that adequate resources will exist after any withdrawal to service the outstanding debt, subject to approval by the bond trustee; (2) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (3) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

Assets of the Single-Family and Multi-Family/Business Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the Single-Family and Multi-Family/Business Funds and are held in cash, loans receivable or investments. At December 31, 2010, these assets were at least equal to the amounts required to be restricted.

The Authority's Board of Directors (the "Board") has designated certain amounts of the unrestricted net assets of the General Fund as of December 31, 2010, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

General Fund Unrestricted Net Assets as December 31, 2010:

Appropriations for loan programs:	
Housing Opportunity loans	\$ 32,563
Housing loans	298
Business finance loans	24,613
Total appropriations	57,474
Designations:	
General obligation bonds	26,063
Unrealized appreciation of investments	412
General operating and working capital	37,334
Single and multi-family bonds	9,943
Total designations	73,752
Total General Fund unrestricted net assets	\$ 131,226

(11) Interfund Receivables, Payables and Transfers

The outstanding balances between funds result mainly from the processing of loan payments which are initially received by the General Fund and then transferred to the Single-Family Fund and Multi-Family/Business Fund on a month lag basis. All interfund payables are expected to be paid within one year.

The Authority makes transfers between funds primarily for the purpose of (1) making initial contributions from the General Fund to new bond series to cover bond issuance costs and (2) transferring amounts to the General Fund that are no longer restricted by bond resolutions or indentures.



Notes to Financial Statements
(tabular dollar amounts are in thousands)

The balances of interfund receivables, payables and transfers as of December 31, 2010, are as follows:

Fund	Due From	Due To	Transfers In	Transfers Out	Net
General	\$ 43,789	\$ -	\$ 17,724	\$ 15,488	\$ 2,236
Single Family	-	29,155	620	3,485	(2,865)
Multi-Family/Business	-	14,634	698	69	629
Total	\$ 43,789	\$ 43,789	\$ 19,042	\$ 19,042	\$ -

(12) Retirement Plans

The Authority contributes to the Local Government Division Trust fund (Trust) a cost-sharing multiple-employer public defined benefit plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement, disability and death benefits for members or their beneficiaries. Generally, all employees of the Authority are members of the Trust.

The Authority contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer postemployment health care plan administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling PERA at 303-832-9550 or 1-800-759-PERA (7372) or from PERA's web site at www.copera.org.

Plan members and the Authority are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the Authority's contribution is allocated for the Health Fund. Member contributions to the Health Fund are not required.

The contribution rate for members and the Authority's contributions to the Trust and Health Fund, which equaled the Authority's required contributions for each year, were as follows:

	2010	2009
Contribution rate of covered salary:		
Members	8.00%	8.00%
Authority:		
Trust	12.68%	11.78%
Health Fund	1.02%	1.02%
Total Authority contribution rate	13.70%	12.80%
Contributions by the Authority:		
Trust	\$ 1,548	\$ 1,400
Health Fund	117	121
Total Authority contributions	\$ 1,665	\$ 1,521



An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary as part of the 401(k) match and, in addition to the 1% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Contributions by the Authority for the years ended December 31, 2010 and 2009 were \$370,000 and \$360,000, respectively. Contributions by participating employees for the years ended December 31, 2010 and 2009 were \$860,000 and \$821,000, respectively.

Included in bonds and notes payable are bonds payable to PERA of \$28,007,000 at December 31, 2010, that carry the Authority's general obligation pledge.

(13) Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, property losses, business automobile liability, workers' compensation and public officials' liability are all managed through purchased insurance. There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

(14) Related-Party Transactions

In 2010, the Authority entered into a transaction with Warren Village Inc., Colorado, the Chairman of the Board of Directors of which is a member of the Authority's Executive Team. Using funds granted under the Tax Credit Exchange Program of the American Recovery and Reinvestment Act of 2009, the Authority made a \$1.1 million grant to the Warren Village. This transaction was made in the normal course of business under terms and conditions similar to other transactions with unrelated parties.

During 2009, the Authority entered into a transaction with the Housing Authority of the City of Loveland, Colorado, the Executive Director of which is a member of the Authority's Board. Using funds granted under the Tax Credit Exchange Program of the American Recovery and Reinvestment Act of 2009, the Authority made a \$2.6 million grant to the Loveland Housing Authority. This transaction was made in the normal course of business under terms and conditions similar to other transactions with unrelated parties.

(15) Commitments and Contingencies

The Authority had outstanding commitments to make or acquire single-family and multi-family/business loans of \$62,725,000 and \$16,954,000 respectively, as of December 31, 2010.

There are a limited number of claims or suits pending against the Authority arising in the Authority's ordinary course of business. In the opinion of the Authority's management and counsel, any losses that might result from these claims and suits are either covered by insurance or, to the extent not covered by insurance, would not have a material adverse effect on the Authority's financial position, except for the ADR claim discussed below.

The Authority has received a Derivatives ADR Notice (ADR) from Lehman Brothers Financial Products, Inc. and Lehman Brothers Special Financing, Inc. (Debtors) in connection with the termination of certain derivative contracts (Lehman Swaps). An Alternative Dispute Resolution Procedures Order for Affirmative Claims of Debtors under Derivatives Contracts dated September 17, 2009 (Procedures Order) of the United States Bankruptcy Court for the case involving the Debtors prohibits the Authority from disclosing any statements or arguments made or positions taken by the Debtors or the Authority during any part of the alternative dispute resolution process.



Since its receipt of the ADR notice, the Authority has been engaged in the ADR process concerning the Lehman Swaps. Losses resulting from the resolution of the Debtors' claims could have a material adverse effect on the Authority's financial position. A contingency reserve in the amount of \$35 million has been established based on a reasonable estimate by the Authority of the ultimate resolution of the claim by the Debtors. However, the Debtors' original settlement demanded exceeded the amount of the contingency reserve, and there can be no assurance that the ultimate resolution will not involve a greater amount than the contingency reserve.

The Authority participates in the Government National Mortgage Association (Ginnie Mae) Mortgage-Backed Securities (MBS) Programs. Through the MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority and backed by pools of mortgage loans. If a borrower fails to make a timely payment on a mortgage loan, the Authority must use its own funds to ensure that the security holders receive timely payment. All loans pooled under the Ginnie Mae MBS program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration. The Authority assesses the overall risk of loss on loans that it may be required to repurchase and repurchases the loans as necessary.

(16) Change in Accounting Principle

During the year ended December 31, 2010, the Authority adopted GASB Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 establishes accounting and financial reporting for all state and local governments that enter into derivative instruments. Derivative instruments, as defined in GASB 53, are measured on the statement of net assets at fair value. Changes in fair value for those derivative instruments that meet the requirements under GASB 53 to be treated as hedging derivative instruments do not affect investment revenue but are reported as deferrals. Changes in fair value of investment derivative instruments, which include ineffective hedging derivative instruments, are reported within the investment revenue classification in the period of change. The effect of adopting GASB 53 on the 2009 financial statements is summarized as follows:

	Previously Reported	Adjustments	2009 Restated
Statement of Net Assets			
Deferred outflows			
Accumulated decrease in fair value of hedging derivative	\$ -	\$ 112,760	\$ 112,760
Bonds and notes payable, net	(3,224,905)	42,815	(3,182,090)
Hedging liability - derivative instrument	-	(93,279)	(93,279)
Hedging liability - swap premium	-	(111,219)	(111,219)
Deferred inflows			
Accumulated increase in fair value of hedging derivative	-	(22,363)	(22,363)
Statement of Revenue, Expenses and Changes in Net Assets			
Interest on debt	(175,712)	(3,941)	(171,771)
Hedging activity loss	-	2,882	(2,882)
Net Assets as of January 1, 2009	295,667	(72,345)	223,322



17) Subsequent Event

On May 11, 2011, CHFA closed a \$98 million dollar single-family bond issue. The bonds included \$58.8 million of NIBP 30 year program bonds placed with the US Treasury. The remaining portion was serial, term, and premium PAC bonds placed in the general market place. The bond issue is rated Aaa by Moody's and is collateralized with Ginnie Mae II custom pools.

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APPENDIX H

Book-Entry System

The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Underwriter as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The Beneficial Owners of the 2011 Series B Bonds should confirm the following information with DTC or the DTC Participants.

The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the 2011 Series B Bonds. The 2011 Series B Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2011 Series B Bonds, in the aggregate principal amount of each such maturity of the 2011 Series B Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The Authority, the Trustee, and the Underwriter undertake no responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.*

Purchases of 2011 Series B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 Series B Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Series B Bonds are to be accomplished by entries made on the books of Direct or

Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2011 Series B Bonds, except in the event that use of the book-entry system for the 2011 Series B Bonds is discontinued.

To facilitate subsequent transfers, all 2011 Series B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2011 Series B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Series B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Series B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011 Series B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Series B Bonds, such as defaults and proposed amendments to the 2011 Series B Bond documents. For example, Beneficial Owners of 2011 Series B Bonds may wish to ascertain that the nominee holding the 2011 Series B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2011 Series B Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2011 Series B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2011 Series B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Trustee, the Paying Agent, the Calculation Agent, the Underwriter or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE TRUSTEE, THE PAYING AGENT, THE CALCULATION AGENT AND THE UNDERWRITER SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE 2011 SERIES B BONDS, THE DELIVERY TO ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE

BOND REGISTER, OF ANY NOTICE WITH RESPECT TO THE 2011 SERIES B BONDS, THE PAYMENT TO ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF OR INTEREST ON THE 2011 SERIES B BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE 2011 SERIES B BONDS ARE NOT ISSUED PURSUANT TO THE INDENTURE AND THE 2011 SERIES B BONDS ARE REGISTERED TO DTC, THE AUTHORITY, THE PAYING AGENT, THE CALCULATION AGENT AND THE TRUSTEE SHALL TREAT DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY AS, AND DEEM DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY TO BE, THE ABSOLUTE OWNER OF THE BONDS FOR ALL PURPOSES WHATSOEVER, INCLUDING WITHOUT LIMITATION (1) THE PAYMENT OF PRINCIPAL AND INTEREST ON THE 2011 SERIES B BONDS, (2) GIVING NOTICE OF MATTERS WITH RESPECT TO THE 2011 SERIES B BONDS, AND (3) REGISTERING TRANSFERS WITH RESPECT TO THE 2011 SERIES B BONDS.

DTC may discontinue providing its services as depository with respect to the 2011 Series B Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

According to DTC, the foregoing information with respect to DTC and DTC's book-entry system has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriter takes any responsibility for the accuracy thereof.

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APPENDIX I

Insurance and Guarantee Programs; Foreclosure

The Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. For a description of the requirements of a particular Series Indenture, see Appendix D – "INSURANCE LIMITATIONS AND REQUIREMENTS; INVESTMENTS." The following is a description of the various insurance and guarantee programs which may be applicable in connection with certain Mortgage Loans. The following also includes a description of the Colorado foreclosure procedures which may apply to a Mortgage Loan in the case of a Mortgagor default.

FHA Insurance

The National Housing Act (the "NHA") of 1934, as amended, provides for various FHA mortgage insurance programs. The regulations governing the single family programs under which the FHA-insured Mortgage Loans are insured provide that a Mortgage Loan will be considered to be in default if the Mortgagor fails to make any payment or perform any other obligation under the Mortgage, and such failure continues for a period of thirty days. Insurance benefits are payable to the Mortgagee upon acquisition of title (through foreclosure or otherwise) and conveyance of the Eligible Property to HUD.

HUD requires Mortgagees to explore alternatives to foreclosure. These may include a forbearance, a forbearance with a partial claim, or modification agreement, a pre-foreclosure sale, repayment plan, payment moratorium, HAMP (Home Affordable Modification Plan), or a deed in lieu of foreclosure. Utilization of certain alternatives to foreclosure may result in quicker receipt of the FHA insurance claim because the time required to complete a foreclosure is eliminated. Attempts to utilize alternatives to foreclosure which are unsuccessful may delay receipt of the FHA insurance claim due to a delay in commencement of foreclosure proceedings.

The FHA insurance claim for a Mortgage Loan will be paid in an amount equal to the outstanding principal balance plus allowable interest and, in most cases, approximately seventy-five percent (75%) of the permitted costs and expenses of acquiring title to the Eligible Property. Interest is allowed (except for two months which is disallowed) at the HUD debenture rate which may be less than the Mortgage Loan interest rate.

Payment for insurance claims may include reimbursement to the Mortgagee for tax, insurance, and similar advances made by the Mortgagee, as well as deductions for amounts received or retained by the Mortgagee after default. Under most FHA insurance programs for single-family residences, the Federal Housing Commissioner has the option of paying insurance claims in cash or in debentures. The HUD debenture rate may be less than the interest rate on the Mortgage Loans, and any debentures would mature 20 years after the date of issue, pay interest semiannually and may be redeemable at par at the option of HUD. Current FHA policy, which is subject to change at any time, is to pay insurance claims in cash.

Except in limited circumstances as approved by HUD properties conveyed to HUD upon completion of the foreclosure process or other acquisition of title must be conveyed vacant. In some circumstances it may be necessary to evict a tenant or Mortgagor upon the completion of the foreclosure proceedings before the Eligible Property can be conveyed to HUD and the FHA insurance claim can be filed.

FHA insurance claims may be denied or curtailed in limited circumstances. An FHA insurance claim may be denied if there was fraud in the origination of the Mortgage Loan or if the Mortgagee is unable to deliver marketable title to HUD. Claims may be curtailed if the Authority, as servicer of the Mortgage Loans, fails to process the foreclosure in accordance with the FHA requirements or fails to adequately protect the Eligible Property. The Authority relies on the warranties and representations of the originating Mortgage Lenders with respect to proper origination of the Mortgage Loans. If an insurance claim is denied or curtailed due to an error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

VA Guaranty

The Veteran's Benefits Act of 1957, Public Law 85-857, as amended, permits a veteran (or in certain circumstances a veteran's spouse) to obtain a mortgage loan guaranty to finance the purchase of a one-to-four unit family dwelling at interest rates permitted by the VA.

Claims for the payment of a VA guaranty may be submitted when any default of the Mortgagor continues for a period of three months. A guaranty may be paid without the Mortgagee instituting foreclosure proceedings or otherwise acquiring title. A Mortgagee intending to institute foreclosure proceedings must send to the Administrator of Veteran Affairs a Notice of Default and Intention to Foreclose 120 days from the date of delinquency. The guaranty provisions for mortgage loans generally are as follows: (i) for home and condominium loans of \$45,000 or less, 50% of the loan is guaranteed; (ii) for home and condominium loans above \$45,000 but not more than \$56,250, \$22,500 of the loan is guaranteed; (iii) for home and condominium loans above \$56,250 but not more than \$144,000, the lesser of \$36,000 or 40% of the loan is guaranteed; and (iv) for home and condominium loans above \$144,000, the lesser of \$50,750 or 25% of the loan is guaranteed. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness. Notwithstanding the dollar and percentage limitations of the guaranty, a Mortgagee will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of any foreclosure sale of an Eligible Property is greater than the original guaranty as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a Mortgagee of unsatisfied indebtedness on a Mortgage upon the Mortgagee's obtaining title and assigning it to the VA.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If a guaranty claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Rural Housing Service Guarantee

Under the Rural Housing Service's Rural Housing Loan Guarantee Program, a Mortgagor may obtain a Mortgage Loan guaranteed by the Rural Housing Service ("**RHS**") covering mortgage financing of the purchase of an Eligible Property located in a RHS-designated rural area at interest rates permitted by the RHS. The RHS Rural Housing Loan Guarantee program will be limited to only certain rural areas of the State. Mortgagor and Mortgage Loan eligibility for such guarantees is subject to certain income, purchase price and other limitations in addition to the limitations applicable to all Mortgagors and Mortgage Loans.

The amount of the RHS loan guarantee is 90% of the principal amount of the mortgage loan. The maximum loss payment under the RHS guarantee will be the lesser of: (i) any loss of an amount equal to 90% of the principal amount actually advanced to the Mortgagor, or (ii) any loss sustained by the Mortgagee of an amount up to 35% of the principal amount actually advanced to the Mortgagor, plus any additional loss sustained by the Mortgagee of an amount up to 85% of the remaining 65% of the principal amount actually advanced to the Mortgagor. Loss includes only: (a) principal and interest evidenced by the promissory note; (b) any Mortgage Loan subsidy due and owing; and (c) any principal and interest indebtedness on RHS-approved protective advances for protection and preservation of the Eligible Property. Interest (including any subsidy) will be covered by the RHS guarantee to the date of the final loss settlement when the Mortgagee conducts liquidation of the Eligible Property in an expeditious manner in accordance with RHS regulations.

When a Mortgage Loan becomes three payments delinquent, the Mortgagee may proceed with foreclosure of the Mortgage Loan unless extenuating circumstances exist. The RHS requires Mortgagees to explore an acceptable alternative to foreclosure, although incentives are not paid to mortgagees to implement the alternatives. Acceptable foreclosure alternatives include forbearance, modifications, repayment plan, pre-foreclosure sales and deeds in lieu of foreclosure. If the Mortgagee proposes a method of liquidation other than foreclosure, then the Mortgagee must obtain RHS's approval of such method.

Payment of loss is made within 60 days after the Mortgagee files a claim. A claim must be filed within 30 days after liquidation of the Mortgage Loan. Loss is determined by the difference between the unpaid principal balance of the mortgage loan, unpaid interest and advances approved by RHS and net proceeds from the Eligible Property. Normal costs of liquidation are also included in the loss payment. If the Mortgagee acquires title to the Eligible Property through the foreclosure process, the Mortgagee must submit a disposition plan to RHS for RHS concurrence. The Mortgagee has six months from the date of acquisition to sell the Eligible Property. If the Eligible Property is sold in accordance with the plan, the actual net proceeds from the sale of the Eligible Property will be used to calculate the loss payment. If the Eligible Property is not sold within 6 months from the acquisition date (which period may be extended for 30 days with RHS approval to permit the closing on an offer received near the end of the 6 month period) RHS will obtain a liquidation value appraisal of the Eligible Property which will be used to determine net proceeds for calculation of the loss payment.

If a third party acquires title to the Eligible Property from the foreclosure sale or as a result of a sale by the Mortgagor to cure or avoid a default, the actual net proceeds from the sale will be used to calculate the loss payment. In some circumstances, the Mortgagee may be required to enforce a deficiency judgment against the Mortgagor before the loss payment will be paid. This may substantially delay payment. Any recovery on the mortgage loan by the Mortgagee after receipt of a loss payment must be shared with RHS in proportion to the loss borne by RHS and the Mortgagee.

RHS claims may be denied or curtailed in limited circumstances. A claim may be denied if there was fraud or misrepresentation that the Mortgagee knew about, participated in or condoned. Claims may be curtailed as a result of violation of usury laws, negligent servicing or failure to obtain required collateral.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If a guaranty claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Private Mortgage Insurance and Uninsured Mortgage Loans

Private Mortgage Insurance

Under each Series Indenture, the Authority is authorized in certain circumstances to purchase PMI Mortgage Loans which are insured by a private mortgage insurance company approved by the Authority, which is qualified to do business in the State and qualified to provide insurance on mortgages purchased by Freddie Mac or Fannie Mae and which is rated, at the time each PMI Mortgage Loan is made or originated, by the agency then rating the Bonds at certain ratings designated in the Series Indenture. See **Appendix D** – "INSURANCE LIMITATIONS AND REQUIREMENTS; INVESTMENTS – Insurance Limitations and Requirements" for a description of the ratings requirements under the Series Indentures applicable to the Series of Bonds.

The amount of private mortgage insurance plus the Eligible Borrower's down payment must at least equal the amount by which the PMI Mortgage Loan exceeds 80% of the appraised value (at the time of origination) or purchase price, whichever is less, of the mortgaged property securing such PMI Mortgage Loan. The private mortgage insurance may either be Borrower Paid Mortgage Insurance (BPMI) where mortgage insurance is paid by the mortgagor; or Lender Paid Mortgage Insurance (LPMI) where mortgage insurance is paid by a person other than the mortgagor. LPMI cannot be cancelled by the mortgagor and is not automatically terminated under federal law. LPMI may result in a mortgage with a higher interest rate and terminates only when the mortgage is refinanced, paid off, or otherwise terminated. Federal law requires BPMI to be cancelled at the mortgagor's request on or after either of the following dates: (1) the date the principal balance of the loan is first scheduled to reach eighty percent (80%) of the original value of the property; or (2) the date the principal balance actually reaches eighty percent (80%) of the original value of the property. BPMI will only be canceled on these dates if the mortgagor submits a written request for cancellation; has a good payment history; is current on the mortgage loan; and the Authority receives evidence that the value of the property has not declined below its original value and certification that there are not subordinate liens on the property. Federal law also requires BPMI to automatically terminate on the date that the principal balance of the loan is first scheduled to reach seventy eight percent (78%) of the original value of the property if the mortgagor is current on loan payments. In any event, BPMI will terminate on the first day of the month immediately following the date that is the midpoint of the amortization period for the loan, if the mortgagor is current on that date.

Generally, delinquencies must be reported to the Private Insurer at day 45 of the delinquency and then on a monthly basis thereafter, and proceedings to recover title are required to commence within four months of default. It is also required that prior to presenting a claim under the PMI, title to the mortgaged property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor, must be acquired and tendered to the Private Insurer. Private mortgage insurance policies may provide that the Private Insurer, upon taking title to the mortgaged property securing a PMI Mortgage Loan, must pay the mortgagee the unrecovered balance of its loss but may permit mortgagee to retain such title and pay a claim equal to the difference between the original principal amount of such Mortgage Loan and 75% of the appraised value (at the time of origination) or purchase price of such mortgaged property, whichever is less. The amount of the claim payable also generally consists of usual and customary attorneys' fees, real estate taxes, hazard and private mortgage insurance premiums necessarily advanced by the insured, expenses incurred in preservation and maintenance of the mortgaged property, and other costs and expenses incurred to acquire the mortgaged property. Private Insurers may require or permit the mortgagee to forbear from foreclosing a defaulted Mortgage Loan, offer a preforeclosure sale or deed in lieu of foreclosure, or enter into an agreement modifying the terms of a Mortgage Loan in certain circumstances.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If an insurance claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Uninsured Mortgage Loans

Each Series Indenture also permits the Authority in certain circumstances to make or purchase Uninsured Mortgage Loans which are neither governmentally-guaranteed or insured nor insured by a private mortgage insurance company, as long as the outstanding principal balance of each such Uninsured Mortgage Loan is less than or equal to 80% of the appraised value (at the time of origination of such Mortgage Loan) or the purchase price, whichever is less, of the mortgaged property securing such Uninsured Mortgage Loan.

Colorado Foreclosure Law and Procedure

The Mortgage Loans are evidenced by promissory notes and secured by deeds of trust encumbering the mortgaged property. The Colorado form of deed of trust is a unique three-party instrument that involves a public official known as a public trustee rather than a private trustee. The parties to a deed of trust are the borrower (i.e., the mortgagor), the public trustee of the county in which the mortgaged property is located and the Mortgage Lender (generally referred to in a deed of trust as the beneficiary and herein as the mortgagee). A deed of trust creates a lien in favor of the mortgagee to secure repayment of the debt.

The public trustee's duties are generally limited to foreclosure of deeds of trust, issuance of certificates of purchase and deeds following foreclosure, releases of deeds of trust, and related matters. The public trustee will rarely have notice of a deed of trust until the mortgagee elects to have the public trustee foreclose the deed of trust. Public trustees do not have discretionary or decision-making authority like judges. Rather, they perform the ministerial and procedural acts necessary to complete foreclosures in accordance with Colorado law.

A mortgagor's failure to perform a material covenant of the deed of trust (like failure to pay taxes or failure to pay the debt) generally constitutes a default entitling the mortgagee to accelerate the debt and foreclose. To start foreclosure proceedings, the mortgagee must present to the public trustee (i) the original or, for certain qualified holders, a copy of the promissory note or evidence of debt (or, except as provided in the following sentence, a lost instruments bond if the note or evidence of debt has been lost), (ii) any modifications to the original evidence of debt and the original endorsements or assignments to the current holder of the original evidence of debt, (iii) the original or copy of the recorded deed of trust together with any modifications or partial releases (and if copies are provided, in some cases they must be certified by the Clerk and Recorder or in other cases accompanied by the certificate of the holder that such holder is a "qualified holder"), (iv) an originally executed Notice of Election and Demand for Sale, and (v) the so-called Combined Notice and other required notices, certificates and affidavits and mailing list for the notices. Certain types of mortgagees, which include the Authority, may commence foreclosure by presenting a copy of the original evidence of debt instead of the original instrument or a bond. If the mortgagee presents a copy of the evidence of debt, the mortgagee is liable to a person incurring a loss if the original evidence of debt is subsequently presented for payment. The public trustee must record the Notice of Election and Demand for Sale in the appropriate clerk and recorder's office within ten business days after receipt of a complete filing. If the property is a residence occupied by a borrower personally obligated on the debt and meeting certain additional requirements, the foreclosing mortgagee is required

to post the property with notice of the foreclosure and the owner is eligible for foreclosure counseling and possible deferral of the foreclosure sale by up to approximately 90 days.

The public trustee also causes the Combined Notice to be published and posted. The Combined Notice must be published once per week for five successive weeks in a newspaper of general circulation in the county where the mortgaged property is located. Within 20 days after the recording of the Notice of Election and Demand, copies of the Combined Notice must be sent to the borrower, Grantor of the Deed of Trust, Guarantors, and "occupants" as designated by statute and who are listed on a mailing list provided by the mortgagee's attorney. No more than sixty (60) nor fewer than forty-five (45) days prior to the first scheduled date of sale, the public trustee is required to again send the Combined Notice to the persons identified in the preceding sentence as well as to the owner of the property as of the date of recording of the Notice of Election and Demand and each person who appears to have an interest in the property prior to the date of the recording of the Notice of Election and Demand (if such person's interest in the property may be extinguished by the foreclosure).

The mortgagee may elect to preserve certain junior interests (like easements or leases) that would otherwise be extinguished by the foreclosure by recording a Notice to Affirm.

A right to redeem inures to certain holders of recorded junior interests that were recorded prior to the recording of the Notice of Election and Demand for Sale. A right to cure inures to the owner of the mortgaged property as of the recording of the Notice of Election and Demand and certain transferees, parties liable on the debt, sureties and guarantors of the debt and holders of an interest junior to the lien being foreclosed that was recorded prior to the recording of the Notice of Election and Demand for Sale.

A public trustee foreclosure sale is scheduled by the public trustee to occur no fewer than 110 days and no more than 125 days after the date of recording the Notice of Election and Demand for Sale for non-agricultural property. (The sale of certain residential property may be held on an expedited basis, 45-65 days after the recording of the Notice of Election and Demand if the mortgagee secures an order of the Rule 120 or other court finding, based on clear and convincing evidence, that the property has been abandoned). For agricultural property the sale is to be scheduled 215 to 230 days after the recording of the Notice of Election and Demand. If it is not evident from the legal description in the deed of trust, the public trustee will determine if the property is agricultural based on certain evidence such as the property being part of a subdivision plat, a written statement of an official that the property was within incorporated city limits, or a written statement from the assessor that the property is assessed as other than agricultural property. The sale date may be extended by the mortgagee from time to time and by the public trustee for other reasons provided by statute.

Prior to the foreclosure sale, the mortgagee must obtain an Order Authorizing Sale in an appropriate Colorado District Court pursuant to Rule 120 of the Colorado Rules of Civil Procedure. Notice of a Rule 120 hearing must be provided to the persons designated by Rule 120, and in the case of residential property, notice of the hearing must be posted in a conspicuous place on the property at least 15 days prior to the hearing. The hearing must be held no later than 16 days prior to the date of the foreclosure sale or the mortgagee must continue the sale to a later date. An order authorizing the public trustee foreclosure sale will be issued if the court determines there is a reasonable probability that a default has occurred entitling the mortgagee to foreclose and no interested party is entitled to protection of the Servicemembers' Civil Relief Act of 1940, as amended (the "**Relief Act**"). The scope of the Rule 120 hearing is limited to determining the reasonable probability that a default has occurred, determining whether under the deed of trust foreclosure is authorized, and determination of issues related to the Relief Act.

Mortgagors called to active duty after obtaining a Mortgage Loan are entitled to the benefit of the Relief Act. Under the Relief Act a mortgagor may be granted certain relief from the mortgage obligations during active military service and for nine months after the end of the period of military service. Such relief includes: (i) reduction of the Mortgage Loan interest rate to six percent (6%); and (ii) a stay of foreclosure proceedings. Such relief may reduce revenues received by the Authority during such period.

When foreclosure is initiated due to the nonpayment of sums due under the promissory note or deed of trust (such as principal, interest or real estate taxes), parties entitled by statute to cure who wish to exercise such cure rights must preserve the right to cure by filing a Notice of Intent to Cure with the public trustee at least fifteen days prior to the date of the foreclosure sale. The Public Trustee is then required to promptly request the amount required to cure the default from the mortgagee. The mortgagee must file with the public trustee a statement of the amount needed to cure the foreclosure no later than the earlier of 10 business days after receipt of the request or the eighth business day prior to the foreclosure sale. If these deadlines are not met, the foreclosure will be postponed thereafter from week to week. The party wishing to cure the default must pay the public trustee all delinquent principal, interest and other amounts due plus the costs and expense of the foreclosure, including attorneys' fees, on or before noon of the day prior to the foreclosure sale to effectuate the cure. After the default is cured the mortgagee must terminate the foreclosure proceedings. The mortgagee may, but is not obligated to, accept a cure and terminate the foreclosure proceedings even if the statutory requirements are not met.

If the Mortgage Loan is not cured, the public trustee will sell the mortgaged property at the foreclosure sale to the highest bidder. Anyone may bid at the sale. There is no obligation for the mortgagee to bid any amount in excess of the outstanding debt. Any bid by the mortgagee which is less than the outstanding debt must be at least the mortgagee's good faith estimate of the fair market value of the mortgaged property (less unpaid taxes, the amount of senior liens and estimated reasonable costs and expenses, net of income, of holding, marketing and selling such property). The failure of the mortgagee to bid a good faith estimate of the fair market value of the mortgaged property will not affect the validity of the foreclosure sale but may be raised as a defense by a person sued on a deficiency. The public trustee will issue a Certificate of Purchase to the successful bidder. Title to the property vests in the holder of the Certificate of Purchase upon the close of business, eight days after the sale date if no notice of intent to redeem was filed. If a notice of intent to redeem was filed, the title vests upon the expiration of all redemption periods.

Certain holders of recorded junior interests have redemption rights if they timely filed a Notice of Intent to Redeem. The most senior junior lienholder may redeem between 15 and 19 business days after the sale date and each subsequent junior lienholder has (in order of priority of the liens) five business days to redeem. To preserve the right to redeem, a junior lienholder must file a notice of intent to redeem and other documents with the public trustee within eight business days after the foreclosure sale. Title to the property will vest in the holder of the Certificate of Purchase upon the close of business eight days after the sale date if no notice of intent to redeem was filed. If a notice of intent to redeem was filed, and no redemption has occurred, the title vests in the holder of the Certificate of Purchase upon the expiration of all redemption periods. The public trustee will issue a deed to, the holder of the Certificate of Purchase. The public trustee deed will convey the mortgaged property free of all junior interests except junior interests the mortgagee elected to affirm or which were not sent proper notices of the foreclosure as required by statute. Special rules apply with respect to junior liens which are held by the IRS or other federal agencies. The public trustee's deed will be junior to the lien for real property taxes and assessments and to all liens and interests, if any, which were senior to the deed of trust foreclosed.

Judicial foreclosure may be required or advisable in certain circumstances including where there are defects in title, where there is a need to reform the Mortgage Loan documents to correct an error, or

where there is a dispute about the priority of the deed of trust. Generally a judicial foreclosure will take substantially longer and be significantly more expensive than a public trustee foreclosure.

In addition to the statutory requirements with respect to a foreclosure in Colorado, other restrictions may be imposed by the Mortgage Loan documents or by the VA, FHA, Rural Housing Service, FNMA/FHLMC, or a Private Insurer. FNMA/FHLMC, VA, and FHA encourage Mortgage Lenders to avoid foreclosure wherever possible. VA, FHA and Rural Housing Service also have special programs for certain borrowers whose defaults are caused by circumstances outside of their control, as described in "VA Guaranty," "Rural Housing Service Guarantee" and "FHA Insurance" under this caption. Certain loan documents for the Mortgage Loans may incorporate restrictions from the FNMA/FHLMC Colorado Uniform Security Instrument which require the mortgagee to give the Mortgagor 30 days' notice prior to accelerating the Mortgage Loan unless the default is violation of the due-on-sale clause.

In the event a Mortgagor files a bankruptcy petition, the foreclosure proceedings are automatically stayed until the mortgagee is granted relief from stay or the Bankruptcy action is dismissed. The mortgagee may not be granted relief from stay in certain cases. If a bankruptcy petition is filed after all publications of the Combined Notice as required by Colorado law have been completed, the Mortgagee may continue the sale for as long as the automatic stay is in effect. Upon obtaining relief from stay or upon dismissal of the Bankruptcy, the sale can be held at the next available sale date. If a bankruptcy petition is filed prior to completion of the publication of all of the Combined Notices as required by Colorado law, the remaining notices must be cancelled. If the mortgagee obtains relief from stay or the Bankruptcy is dismissed, the mortgagee must re-record the Notice of Election and Demand for Sale and all required notices must be given before a foreclosure sale may be held.

APPENDIX J

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "Authority"), in connection with the issuance of the Authority's Single Family Mortgage Bonds, Series ____ (the "Series Bonds"). The Series Bonds are being issued pursuant to a Master Indenture of Trust dated as of October 1, 2001, as supplemented and amended (the "**Master Indenture**") and pursuant to a Series _____ Indenture dated as of _____ 1, _____ (the "**Series Indenture**" and, together with the Master Indenture, the "**Indenture**") between the Authority and Zions First National Bank, Denver, Colorado, as trustee. The Authority may issue additional series of bonds under the Master Indenture upon satisfaction of the conditions set forth in the Master Indenture. All bonds issued under the Master Indenture, including the Series Bonds, are referred to herein as the "Bonds." Capitalized terms used but not defined herein shall have meanings ascribed thereto in the Indenture. The Authority covenants and agrees as follows:

BACKGROUND

1. The Series Bonds are being issued, among other things, to provide funds to refund certain Bonds of the Authority outstanding under the Master Indenture, the proceeds of which were used to acquire mortgage loans under the Authority's Single Family Mortgage Program (as defined in the Official Statement).
2. In order to allow the Participating Underwriter (as defined in the Rule defined below) of the Series Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR § 240.15c2-12) as amended to the date hereof (the "Rule" or "Rule 15c2-12"), the Authority has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Series Bonds.
3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

AUTHORITY COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "**Annual Financial Information**" means the financial information or operating data with respect to the Authority and any loan program financed under the Master Indenture, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, substantially similar to the type set forth in the final Official Statement as described in **Exhibit A** hereto, including but not limited to such financial information and operating data set forth in (i) "Part I – CERTAIN PROGRAM ASSUMPTIONS," and (ii) the section of the final Official Statement captioned "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

(b) "**Audited Financial Statements**" means the annual financial statements for the Authority, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "**EMMA**" means the MSRB's Electronic Municipal Market Access System, with a portal at <http://emma.msrb.org>.

(d) "**Events**" means any of the events listed in Section 2(d) hereof.

(e) "**MSRB**" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.

(f) "**Official Statement**" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "**Rule 15c2-12**" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR § 240.15c2-12), as the same may be amended from time to time.

(h) "**SEC**" means the Securities and Exchange Commission.

Section 2. Provision of Annual Information and Reporting of Events.

(a) Commencing with the fiscal year ending December 31, 20__ and annually while the Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to EMMA the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided not later than 240 days after the end of each fiscal year for the Authority (i.e., each December 31). If not provided at the same time as the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Authority may provide Annual Financial Information and Audited Financial Statements by specific reference to other documents, including information reports and official statements relating to other debt issues of the Authority, which have been submitted to each repository or repositories as required by Rule 15c2-12; provided, however, that if the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference.

(d) (1) At any time the Series Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Authority shall provide to EMMA notice of the occurrence of any of the following Events with respect to the Series Bonds:

- (A) principal and interest payment delinquencies;
- (B) unscheduled draws on debt service reserves reflecting financial difficulties;
- (C) unscheduled draws on credit enhancements reflecting financial difficulties;
- (D) substitution of credit or liquidity providers, or their failure to perform;
- (E) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (F) defeasances;
- (G) rating changes;
- (H) tender offers; and
- (I) bankruptcy, insolvency, receivership, or similar event of the Obligated Person.

For the purposes of the event identified in paragraph (2)(d)(1)(I) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(2) At any time the Series Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Authority shall provide to EMMA notice of the occurrence of any of the following Events with respect to the Bonds, if material:

- (A) non-payment related defaults;
- (B) modifications to the rights of the beneficial owners of the Bonds;
- (C) bond calls;
- (D) release, substitution or sale of property securing repayment of the Bonds;
- (E) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry

into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

- (F) appointment of a successor or additional trustee or a change in the name of a trustee.

(e) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to EMMA, with a copy to the Participating Underwriter, notice of any failure of the Authority to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission, and include such identifying information, as is requested or recommended by the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds is authorized to take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or to any other owners or beneficial owners of the Series Bonds; provided, that any owner or beneficial owner of Series Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of the Authority hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include such information in any future annual filing or Event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture; (ii) the date that the Authority shall no longer constitute an "obligated person" with respect to the Series Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Authority, including by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial

owners of the Series Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Authority shall provide notice of such amendment or waiver to EMMA as required by Rule 15c2-12 and the Participating Underwriter.

Section 8. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriter and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of _____, 20____.

COLORADO HOUSING AND FINANCE
AUTHORITY

By: _____
Executive Director

EXHIBIT A

The Authority's Annual Financial Information shall contain or include by reference tables setting forth the following information, as of the end of the Authority's fiscal year (December 31):

(i) For each maturity of each series of Bonds outstanding under the Master Indenture: (i) the maturity date of such Bonds, Bond type (serial or term), the interest rate on such Bonds, principal redemptions, original aggregate principal amount of such Bonds and the principal amount of such Bonds remaining Outstanding; and (ii) a list of unscheduled redemptions including the date of call, amount and type of call.

(ii) The amount and type of assets (and, if applicable, the rate and maturity date of such assets) credited to the Acquisition Account, the Revenue Account, the Loan Recycling Account, the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund,, the Redemption Fund, the Short Term Bond Account and the various subaccounts in each of the above-referenced funds or accounts; and the current amount of assets credited to the Debt Service Reserve Fund and its various subaccounts.

(iii) With respect to each Series of Bonds, the outstanding aggregate principal balance of Mortgage Loans, the aggregate number of outstanding Mortgage Loans, the average principal balance per Mortgage Loan, average coupon and weighted average maturity.

(iv) With respect to each Series of Bonds, a breakdown of the type of housing, expressed as a percentage of Mortgage Loans outstanding, showing the extent to which: (i) the housing is single family detached, condominium/townhomes or other (specify); (ii) the housing is new construction or existing homes; and (iii) the housing is insured by the FHA, insured by private mortgage insurance, insured by the Rural Housing Service, guaranteed by the VA or uninsured.

(v) With respect to each Series of Bonds, the number of loans financed, the number of loans prepaid in full, the number of loans foreclosed to date, the number of loans outstanding, the number of delinquent 30-90 days, the percentage of total loans delinquent 30-90 days, the number of delinquencies 90 or more days, the percentage of total loans delinquent 90 or more days, the number of loans in foreclosure, the percentage of total loans in foreclosure and the percentage of all loans delinquent.

(vi) With respect to each Series of Bonds, the amount of total assets, the amount of total liabilities and the amount of surplus or deficit.