

**NEW ISSUE - Book-Entry Only**

*INTEREST ON THE TAXABLE 2008 SERIES A-1 BONDS AND THE TAXABLE 2008 SERIES A-2 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2008 Series A-3 Bonds, the 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2008 Series A-3 Bonds, the 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds (the "Tax Code"); however, (a) interest on the 2008 Series A-3 Bonds and the 2008 Series A-4 Class II Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2008 Series A-5 Class III Bonds is excluded from minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the 2008 Series A Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2008 Series A Bonds. See "Part I – TAX MATTERS."*



**\$348,955,000**  
**COLORADO HOUSING AND FINANCE AUTHORITY**  
**Single Family Mortgage Bonds**

<b>\$60,000,000</b>	<b>\$170,000,000</b>	<b>\$80,000,000</b>	<b>\$15,000,000</b>	<b>\$23,955,000</b>
<b>Taxable Class I</b>	<b>Taxable Class I</b>	<b>Class I Adjustable</b>	<b>Class II Bonds</b>	<b>Class III Bonds</b>
<b>Adjustable Rate Bonds</b>	<b>Adjustable Rate Bonds</b>	<b>Rate Bonds</b>	<b>2008 Series A-4</b>	<b>2008 Series A-5</b>
<b>2008 Series A-1</b>	<b>2008 Series A-2</b>	<b>2008 Series A-3</b>	<b>(AMT)</b>	<b>(non-AMT)</b>

**Dated:** Date of delivery

**Due:** As shown on the inside front cover

The 2008 Series A Bonds are being issued by the Colorado Housing and Finance Authority in the series shown above as fully registered bonds pursuant to a Master Indenture of Trust and a 2008 Series A Indenture, each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee. The proceeds of the 2008 Series A Bonds (and certain amounts exchanged therefor) will be (i) deposited to certain funds established under the Indenture, and (ii) used by the Trustee to acquire guaranteed, insured or uninsured mortgage loans made to finance single family residences in the State of Colorado.

The 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds will bear interest at the fixed interest rates shown on the inside front cover. The Taxable 2008 Series A-1 Bonds, the Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds being offered by this Official Statement as shown above (collectively referred to herein as the "2008A Adjustable Rate Bonds") initially will bear interest at a Weekly Rate determined prior to the date of delivery of the 2008 Series A Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers, Inc. in its capacity as Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. Following the first respective Interest Period, the interest rates on the 2008A Adjustable Rate Bonds or any series or portion thereof may be adjusted at the election of the Authority to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate Securities<sup>SM</sup> Rate, or Fixed Rate, as described herein. Interest on the 2008 Series A Bonds will be payable on each May 1 and November 1, commencing on November 1, 2008, on any redemption date (as applicable), on any mandatory tender date and at maturity.

While any of the 2008A Adjustable Rate Bonds are in a Weekly Mode Period, owners of any such 2008A Adjustable Rate Bonds will have the right to tender their Bonds for purchase. Owners of the 2008A Adjustable Rate Bonds will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Payment of the purchase price for the Taxable Series A-1 Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will initially be supported by a Standby Bond Purchase Agreement (referred to herein as the "Initial 2008A-1 Liquidity Facility") among the Authority, BNP Paribas, acting through its San Francisco Branch (the "2008A-1 Liquidity Facility Provider"), and Zions First National Bank, as Trustee and Paying Agent. Payment of the purchase price for the Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will initially be supported by a Standby Bond Purchase Agreement (referred to herein as the "Initial 2008A-2/A-3 Liquidity Facility" and, together with the Initial 2008A-1 Liquidity Facility, the "2008A Liquidity Facilities") among the Authority, Dexia Credit Local, acting through its New York Branch (the "2008A-2/A-3 Liquidity Facility Provider" and, together with the 2008A-1 Liquidity Facility Provider, the "2008A Liquidity Facility Providers"), and Zions First National Bank, as Trustee and Paying Agent. Coverage under the Initial 2008A-1 Liquidity Facility, unless extended or earlier terminated, is stated to expire on June 3, 2011. Coverage under the Initial 2008A-2/A-3 Liquidity Facility, unless extended or earlier terminated, is stated to expire on June 4, 2011. Under certain circumstances described herein, the obligation of the 2008A Liquidity Facility Providers to purchase the respective 2008A Adjustable Rate Bonds tendered for purchase under the related Initial 2008A Liquidity Facilities or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or suspension of such obligation will be immediate and without notice to such owners. In such event, sufficient funds may not be available to purchase such 2008A Adjustable Rate Bonds. Neither the Authority nor the Remarketing Agent is obligated to purchase 2008A Adjustable Rate Bonds tendered by the owners of such 2008A Adjustable Rate Bonds or subject to mandatory purchase if remarketing proceeds and payments under the respective Initial 2008A Liquidity Facility are insufficient to pay the purchase price of such 2008A Adjustable Rate Bonds.

The 2008 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2008 Series A 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 2008 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2008 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2008 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2008 Series A 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 2008 Series A Bonds. Payments of principal of and interest on the 2008 Series A 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 2008 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

**Maturity Schedule on Inside Front Cover**

*Certain of the 2008 Series A Bonds are subject to special redemption, optional redemption and sinking fund redemption prior to maturity as described herein.*

The Master Indenture provides for four classes of Bonds or Auxiliary Obligations thereunder – Class I, Class II, Class III and Class IV Obligations. The 2008 Series A Bonds are being issued as Class I, Class II and Class III Bonds. The Class I 2008 Series A Bonds (comprised of the Taxable 2008 Series A-1 Bonds, the Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds) 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. The 2008 Series A-4 Class II Bonds will be 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 II Obligations now or hereafter outstanding under the Master Indenture, on a basis subordinate to the Class I Obligations. The 2008 Series A-5 Class III Bonds will be payable from the revenues, assets and moneys pledged under the Master Indenture as described herein on an equal and ratable basis with all other Class III Obligations now or hereafter outstanding under the Master Indenture, and on a basis subordinate to the Class I Obligations and Class II Obligations. The 2008 Series A-5 Class III Bonds will also be payable as general obligations of the Authority. 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 2008 Series A 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 being pledged only for the payment of the 2008 Series A-5 Class III Bonds).

The 2008 Series A 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; by Hogan & Hartson LLP, Denver, Colorado, Disclosure Counsel to the Authority; for the 2008A-1 Liquidity Facility Provider by its counsel, Sidley Austin LLP, Los Angeles, California; and for the 2008A-2/A-3 Liquidity Facility Provider, by its counsel, Kutak Rock LLP, Atlanta, Georgia. The Underwriters are being represented in connection with their purchase of the 2008 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the 2008 Series A Bonds. For details of the Underwriters' compensation, see "Part I – UNDERWRITING" herein. It is expected that the 2008 Series A Bonds will be delivered (through DTC) in New York, New York on or about June 4, 2008.

**LEHMAN BROTHERS<sup>†</sup>**

**Stifel, Nicolaus & Company, Incorporated**  
**Wachovia Bank, National Association**  
**UBS Investment Bank**  
**George K. Baum & Company**

**Piper Jaffray & Co.**  
**Harvestons Securities, Inc.**  
**Citi**  
**RBC Capital Markets**

This Official Statement is dated May 23, 2008.

<sup>†</sup> Remarketing Agent for the 2008 Series A Bonds.  
<sup>SM</sup> Service Mark of Lehman Brothers, Inc.

## **MATURITY SCHEDULE**

\$60,000,000 Taxable Class I Adjustable Rate Bonds, 2008 Series A-1 due May 1, 2038 – Price: 100%  
(CUSIP No. 196483 AT8\*)

\$170,000,000 Taxable Class I Adjustable Rate Bonds, 2008 Series A-2 due May 1, 2038 – Price: 100%  
(CUSIP No. 196483 AU5\*)

\$80,000,000 Class I Adjustable Rate Bonds, 2008 Series A-3 due May 1, 2038 – Price: 100%  
(CUSIP No. 196483 AV3\*)

\$15,000,000 5.75% Class II PAC Term Bonds, 2008 Series A-4 due November 1, 2038 – Price: 102.435%  
(CUSIP No. 196483 AX9\*)

\$23,955,000 5.00% Class III Bonds, 2008 Series A-5 due November 1, 2034 – Price: 100%  
(CUSIP No. 196483 AY7\*)

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\* 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 2008 Series A Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters 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, the 2008A Liquidity Facility Providers 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 2008 Series A 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 2008 Series A 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 2008 Series A Bonds, the Mortgage Loans, the 2008A Liquidity Facility Providers or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2008 SERIES A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE FRONT COVER HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2008 SERIES A BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2008 Series A 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.

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

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**This Official Statement is comprised of the front cover page and inside front cover,  
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**OFFICIAL STATEMENT**

**\$348,955,000**

**COLORADO HOUSING AND FINANCE AUTHORITY  
Single Family Mortgage Bonds**

<b>\$60,000,000</b>	<b>\$170,000,000</b>	<b>\$80,000,000</b>	<b>\$15,000,000</b>	<b>\$23,955,000</b>
<b>Taxable Class I</b>	<b>Taxable Class I</b>	<b>Class I Adjustable</b>	<b>Class II Bonds</b>	<b>Class III Bonds</b>
<b>Adjustable Rate Bonds</b>	<b>Adjustable Rate Bonds</b>	<b>Rate Bonds</b>	<b>2008 Series A-4</b>	<b>2008 Series A-5</b>
<b>2008 Series A-1</b>	<b>2008 Series A-2</b>	<b>2008 Series A-3</b>	<b>(AMT)</b>	<b>(non-AMT)</b>
		<b>(AMT)</b>		

**PART I**

**INTRODUCTION**

This Official Statement, which includes the front cover page and inside front cover, 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 (being collectively referred to in this Official Statement as the "**2008 Series A Bonds**"). The 2008 Series A Bonds are being issued pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended (the "**Master Indenture**"), and the 2008 Series A Indenture dated as of June 1, 2008 (the "**2008 Series A 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 and inside front cover, 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 2008 Series A 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 Underwriters, and any one or more owners of the 2008 Series A 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 2008 Series A Bonds are being issued, among other things, to provide funds to acquire Mortgage Loans under the Authority's Single Family Mortgage Program. Proceeds of

the 2008 Series A Bonds may not be used to finance any activities of the Authority other than the 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 2008 Series A 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 2008 Series A Bonds are being issued and secured under the Indenture.

### **Purposes of the 2008 Series A Bonds**

Proceeds of the 2008 Series A Bonds (and certain amounts exchanged for such proceeds) will be used to (i) finance mortgage loans as described herein (the "**2008 Series A Mortgage Loans**" which shall be comprised of First Mortgage Loans and Second Mortgage Loans as further described herein) for borrowers purchasing single family residences in the State, (ii) fund the debt service reserve fund requirement relating to the 2008 Series A Bonds, and (iii) pay costs of issuance associated with the 2008 Series A Bonds. See "Part I – PLAN OF FINANCE."

### **Description of the 2008 Series A Bonds**

#### *Interest Rates and Payments*

The Authority's Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-1 (the "**Taxable 2008 Series A-1 Bonds**"), the Authority's Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-2 (the "**Taxable 2008 Series A-2 Bonds**"), and the Authority's Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-3 (the "**2008 Series A-3 Bonds**" and referred to herein collectively with the Taxable 2008 Series A-1 Bonds and the Taxable 2008 Series A-2 Bonds as the "**2008A Adjustable Rate Bonds**"), initially will bear interest at a Weekly Rate. While in a Weekly Rate Mode, interest on each series of the 2008A Adjustable Rate Bonds will be determined and adjusted weekly, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2008 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 Authority's Single Family Mortgage Class II Bonds, 2008 Series A-4 (the "**2008 Series A-4 Class II Bonds**") and the Authority's Single Family Mortgage Class III Bonds, 2008 Series A-5 (the "**2008 Series A-5 Class III Bonds**" and, together with the 2008 Series A-4 Class II Bonds referred to herein as the "**2008A Fixed Rate Bonds**") will bear interest at the fixed interest rates shown on the inside front cover hereof. Interest on the 2008A Fixed Rate Bonds will be payable on each May 1 and November 1, commencing on November 1, 2008, on any redemption date and at maturity, and will be computed on the basis of a 360-day year of twelve 30-day months.

The 2008A Adjustable Rate Bonds will be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000, and the 2008A Fixed Rate Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Principal of the 2008 Series A Bonds is payable in the amounts and on the dates as shown on the inside front cover hereof, subject to prior redemption or purchase.



### *Redemption and Tender*

Certain of the 2008 Series A Bonds are subject to special, optional and sinking fund redemption prior to maturity. The 2008A Adjustable Rate Bonds are also subject to mandatory tender for purchase and, while in a Weekly Rate Mode, are subject to optional tender for purchase. See "Part I – TERMS OF THE 2008 SERIES A BONDS." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

**For a more complete description of the 2008 Series A Bonds and the Indenture pursuant to which such 2008 Series A Bonds are being issued, see "Part I – TERMS OF THE 2008 SERIES A 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 General Obligations of the Authority) will be 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 February 1, 2008, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$1,976,915,000, including \$1,698,530,000 for the Class I Bonds, \$183,165,000 for the Class II Bonds and \$95,220,000 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 2008 Series A Bonds as described on the front cover hereof are being issued as Class I Obligations, Class II Obligations and Class III Obligations pursuant to the Indenture and will be payable and secured by the Trust Estate as described herein. The 2008 Series A-5 Class III Bonds are also being designated as General Obligations of the Authority. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – General Obligation Pledge for 2008 Series A-5 Class III Bonds." No 2008 Series A Bonds are being issued as Class IV Obligations. The 2008 Series A Bonds will be secured by amounts deposited to the Debt Service Reserve Fund established under the Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund." **In no event shall the 2008 Series A 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 being pledged only for payment of the 2008 Series A-5 Class III Bonds).**

Upon delivery of the 2008A Adjustable Rate Bonds, the Authority will enter into Standby Bond Purchase Agreements to establish an initial liquidity facility for the Taxable 2008 Series A-1 Bonds (the "**Initial 2008A-1 Liquidity Facility**") with BNP Paribas, acting through its San Francisco Branch (referred to as the "**2008A-1 Liquidity Facility Provider**") and an initial liquidity facility for the Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds (the "**Initial 2008A-2/A-3 Liquidity Facility**") with Dexia Credit Local, acting through its New York Branch (referred to herein as the "**2008A-2/A-3 Liquidity Facility Provider**"). The Initial 2008A-1 Liquidity Facility and the Initial 2008A-2/A-3 Liquidity Facility are collectively referred to as the "**Initial 2008A Liquidity Facilities**," and the 2008A-1 Liquidity Facility Provider and the 2008A-2/A-3 Liquidity Facility Provider are collectively referred to as the "**2008A**

**Liquidity Facility Providers.**" See **Appendix C-1** – "CERTAIN TERMS OF THE INITIAL 2008A-1 LIQUIDITY FACILITY," **Appendix C-2** – "CERTAIN TERMS OF THE INITIAL 2008A-2/A-3 LIQUIDITY FACILITY," **Appendix D-1** – "2008A-1 LIQUIDITY FACILITY PROVIDER" and **Appendix D-2** – "2008A-2/A-3 Liquidity Facility Provider." The Authority may replace any of the Initial 2008A Liquidity Facilities with a new Liquidity Facility (an "**Alternate Liquidity Facility**") in accordance with the procedures set forth in the Indenture. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Liquidity Facilities." UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2008A LIQUIDITY FACILITY PROVIDERS TO PURCHASE THE RESPECTIVE 2008A ADJUSTABLE RATE BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE TERMINATION OR SUSPENSION OF SUCH OBLIGATION WILL BE IMMEDIATE AND WITHOUT NOTICE TO SUCH OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE 2008A ADJUSTABLE RATE BONDS TENDERED BY THE OWNERS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2008A LIQUIDITY FACILITIES DO NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2008A ADJUSTABLE RATE BONDS. **The Authority is not obligated to purchase 2008A Adjustable Rate Bonds so tendered or subject to mandatory purchase if remarketing proceeds or payments under the applicable Initial 2008A Liquidity Facility are insufficient to pay the purchase price of such 2008A Adjustable Rate Bonds.**

### **Professionals Involved in the Offering**

In connection with the issuance and sale of the 2008 Series A 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 will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan & Hartson LLP. Certain legal matters will be passed upon for the 2008A-1 Liquidity Facility Provider by its counsel, Sidley Austin LLP, Los Angeles, California and for the 2008A-2/A-3 Liquidity Facility Provider by its counsel, Kutak Rock LLP, Atlanta, Georgia. The Underwriters are being represented in connection with their purchase of the 2008 Series A Bonds by their counsel, Bookhardt & O'Toole. See "Part I – LEGAL MATTERS."

### **Availability of Continuing Information**

In connection with the issuance of the 2008A Fixed Rate Bonds and any 2008A Adjustable Rate Bonds bearing interest in a Mode which makes such 2008A Adjustable Rate Bonds subject to the requirements of Rule 15c2-12 of the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix J** hereto, by which the Authority will agree to provide to the National Repositories (which may be accomplished by a single filing with DisclosureUSA, the central post office filing system approved by the Securities and Exchange Commission as in compliance with Rule 15c2-12) certain annual financial information and audited financial statements commencing with the fiscal year ending December 31, 2008, and notice of certain material events. **The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the 2008A Adjustable Rate Bonds while in any Mode not subject to Rule 15c2-12.**

### **Investment Considerations**

*The purchase and ownership of the 2008 Series A Bonds involve investment risks. Prospective purchasers of the 2008 Series A 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 2008 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."*

## TERMS OF THE 2008 SERIES A BONDS

### General Terms

#### *Payment*

The principal or redemption price of the 2008 Series A Bonds is payable to Cede & Co. Interest on the 2008 Series A Bonds will be payable on the Interest Payment Dates to Cede & Co.

#### *Book-Entry System*

DTC will act as securities depository for the 2008 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover, 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 2008 Series A Bonds are registered in the DTC book-entry form described in Appendix H, each Beneficial Owner of a 2008 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2008 Series A 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 2008 Series A Bonds by depositing with the Trustee or the Paying Agent sufficient moneys or Defeasance Securities to pay when due the principal or Redemption Price of, if applicable, and interest due or to become due on such 2008 Series A Bonds at the maturity or redemption thereof. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."**

### 2008A Fixed Rate Bonds

The 2008A Fixed Rate Bonds, to be dated the date of delivery thereof, will bear interest at the rates, and will mature, subject to prior redemption as described in "Prior Redemption" under this caption, in the amounts and on the dates as shown on the inside front cover of this Official Statement. Interest on the 2008A Fixed Rate Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable each May 1 and November 1, commencing November 1, 2008, on any redemption date and at maturity. The 2008A Fixed Rate Bonds will be issued as fully registered bonds without coupons. Purchases of the 2008A Fixed Rate Bonds are to be made in denominations of \$5,000 or any integral multiple thereof. The 2008A Fixed Rate Bonds are subject to redemption as described in "Prior Redemption" under this caption.

### 2008A Adjustable Rate Bonds

#### *Generally*

The 2008A Adjustable Rate Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Each series of the 2008A Adjustable Rate Bonds initially will bear interest at a respective Weekly Rate determined prior to the date of delivery by Lehman Brothers, Inc. Thereafter, the interest rate on any series or portion thereof of the 2008A Adjustable Rate Bonds

may be adjusted at the election of the Authority to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate Securities<sup>SM</sup> ("SAVRS") Rate or Fixed Rate, as described herein. While the 2008A Adjustable Rate Bonds are in an Interest Period for a Weekly Mode, interest will be payable on each May 1 and November 1, commencing November 1, 2008, on any redemption date or Mode Change Date and on the Maturity Date. The 2008A Adjustable Rate Bonds are subject to redemption as described in "Prior Redemption" under this caption.

While in an Interest Period for a Term Rate shorter than one year, a Commercial Paper Mode, a Daily Mode or a Weekly Mode, interest on any 2008A Adjustable Rate Bonds is to be calculated on the basis of a 365/366 day year for the actual number of days elapsed. Interest on any 2008A Adjustable Rate Bonds in a Fixed Rate Mode or a Term Rate Mode of one year or longer is to be computed on the basis of a 360-day year comprised of twelve 30-day months. When a SAVRS Rate Mode for 2008A Adjustable Rate Bonds is in effect, interest shall accrue daily and shall be computed for the actual number of days elapsed on the basis of a year consisting of 360 days. Any 2008A Adjustable Rate Bonds in a Daily Mode, Weekly Mode, Commercial Paper Mode or SAVRS Rate Mode may be purchased in denominations of \$100,000, or any integral multiples of \$5,000 in excess of \$100,000. Any 2008A Adjustable Rate Bonds in a Term Rate Mode or Fixed Rate Mode are issuable in denominations of \$5,000 or any integral multiple thereof.

#### *Determination of Interest Rate*

General. Any 2008A Adjustable Rate Bond may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate, a SAVRS Rate or a Fixed Rate until its respective maturity or prior redemption. The Mode of the 2008A Adjustable Rate Bonds from the delivery date until further designation by the Authority will be the Weekly Mode. Thereafter, the Authority may change any of the 2008A Adjustable Rate Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2008A Adjustable Rate Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2008A Remarketing Agent in accordance with the Indenture as described below. The interest on any 2008A Adjustable Rate Bonds may also be changed to a SAVRS Rate. The SAVRS Rate for each respective SAVRS Mode Period will be determined pursuant to auctions conducted in accordance with procedures set forth in a Supplemental Indenture to be entered into in connection with the SAVRS Rate Conversion Date. *This Official Statement does not contain a detailed description of SAVRS Rate Bonds, auction procedures and other relevant information relating thereto.*

*Adjustment of the interest rate on the 2008A Adjustable Rate Bonds such that all of the 2008A Adjustable Rate Bonds covered by the applicable Initial 2008A Liquidity Facility bear interest at rate other than a Weekly Rate or a Term Rate would result in a termination of such Initial 2008A Liquidity Facility. See Appendix C-1 – "CERTAIN TERMS OF THE INITIAL 2008A-1 LIQUIDITY FACILITY" and Appendix C-2 – CERTAIN TERMS OF THE INITIAL 2008A-2/A-3 LIQUIDITY FACILITY."*

Weekly Rate. During any Interest Period in which any 2008A Adjustable Rate Bonds are in a Weekly Mode, the 2008A Remarketing Agent is to determine the Weekly Rate by 4:00 p.m., Eastern time, on Tuesday of each week or, if such Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday. The Weekly Rate determined by the 2008A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2008A Remarketing Agent under then-existing market conditions, would result in the sale of the 2008A Adjustable Rate Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2008A Remarketing Agent fails to establish a Weekly Rate for any week (or if the method for determining the Weekly Rate shall be held to be unenforceable by a court of law of competent jurisdiction),

<sup>SM</sup> Service Mark of Lehman Brothers, Inc.

then such 2008A Adjustable Rate Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2008A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2008A Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at (i) in the case of the Taxable 2008 Series A-1 Bonds and the Taxable 2008 Series A-2 Bonds, the One Month LIBOR Rate plus 0.20%, or (ii) in the case of the 2008 Series A-3 Bonds, the BMA Index plus 0.20% (or, in the event that the Indexing Agent no longer publishes an index satisfying the requirements of the definition of BMA Index, the J.J. Kenny Index plus 0.20%; provided, however, that if the J.J. Kenny Index also ceases to be published, an alternative index shall be calculated by an entity selected in good faith by the Authority, and shall be determined using the criteria for the BMA Index), as such rates are reported on the day such Weekly Rate would otherwise have been determined by the 2008A Remarketing Agent. The 2008A Remarketing Agent is to make the Weekly Rate available: (i) after 4:00 p.m., Eastern time, on the date of determination of such rate by telephone to any Owner, the Authority, the Trustee, the Paying Agent and the applicable Liquidity Facility Provider; and (ii) by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission, to the Paying Agent, not later than 4:00 p.m., Eastern time, on the second Business Day after the date of such rate determination.

Daily Rate. During any Interest Period in which any 2008A Adjustable Rate Bonds are in a Daily Mode, the 2008A Remarketing Agent is to determine the Daily Rate by 10:00 a.m., Eastern time, on each Business Day. The Daily Rate for any day during the Daily Rate Mode which is not a Business Day will be the Daily Rate established as of the immediately preceding Business Day. The Daily Rate determined by the 2008A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2008A Remarketing Agent under then-existing market conditions, would result in the sale of such 2008A Adjustable Rate Bonds on the date of rate determination at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2008A Remarketing Agent fails to establish a Daily Rate for any day (or if the method for determining the Daily Rate shall be held to be unenforceable by a court of law of competent jurisdiction), then such 2008 Series A Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2008A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2008A Remarketing Agent determines the Daily Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at the last lawful interest rate set by the 2008A Remarketing Agent.

Term Rates. During any Interest Period in which any 2008A Adjustable Rate Bonds are in a Term Rate Mode, the 2008A Remarketing Agent is to determine the Term Rate by 4:00 p.m., Eastern time, on a Business Day no earlier than 30 Business Days and no later than the Business Day next preceding the first day of an Interest Period. The Term Rate determined by the 2008A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2008A Remarketing Agent, will result in the sale of such 2008A Adjustable Rate Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2008A Adjustable Rate Bond that has been in the Term Rate Mode and is to continue in the Term Rate Mode is not or cannot be established, then (i) if such 2008A Adjustable Rate Bond is secured by a Liquidity Facility, it will be changed automatically to the Commercial Paper Mode with an Interest Period and Commercial Paper Rate to be determined by the 2008A Remarketing Agent in accordance with the Indenture or (ii) if such 2008A Adjustable Rate Bond is not secured by a Liquidity Facility, then such Bond shall stay in the Term Rate Mode for an Interest Period ending on the next May 1 or November 1 and shall bear interest (A) in the case of the Taxable 2008 Series A-1 Bonds and Taxable 2008 Series A-2 Bonds, based on the One-Year LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (B) in the case of the 2008 Series A-3 Bonds, based on an index published by Kenny Information Systems plus 0.20%, which index is based on yield evaluations at par of non-AMT tax-exempt bonds. The Trustee is to promptly notify the Owners, with a copy to each National Repository, of any failed change in mode. 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. The 2008A Remarketing Agent is to give written notice of the Term Rate to the Authority and the Paying Agent upon request. If a new Interest Period is not selected by the Authority prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period will be the same length as the current Interest Period, or such lesser period necessary to prevent the Interest Period from extending beyond the date which is five Business Days prior to the stated term, expiration date or termination date of the applicable Liquidity Facility, or such date as it may be extended, or any earlier date on which the applicable Liquidity Facility is to terminate, expire or be cancelled. No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date.

Fixed Rate. During each Fixed Rate Mode for any 2008A Adjustable Rate Bonds, the 2008A Remarketing Agent is to determine the Fixed Rate by 4:00 p.m., Eastern time, no later than the Business Day prior to the first day of the Fixed Rate Mode and shall notify the Paying Agent of each Fixed Rate on the date of determination of each such rate. The Fixed Rate determined by the 2008A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2008A Remarketing Agent, would result in the sale of such 2008A Adjustable Rate Bonds on the date of rate determination at a price equal to the principal amount thereof. Upon request of any Owner, the Authority, the Trustee, the Paying Agent or the applicable Liquidity Facility Provider, the 2008A Remarketing Agent is to make the Fixed Rate available by telephone and by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission.

Commercial Paper Rates. On the first day of each Interest Period for a 2008A Adjustable Rate Bond in a Commercial Paper Mode, the 2008A Remarketing Agent is to select for such 2008A Adjustable Rate Bond the Interest Period which would result in the 2008A Remarketing Agent being able to remarket such 2008A Adjustable Rate Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on the first day of any Interest Period the 2008A Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such 2008A Adjustable Rate Bond, then the 2008A Remarketing Agent is to select the Interest Period which in the judgment of the 2008A Remarketing Agent would permit such 2008A Adjustable Rate Bond to achieve such lower average interest cost; provided, however, that if the 2008A Remarketing Agent has received notice from the Authority that any 2008A Adjustable Rate Bond is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to the Indenture, the 2008A Remarketing Agent shall, with respect to such 2008A Adjustable Rate Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date. On or after 4:00 p.m., Eastern time, on the Business Day next preceding the first day of each Interest Period for a 2008A Adjustable Rate Bond in the Commercial Paper Mode, any Owner of such 2008A Adjustable Rate Bond may telephone the 2008A Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2008A Adjustable Rate Bond. To receive payment of the Purchase Price, the Owner of any 2008A Adjustable Rate Bond in the Commercial Paper Mode must present such Bond to the Paying Agent by 12:00 noon, Eastern time, on the first day of the Interest Period for a Commercial Paper Mode, in which case the Paying Agent shall pay the Purchase Price to such Owner by the close of business on the same day. By 12:30 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2008A Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2008A Adjustable Rate Bond and is to give notice to the Paying Agent by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission, of the new Owner, the Interest Period, the Purchase Date and the Commercial Paper Rate. By 1:00 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2008A Remarketing Agent is

to assign CUSIP numbers for each Commercial Paper Bond for which a Commercial Paper Rate and Interest Period have been determined on such date and notify the Paying Agent of such assignment by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission. If, for any reason, a New Commercial Paper Rate for a 2008A Adjustable Rate Bond that has been in the Commercial Paper Rate Mode and is to continue in the Commercial Paper Rate Mode is not or cannot be established, then such Bond shall stay in the Commercial Paper Rate Mode and shall bear interest (i) in the case of the Taxable 2008 Series A-1 Bonds and the Taxable 2008 Series A-2 Bonds, at the Three-Month LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (ii) in the case of the 2008 Series A-3 Bonds, at the Lehman Brothers Commercial Paper Index plus 0.20% in effect on such Rate Determination Date.

#### *Adjustment Between Modes*

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2008A Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2008A Adjustable Rate Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to the Term Rate Mode or Fixed Rate Mode) or reduced as a result of such change in Mode; (ii) if the change is from a Short-Term Mode to a Term Rate Mode, SAVRS Rate Mode or Fixed Rate Mode, or from a Term Rate Mode to a Short-Term Mode, a favorable opinion of bond counsel; and (iii) a Liquidity Facility (except if the change is to the Fixed Rate Mode or, in the case of a change to a Term Rate, the Authority elects not to have a Liquidity Facility with respect to such Bonds in a Term Rate Mode). The Authority may change a 2008A Adjustable Rate Bond (other than a 2008A Adjustable Rate Bond in the Fixed Rate Mode) from one Mode to another Mode by giving written notice no later than the 45<sup>th</sup> day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2008A Remarketing Agent) preceding the proposed date of Mode change to the Trustee, the Paying Agent and the applicable Liquidity Facility Provider. Such notice is to include: (i) the new Mode; (ii) the length of the initial Interest Period if the change is to a Term Rate Mode; and (iii) whether or not the 2008A Adjustable Rate Bonds to be converted to a new Mode will be covered by a Liquidity Facility. The Trustee is to give notice to Owners of 2008A Adjustable Rate Bonds by mail no less than 30 days prior to the proposed date of the Mode change stating that such Bonds are subject to mandatory purchase on such date. The 2008A Adjustable Rate Bonds are subject to mandatory purchase on any day on which a different Mode for such Bonds begins. See "Mandatory Purchase - Mandatory Purchase on Mode Change Date" under this caption. **So long as the 2008A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix H, such notices will be sent only to DTC's nominee.**

#### *Optional Tender and Purchase*

Optional Tender during a Weekly Mode or Daily Mode. During any Interest Period for a Weekly Mode or Daily Mode, any 2008A Adjustable Rate Bond (other than a Bank Bond) is to be purchased in an Authorized Denomination from its Owner at the option of the Owner on any Business Day at a purchase price equal to the principal amount thereof tendered for purchase plus accrued interest to the Purchase Date defined below (the "**Purchase Price**"), payable by wire transfer in immediately available funds, upon delivery to the 2008A Remarketing Agent of an irrevocable telephonic notice in the case of 2008A Adjustable Rate Bonds in the Daily Mode and an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed in writing to the Paying Agent, in the case of 2008A Adjustable Rate Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2008A Adjustable Rate Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**"), which date is to be a Business Day specified by the Owner. In the case of 2008A Adjustable Rate Bonds tendered for purchase during the Daily Mode, such notice is to be delivered by the Owner by no later than 11:00 a.m., Eastern time on such Business Day. In

the case of 2008A Adjustable Rate Bonds tendered for purchase during the Weekly Mode, such notice is to be delivered by the Owner by no later than 4:00 p.m., Eastern time on a Business Day not less than seven days before the Purchase Date specified by the Owner in such notice. For payment of such Purchase Price, such 2008A Adjustable Rate Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date. An Owner who gives the notice described above may repurchase the 2008A Adjustable Rate Bonds so tendered, if the 2008A Remarketing Agent agrees to sell the tendered Bonds to such Owner, in which case the delivery requirements set forth above will be waived. See "Payment of Tender Price Upon Purchase" under this caption for the sources of payment of such Purchase Price.

Optional Purchase at End of Term Rate Period. Unless such 2008A Adjustable Rate Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2008A Adjustable Rate Bonds in a Term Rate Mode may act to have its Bond (or portions thereof in Authorized Denominations) purchased on the last day of any Interest Period for a Term Rate Mode (or the next Business Day if such last day is not a Business Day) (the "**Purchase Date**") at a purchase price equal to the principal amount thereof tendered for purchase (the "**Purchase Price**") upon delivery to the 2008A Remarketing Agent of an irrevocable written notice of tender or an irrevocable telephonic notice of tender, confirmed in writing to the Paying Agent, which notice states the CUSIP number, the Bond number and the principal amount of such 2008A Adjustable Rate Bond to be purchased. Such notice is to be given not later than 10:00 a.m. on a Business Day not less than seven days before such last day of the Interest Period. For payment of such Purchase Price, such 2008A Adjustable Rate Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date. See "Payment of Tender Price Upon Purchase" under this caption for the sources of payment of such Purchase Price.

#### *Mandatory Purchase*

Mandatory Purchase at End of Commercial Rate Period. On the last day of any Interest Period for the Commercial Paper Mode, the 2008A Adjustable Rate Bonds in such mode are subject to mandatory tender without notice at the Purchase Price. Owners are to deliver such 2008A Adjustable Rate Bonds to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, Eastern time, on such date. Payment of the Purchase Price is to be made by wire transfer of immediately available funds by the close of business on such date. See "Payment of Tender Price Upon Purchase" under this caption for the sources of payment of such Purchase Price.

Mandatory Purchase on Mode Change Date. 2008A Adjustable Rate Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Bonds begins (the "**Mode Change Date**") (or on the day which would have been a Mode Change Date had all of the conditions described in "Adjustment Between Modes" under this caption been satisfied by the proposed Mode Change Date) at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Bonds no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, the numbers of the 2008A Adjustable Rate Bonds to be purchased if less than all of the Bonds owned by such Owners are to be purchased and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2008A Adjustable Rate Bond shall not affect the validity of the mandatory purchase of any other 2008A Adjustable Rate Bond with respect to which such



notice was mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by the Owner. 2008A Adjustable Rate Bonds subject to mandatory purchase on the Mandatory Purchase Date are to be delivered (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the close of business on the Mandatory Purchase Date. **So long as the 2008A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix H, such notices will be sent only to DTC's nominee.** See "Payment of Tender Price Upon Purchase" under this caption for the sources of payment of such Purchase Price.

Mandatory Purchase For Failure to Replace Liquidity Facility or Upon Certain Substitution of Alternate Liquidity Facility. In the event that the Authority does not replace a Liquidity Facility with another Liquidity Facility prior to its Scheduled Expiration Date in accordance with the Indenture, the 2008A Adjustable Rate Bonds having the benefit of such Liquidity Facility will be subject to mandatory purchase on the earlier of the last Interest Payment Date before the then current Liquidity Facility expires (whether at the Scheduled Expiration Date thereof or earlier Expiration Date therein provided) or 45 days before such Scheduled Expiration Date or earlier Expiration Date. "**Scheduled Expiration Date**" under the Indenture means the stated term, stated expiration date or stated termination date of a Liquidity Facility, or such stated term, stated expiration date or stated termination date as it may be extended from time to time as provided in such Liquidity Facility. "**Expiration Date**" means (a) the Scheduled Expiration Date or (b) any earlier date on which the applicable Liquidity Facility shall terminate, expire or be cancelled, other than as a consequence of Special Event of Default as defined in an Initial 2008A Liquidity Facility. In addition, in the event that on or prior to the 45<sup>th</sup> day next preceding the date on which an Alternate Liquidity Facility is to be substituted for the current Liquidity Facility (the "**Substitution Date**") the Authority has failed to deliver to the Paying Agent a Rating Confirmation Notice in connection with such substitution, the 2008A Adjustable Rate Bonds having the benefit of such Liquidity Facility will be subject to mandatory tender for purchase five Business Days prior to the Substitution Date. The Trustee is to give notice by first-class mail (or transmitted in such other manner, such as electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2008A Adjustable Rate Bonds subject to mandatory purchase no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any 2008A Adjustable Rate Bond shall not affect the validity of the mandatory purchase of any other 2008A Adjustable Rate Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2008A Adjustable Rate Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Mandatory Purchase Date. See "Payment of Tender Price Upon Purchase" under this caption for the sources of payment of such Purchase Price.

Mandatory Purchase Upon Termination of the Applicable Initial 2008A Liquidity Facility. The related 2008A Adjustable Rate Bonds will be subject to mandatory purchase if either (a) the Authority elects to terminate the applicable Initial 2008A Liquidity Facility in accordance with the provisions thereof, or (b) the Trustee receives notice from the applicable 2008A Liquidity Facility Provider that its applicable Initial 2008A Liquidity Facility will be terminated in accordance with the provisions thereof because of the occurrence and continuance of certain specified events (but not Special Events of Default as defined in such Initial 2008A Liquidity Facility), in either case while any of such 2008A Adjustable Rate Bonds are outstanding. Such 2008A Adjustable Rate Bonds will be subject to mandatory tender for purchase on a

Business Day which is at least ten days subsequent to such notice from the applicable 2008A Liquidity Facility Provider and at least five Business Days prior to the termination of its applicable Initial 2008A Liquidity Facility. The Trustee is to give notice by first-class mail (or transmittal in such other manner, such as by electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2008A Adjustable Rate Bonds subject to such mandatory purchase within two Business Days after receipt of notice from such 2008A Liquidity Facility Provider. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such 2008A Adjustable Rate Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other 2008A Adjustable Rate Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2008A Adjustable Rate Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date. See "Payment of Tender Price Upon Purchase" under this caption for the sources of payment of such Purchase Price.

*Payment of Tender Price Upon Purchase*

Any 2008A Adjustable Rate Bonds to be purchased in accordance with the Indenture as described in "Optional Tender and Purchase" and "Mandatory Purchase" under this caption are to be purchased from the Owners thereof on the Purchase Date at the Purchase Price, subject to the sources of payment as described below. The Indenture creates a separate fund (the "**Purchase Fund**") to be maintained by the Paying Agent, with separate accounts designated as the Remarketing Proceeds Account and the Standby Purchase Account. Funds for the payment of the Purchase Price are to be made solely from the following sources in the order of priority indicated:

- (1) proceeds of the sale of remarketed 2008A Adjustable Rate Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the related 2008A Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the Paying Agent by the 2008A Remarketing Agent for deposit into the Remarketing Proceeds Account; and
- (2) money furnished by the related 2008A Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the applicable Initial 2008A Liquidity Facility, if any, as described in **Appendix C-1** – "CERTAIN TERMS OF THE INITIAL 2008A-1 LIQUIDITY FACILITY" and in **Appendix C-2** – "CERTAIN TERMS OF THE INITIAL 2008A-2/A-3 LIQUIDITY FACILITY."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2008A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix H, any notices will be sent only to DTC's nominee.**

If sufficient funds are not available for the purchase of all 2008A Adjustable Rate Bonds tendered or deemed tendered and required to be purchased on any Purchase Date or Mandatory Purchase Date, all such 2008A Adjustable Rate Bonds shall bear interest at the applicable Alternate Rate under the Indenture from the date of such failed purchase until all such 2008A Adjustable Rate Bonds are purchased as required in accordance with the Indenture, and all tendered 2008A Adjustable Rate Bonds are to be returned to their

respective Owners. Such failed purchase and return will not constitute an Event of Default under the Indenture.

**The obligation of the 2008A Liquidity Facility Providers to purchase 2008A Adjustable Rate Bonds under the applicable Initial 2008A Liquidity Facilities is subject to the condition that the long-term ratings of such 2008A Adjustable Rate Bonds and all other Class I Bonds by Moody's and S&P are not lower than "Baa3" or "BBB-," respectively. See Appendix C-1 – "CERTAIN TERMS OF THE INITIAL 2008A-1 LIQUIDITY FACILITY – Termination by 2008A-1 Liquidity Facility Provider" and Appendix C-2 – "CERTAIN TERMS OF THE INITIAL 2008A-2/A-3 LIQUIDITY FACILITY – Termination by 2008A-2/A-3 Liquidity Facility Provider." In addition, the obligation of the 2008A Liquidity Facility Providers to purchase 2008A Adjustable Rate Bonds under the applicable Initial 2008A Liquidity Facilities is subject to the nonoccurrence of certain events of default thereunder. THE AUTHORITY IS NOT OBLIGATED TO PURCHASE 2008A ADJUSTABLE RATE BONDS TENDERED BY THE OWNERS OF SUCH 2008A ADJUSTABLE RATE BONDS OR SUBJECT TO MANDATORY PURCHASE IF REMARKETING PROCEEDS AND PAYMENTS UNDER THE APPLICABLE LIQUIDITY FACILITY ARE INSUFFICIENT TO PAY THE PURCHASE PRICE OF SUCH 2008A ADJUSTABLE RATE BONDS.**

## **Prior Redemption**

### *Special Redemption*

Unexpended Amounts in Acquisition Account. The 2008 Series A Bonds are subject to special redemption prior to their respective stated maturities, as a whole or in part, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, at a redemption price equal to 100% of the principal amount of the 2008 Series A Bonds or portions thereof to be so redeemed plus accrued interest to the date of redemption without premium (or, in the case of the 2008 Series A-4 Class II Bonds, at a redemption price equal to the original issue price of 102.435% of the principal amount thereof plus accrued interest thereon to the date of redemption), at any time from amounts equal to moneys transferred from the 2008 Series A subaccount of the Acquisition Account to the 2008 Series A subaccount of the Redemption Fund. The Indenture requires that the Trustee so transfer amounts equal to \$100,000 or more which are not used to purchase 2008 Series A Mortgage Loans and remain on deposit in the 2008 Series A subaccount of the Acquisition Account pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred for any such purpose. Such amounts are to be transferred not later than March 1, 2011; provided that the Indenture permits the Authority to extend such date to a later date if the Authority has filed with the Trustee an Authority Request specifying a later date or dates for such withdrawal, accompanied by a Cash Flow Statement (unless the principal amount and term of such extension are covered by a previous Cash Flow Statement). See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Acquisition Account" and "Part I – PLAN OF FINANCE – Sources and Uses of Funds." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS," and "Part II – CERTAIN BONDOWNERS' RISKS – Special Considerations Relative to Loan Acquisition."

Amounts on deposit in the 2008 Series A subaccount of the Acquisition Account shall be transferred to the 2008 Series A subaccount of the Redemption Fund to redeem 2008 Series A Class I Bonds, 2008 Series A-4 Class II Bonds and 2008 Series A-5 Class III Bonds as follows: (i) first, there shall be allocated to the applicable subaccounts of the 2008 Series A subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2008 Series A Class I Asset Requirement; (ii) second, there shall be allocated to the 2008 Series A subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2008 Series A Class II Asset Requirement; and (iii) third, there shall be allocated to the applicable subaccounts of the 2008 Series A subaccount of the Class I

Special Redemption Account, the 2008 Series A subaccount of the Class II Special Redemption Account and the 2008 Series A subaccount of the Class III Special Redemption Account the remainder of such amounts to be used to redeem 2008 Series A Class I Bonds, 2008 Series A Class II Bonds and 2008 Series A Class III Bonds, respectively, transferred on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2008 Series A Class I Bonds, the Aggregate Principal Amount of Outstanding 2008 Series A-4 Class II Bonds and the Aggregate Principal Amount of Outstanding 2008 Series A-5 Class III Bonds, respectively, to the Aggregate Principal Amount of all 2008 Series A Bonds Outstanding. See **Appendix F** – "CLASS ASSET REQUIREMENTS FOR BONDS." See also "Selection of 2008 Series A Bonds for Partial Redemption" under this caption.

Notwithstanding the above, amounts transferred from the non-qualified loan subaccount of the 2008 Series A subaccount of the Acquisition Account pursuant to the preceding paragraph shall be used only for the redemption of the Taxable 2008 Series A-1 Bonds or, subject to the Master Indenture, Bonds of other subseries all or a portion of the proceeds of which have been or will be deposited into a non-qualified loan subaccount within the Acquisition Account (i.e., a subaccount used to finance Mortgage Loans for Eligible Borrowers purchasing Residential Housing, but with respect to Eligible Borrowers and Residential Housing that may not qualify under Section 143 of the Code).

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. The 2008 Series A Bonds are also subject to special redemption prior to maturity, as a whole or in part, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, at a Redemption Price equal to 100% of the principal amount of the 2008 Series A Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, without premium, on any date, from amounts deposited in the respective 2008 Series A subaccounts of the Class I Special Redemption Account, Class II Special Redemption Account and Class III Special Redemption Account.

Subject to the following sentence, moneys deposited in or transferred to the 2008 Series A subaccounts of the Redemption Fund pursuant to the preceding paragraph shall be applied to redeem 2008 Series A Class I Bonds, 2008 Series A-4 Class II Bonds and 2008 Series A-5 Class III Bonds as follows: (i) first, moneys transferred to the 2008 Series A subaccount of the Class II Special Redemption Account shall be used to redeem 2008 Series A-4 Class II Bonds such that the cumulative principal amount of 2008 Series A-4 Class II Bonds redeemed to and including such redemption date equals the amount set forth for such redemption date in the table set forth below in the following paragraph; (ii) second, moneys in the applicable subaccounts of the 2008 Series A subaccount of the Class I Special Redemption Account shall be used to redeem 2008 Series A Class I Bonds in the amount necessary to satisfy the 2008 Series A Class I Asset Requirement; (iii) third, moneys in the 2008 Series A subaccount of the Class II Special Redemption Account shall be used to redeem 2008 Series A Class II Bonds in the amount necessary to satisfy the 2008 Series A Class II Asset Requirement; and (iv) fourth, moneys in the applicable subaccounts of the 2008 Series A subaccount of the Class I Special Redemption Account, the 2008 Series A subaccount of the Class II Special Redemption Account and the 2008 Series A subaccount of the Class III Special Redemption Account shall be used to redeem the remaining 2008 Series A Bonds as shall be designated in an Authority Request. Notwithstanding the above, amounts transferred from the non-qualified loan subaccount of the 2008 Series A subaccount of the Acquisition Account pursuant to the preceding paragraph shall be used only for the redemption of the Taxable 2008 Series A-1 Bonds or, subject to the Master Indenture, Bonds of other subseries all or a portion of the proceeds of which have been or will be deposited into a non-qualified loan subaccount within the Acquisition Account (i.e., a subaccount used to finance Mortgage Loans for Eligible Borrowers purchasing Residential Housing, but with respect to Eligible Borrowers and Residential Housing that may not qualify under Section 143 of the Code).

The following table shall be applicable as referenced in paragraph (i) in the previous paragraph:

**Cumulative Amounts of 2008 Series A-4 Class II Bonds to be Redeemed**

<u>Date</u>	<u>Special Redemption Amounts (Cumulative)</u>
06/04/08	\$ 0
11/01/08	0
05/01/09	0
11/01/09	0
05/01/10	2,585,000
11/01/10	4,950,000
05/01/11	8,045,000
11/01/11	11,165,000
05/01/12	14,485,000
11/01/12	15,000,000

*Notwithstanding the provision described above, the 2008 Series A Bonds are subject to redemption from other amounts on deposit in the Revenue Fund as described in "Cross Calls and Recycling" under this caption. See also "Selection of 2008 Series A Bonds for Partial Redemption" under this caption.*

**It is anticipated that moneys will be available to redeem a substantial portion of the 2008 Series A Bonds without premium in accordance with the preceding paragraphs. General information concerning prepayments on mortgage loans relating to outstanding bonds of the Authority (including the Bonds) has been filed by the Authority with and is available from the National Repositories. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."**

Average Life of 2008 Series A Fixed Rate Bonds. Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Bond Market Association) prepayment standard or model (the "**PSA Prepayment Model**"). The PSA Prepayment Model represents an assumed monthly rate of prepayment of the then unpaid principal balance of a pool of new mortgage loans. The PSA Prepayment Model does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the 2008 Series A Mortgage Loans. The 100% PSA Prepayment Model assumes that the prepayment rate starts at 0.2% in the first month and rises by the same amount each month until month 30 when it assumes a constant prepayment rate of 6% per annum of the unpaid principal balance for the remaining life of the mortgage loans. Multiples will be calculated from this prepayment rate series, e.g., 200 percent PSA assumes prepayment rates will be 0.4% per year in month one, 0.8% per year in month two, reaching 12% per year in month 30 and remaining constant at 12% per year thereafter.

The cumulative special redemption amounts of the 2008 Series A-4 Class II Bonds reflected in the table in "– Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions" under this caption have been fixed based on the estimated average maturity date of the 2008 Series A Mortgage Loans assuming Prepayments in an amount equal to the 100% PSA Prepayment Model. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the 2008 Series A-4 Class II Bonds will be influenced by the rate at which principal on certain 2008

Series A Mortgage Loans securing the 2008 Series A-4 Class II Bonds is paid, in accordance with "– Prepayments, Excess Revenues and Debt Service Reserve Fund Requirements" under this caption. Principal payments on 2008 Series A Mortgage Loans may be in the form of scheduled amortizations or Prepayments.

Set forth in the following table are the projected weighted average lives (in years) of the 2008 Series A Fixed Rate Bonds, based upon various rates of prepayment of the 2008 Series A Mortgage Loans expressed as percentages of the PSA Prepayment Model. The Authority has made no projections as to the weighted average lives of the 2008 Series A Fixed Rate Bonds at rates of prepayment of the 2008 Series A Mortgage Loans exceeding 500% of PSA. The table assumes, *inter alia*, that (i) 100 percent of the moneys deposited in the 2008 Series A subaccount of the Acquisition Account will be used to purchase 2008 Series A Mortgage Loans during the period between June 5, 2008 and August 1, 2008, (ii) all such 2008 Series A Mortgage Loans are prepaid at the percentage of PSA indicated on the table, (iii) all principal prepayment and scheduled principal repayments of such 2008 Series A Mortgage Loans are timely received and the Authority experiences no foreclosure losses on such 2008 Series A Mortgage Loans, (iv) there will be no optional redemption of such 2008 Series A Fixed Rate Bonds, (v) amounts available under the Master Indenture to be applied to the special redemption of Bonds will only be used to redeem Bonds of the related Series, and (vi) no prepayments or repayments of the 2008 Series A Mortgage Loans will be recycled into new Mortgage Loans. It is likely that some or all of such assumptions will vary from actual experience.

<b>Prepayment Speed (expressed as a percentage of PSA)</b>	<b>2008 Series A-4 Class II Bonds Projected Weighted Average Life (in years)</b>	<b>2008 Series A-5 Class III Bonds Projected Weighted Average Life (in years)</b>
0% PSA	14.0	10.7
25% PSA	11.7	9.8
50% PSA	8.8	8.9
75% PSA	4.8	7.5
100% PSA	3.0	5.6
125% PSA	3.0	4.6
150% PSA	3.0	4.4
200% PSA	3.0	4.4
300% PSA	3.0	4.4
400% PSA	3.0	4.4
500% PSA	3.0	4.4

Source: Lehman Brothers Inc.

The PSA Prepayment Model does not purport to be a prediction of the anticipated rate of prepayment of the 2008 Series A Mortgage Loans, and there is no assurance that such principal prepayments will conform to any of the assumed prepayment rates. Neither the Authority nor the Underwriters make any representation as to the percentage of the principal balance of the 2008 Series A Fixed Rate Bonds or 2008 Series A Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment.

Cross Calls and Recycling. Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any 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. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Redemption Fund."** Each such

Authority Request is required to: (i) 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) be accompanied by evidence of satisfaction of all Asset Requirements for the Related Series. **Although a Series Indenture may prohibit such cross calls with respect to the Related Series of Bonds, the 2008 Series A Indenture does not limit cross calls of the 2008 Series A Bonds, which may result in early redemption of the 2008 Series A Bonds at par.** In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to 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 used to make or purchase Mortgage Loans as permitted by the Master Indenture. Each such Authority Request is to (a) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture and (b) be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund."** *The Authority expects in most cases to transfer Prepayments or Mortgage Prepayments to the Special Redemption Accounts of the Redemption Fund in accordance with the Master Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

#### *Optional Redemption*

The 2008 Series A Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source, including without limitation the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Mortgage Loans, as further described under this caption, including "Selection of 2008 Series A Bonds for Partial Redemption" and "Notice of Redemption."

Weekly Mode or Daily Mode. 2008A Adjustable Rate Bonds in the Daily Mode or the Weekly Mode are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any date at a redemption price equal to 100% of the Aggregate Principal Amount of 2008A Adjustable Rate Bonds to be so redeemed.

Commercial Paper Mode. 2008A Adjustable Rate Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates. 2008A Adjustable Rate Bonds in the Commercial Paper Mode shall be subject to redemption at the option of the Authority in whole or in part in Authorized Denominations on their respective Purchase Dates at a Redemption Price equal to the principal amount thereof.

Term Rate Mode or Fixed Rate Mode. During any Interest Period for a Term Rate Mode or Fixed Rate Mode, 2008A Adjustable Rate Bonds may be redeemed in whole or in part on any date (and if in part, in such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Paying Agent determines to be fair and reasonable and in Authorized Denominations) at a redemption price equal to 100%, provided that, if on the Mode Change Date the length of Interest Period or remaining term: (i) is greater than 15 years, then such 2008A Adjustable Rate Bonds will be subject to such optional redemption on any date on or after the first May 1 or November 1 following the tenth anniversary of the beginning of such Mode; and (ii) is equal to or less than 15 years, but greater than 10 years, then such 2008A Adjustable Rate Bonds will be subject to such optional redemption on any date on or after the first May 1 or November 1 following the seventh anniversary of the beginning of such Mode. The 2008A Adjustable Rate Bonds will not be subject to optional redemption during a particular Term Rate Mode or Fixed Rate Mode if, on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period or remaining term is equal to or less than ten years. The Authority, in connection with a change to a Term Rate or a Fixed Rate Mode, may waive or otherwise

alter its rights to direct the redemption of any such 2008A Adjustable Rate Bonds so changed to a Term Rate Mode or a Fixed Rate Mode at any time without premium; provided that, notice describing the waiver or alteration must be submitted to the Paying Agent, the Trustee and the 2008A Remarketing Agent, together with a favorable opinion of bond counsel, addressed to them.

SAVRS Rate Mode. After a conversion, if any, to the SAVRS Rate Mode, such 2008A Adjustable Rate Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

2008A Fixed Rate Bonds. The 2008A Fixed Rate Bonds are subject to redemption at the option of the Authority, on or after May 1, 2018, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount thereof, or portions thereof, to be redeemed, plus the accrued interest thereon to the date of redemption.

*Sinking Fund Redemption*

2008 Series A-3 Bonds. The 2008 Series A-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2008 Series A Class I Sinking Fund Installments, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2008 Series A-3 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

**2008 Series A-3 Bonds**

<u>Year</u> <u>(May 1)</u>	Class I <u>Sinking Fund</u> <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	Class I <u>Sinking Fund</u> <u>Installment</u>
2027	\$2,705,000	2027	\$2,795,000
2028	2,865,000	2028	2,925,000
2029	3,005,000	2029	3,095,000
2030	3,145,000	2030	3,230,000
2031	3,330,000	2031	3,400,000
2032	3,465,000	2032	3,555,000
2033	3,640,000	2033	3,750,000
2034	3,825,000	2034	3,930,000
2035	4,025,000	2035	4,115,000
2036	4,235,000	2036	4,345,000
2037	4,425,000	2037	4,525,000
2038 (1)	1,670,000	--	--

(1) Maturity Date

Upon any purchase pursuant to the Indenture or redemption (other than sinking fund redemption) of the 2008 Series A-3 Bonds for which 2008 Series A Class I Sinking Fund Installments have been established, there shall be credited toward each 2008 Series A Class I Sinking Fund Installment thereafter to become for such 2008 Series A-3 Bonds due an amount bearing the same ratio to such 2008 Series A Class I Sinking Fund Installment as (i) the total principal amount of such 2008 Series A-3 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2008 Series A-3 Bonds Outstanding prior to such redemption or purchase. If, however, there shall be filed with the Trustee an Authority Request specifying a different method for crediting 2008 Series A Class I Sinking Fund



Installments upon any such purchase or redemption of 2008 Series A-3 Bonds and certifying that such request is consistent with the most recently filed Cash Flow Statement Related to the 2008 Series A Bonds, then such 2008 Series A Class I Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

2008 Series A-4 Class II Bonds. The 2008 Series A-4 Class II Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2008 Series A Class II Sinking Fund Installments, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2008 Series A-4 Class II Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

**2008 Series A-4 Class II Bonds**

<u>Year</u> <u>(May 1)</u>	<u>Class II</u> <u>Sinking Fund</u> <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	<u>Class II</u> <u>Sinking Fund</u> <u>Installment</u>
2014	\$ 20,000	--	\$ --
--	--	2015	5,000
2016	10,000	--	--
2018	355,000	2018	355,000
2019	355,000	2019	355,000
2020	355,000	2020	355,000
2021	355,000	2021	355,000
2022	355,000	2022	355,000
2023	355,000	2023	355,000
2024	355,000	2024	355,000
2025	355,000	2025	355,000
2026	355,000	2026	355,000
2027	355,000	2027	355,000
2028	355,000	2028	355,000
2029	355,000	2029	355,000
2030	355,000	2030	355,000
2031	355,000	2031	355,000
2032	355,000	2032	355,000
2033	355,000	2033	360,000
2034	360,000	2034	360,000
2035	360,000	2035	360,000
2036	360,000	2036	360,000
2037	360,000	2037	360,000
2038	360,000	2038 (1)	360,000

(1) Maturity Date

Upon any purchase pursuant to the Indenture or redemption (other than sinking fund redemption) of the 2008 Series A-4 Class II Bonds for which 2008 Series A Class II Sinking Fund Installments have been established, there shall be credited toward each 2008 Series A Class II Sinking Fund Installment thereafter to become for such 2008 Series A-3 Bonds due an amount bearing the same ratio to such 2008 Series A Class II Sinking Fund Installment as (i) the total principal amount of such 2008 Series A-4 Class II Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2008 Series A-4 Class II Bonds Outstanding prior to such redemption or purchase. If, however, there shall be filed with

the Trustee an Authority Request specifying a different method for crediting 2008 Series A Class II Sinking Fund Installments upon any such purchase or redemption of 2008 Series A-4 Class II Bonds and certifying that such request is consistent with the most recently filed Cash Flow Statement Related to the 2008 Series A Bonds, then such 2008 Series A Class II Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

2008 Series A-5 Class III Bonds. The 2008 Series A-5 Class III Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2008 Series A Class III Sinking Fund Installments, to the extent moneys available therefore are deposited or expected to be deposited in the 2008 Series A subaccount of the Class III Debt Service Fund, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2008 Series A-5 Class III Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

**2008 Series A-5 Class III Bonds**

<u>Year</u> <u>(May 1)</u>	Class III Sinking Fund <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	Class III Sinking Fund <u>Installment</u>
--	\$ --	2013	\$ 45,000
2014	60,000	2014	5,000
2015	1,850,000	2015	430,000
2016	4,595,000	2016	3,520,000
2017	2,110,000	2017	3,990,000
2032	1,810,000	2032	690,000
--	--	2033	2,865,000
2034	1,185,000	2034 (1)	800,000

(1) Maturity Date

If the amount on deposit in the 2008 Series A subaccount of the Class III Debt Service Fund is not sufficient on any Payment Date to pay the scheduled 2008 Series A Class III Sinking Fund Installment for such date, the amount of the insufficiency is to be added to the next scheduled 2008 Series A Class III Sinking Fund Installment, until paid. **Failure to pay a 2008 Series A Class III Sinking Fund Installment is not an Event of Default under the Indenture if sufficient moneys for such payment are not available in the 2008 Series A subaccount of the Class III Debt Service Fund on the date that notice of redemption is given.**

Upon any purchase pursuant to the Indenture or redemption (other than cumulative sinking fund redemption) of the 2008 Series A-5 Class III Bonds for which 2008 Series A Class III Sinking Fund Installments have been established, there shall be credited toward each 2008 Series A Class III Sinking Fund Installment thereafter to become for such 2008 Series A-5 Class III Bonds due an amount bearing the same ratio to such 2008 Series A Class III Sinking Fund Installment as (i) the total principal amount of such 2008 Series A-5 Class III Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2008 Series A-5 Class III Bonds Outstanding prior to such redemption or purchase. If, however, there shall be filed with the Trustee an Authority Request specifying a different method for crediting 2008 Series A Class III Sinking Fund Installments upon any such purchase or redemption of 2008 Series A-5 Class III Bonds and certifying that such request is consistent with the most recently filed

Cash Flow Statement Related to the 2008 Series A Bonds, then such 2008 Series A Class III Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

*Mandatory Redemption of Bank Bonds*

Bank Bonds are required to be redeemed in accordance with the terms of the applicable Initial 2008A Liquidity Facility.

*Selection of 2008 Series A Bonds for Partial Redemption*

In the event of a partial redemption of 2008 Series A Bonds (other than by sinking fund redemption), the Authority is to direct (subject to the following sentences) the Class, series, maturity or maturities, and the amounts so to be redeemed. However, if less than all of the 2008 Series A Bonds of like Class, series and maturity are to be redeemed on any one date, the particular 2008 Series A Bonds or the respective portions thereof to be redeemed (subject to the following sentences) are to be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate. Notwithstanding the provisions described in the preceding two sentences, 2008A Adjustable Rate Bonds bearing interest at the Weekly Rate, the Daily Rate or the Commercial Paper Rate are to be selected for redemption so as to assure that after such redemption no Owner shall retain 2008A Adjustable Rate Bonds in an aggregate amount less than \$100,000. If less than all 2008 Series A Class I Bonds are to be redeemed from unexpended amounts in the Acquisition Account, prepayments or excess revenues under the special redemption provisions described above, then except as otherwise directed by an Authority Request that certifies that such request is consistent with the most recently filed Cash Flow Statement relating to the 2008 Series A Class I Bonds, the 2008 Series A Class I Bonds shall be redeemed on a pro rata by maturity basis. Whenever less than all of the 2008A Adjustable Rate Bonds are to be redeemed, Bank Bonds are required to be redeemed before any other 2008A Adjustable Rate Bonds are redeemed.

*Notice of Redemption*

When any 2008 Series A Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 30 days nor less than 15 days prior to the redemption date with respect to 2008A Adjustable Rate Bonds in the Commercial Paper Mode, the Daily Mode, the Weekly Mode or a Term Mode having an Interest Period of less than one year and not more than 60 days nor less than 25 days prior to the redemption date with respect to other 2008 Series A Bonds, to the registered owner of each 2008 Series A Bond to be redeemed at such owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any 2008 Series A Bond with respect to which no such failure or defect has occurred.

**If DTC or its nominee is the registered owner of any 2008 Series A Bonds to be redeemed, notice of redemption will only be given to DTC or its nominee as the registered owner of such 2008 Series A Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2008 Series A Bond to be redeemed shall not affect the validity of the redemption of such 2008 Series A Bond. See Appendix H –"BOOK-ENTRY SYSTEM."**

*Cancellation in Lieu of Redemption*

Subject to the terms and conditions set forth in the Indenture and prior to the mailing by the Bond Registrar of a notice of redemption with respect to 2008 Series A Bonds of any particular tenor and maturity, the Authority may direct the Trustee or the Paying Agent to purchase such 2008 Series A Bonds with available moneys under the Indenture for cancellation in lieu of redemption. The Trustee and the Paying Agent shall apply available moneys in accordance with the Indenture from the Funds and Accounts specified in the Indenture to purchase such 2008 Series A Bonds.

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## PLAN OF FINANCE

### Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2008 Series A Bonds.

SOURCES OF FUNDS:	<u>Estimated Amounts</u>
Bond proceeds:	
Taxable 2008 Series A-1 Class I Bonds .....	\$ 60,000,000
Taxable 2008 Series A-2 Class I Bonds .....	170,000,000
2008 Series A-3 Class I Bonds .....	80,000,000
2008 Series A-4 Class II Bonds .....	15,000,000
2008 Series A-5 Class III Bonds .....	23,955,000
Premium related to Series 2008 Series A-4 Class II Bonds.....	365,250
Exchanged amounts (1).....	<u>43,055,000</u>
TOTAL SOURCES OF FUNDS .....	<u>\$392,375,250</u>
USES OF FUNDS:	
For payment of Advances (2) .....	\$ 43,055,000
For deposit to 2008 Series A subaccount of Acquisition Account (3).....	330,242,163
For deposit to 2008 Series A subaccount of Debt Service Reserve Fund (4).....	17,447,750
For costs of issuance and Underwriters' compensation (5).....	<u>1,630,337</u>
TOTAL USES OF FUNDS.....	<u>\$392,375,250</u>

- (1) Such funds will be exchanged for certain proceeds of the 2008 Series A-3 Bonds, the 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds, as described in "Fund Exchange Refunding" under this caption.
- (2) Certain proceeds of the 2008 Series A-3 Bonds, the 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds, exchanged for an equal amount of funds under the Funds Exchange Agreement, will be used to pay an equal principal amount of the Advances as described in "Funds Exchange Refunding" under this caption.
- (3) Deposits to the 2008 Series A subaccount of the Acquisition Account are expected to be used to acquire 2008 Series A Mortgage Loans as First Mortgage Loans and Second Mortgage Loans to Borrowers of such First Mortgage Loans (as described in "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Special Program Features – Second Mortgage Loans"). Such amounts while on deposit in the 2008 Series A subaccount of the Acquisition Account prior to being used for such purposes are expected to be invested in an investment agreement as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." See "Deposit to Acquisition Account" under this caption. "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts" and "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." See also "Part I – TERMS OF THE 2008 SERIES A BONDS – Prior Redemption – Special Redemption – Unexpended Amounts in Acquisition Account."
- (4) Proceeds of the 2008 Series A Bonds or amount exchanged for proceeds of certain 2008 Series A Bonds will be deposited to the 2008 Series A subaccount of the Debt Service Reserve Fund in an amount equal to 5% of the aggregate principal amount of all 2008 Series A Bonds then Outstanding on such determination date, which is the Debt Service Reserve Fund Requirement for the 2008 Series A Bonds. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Debt Service Reserve Fund." The amounts deposited to the Debt Service Reserve Fund are expected to be invested as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." Under the Indenture, the Authority may at any time replace all or a portion of such cash on deposit with a Qualified Surety Bond.
- (5) Proceeds will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance (including, among other things, \$51,950 in homebuyer education costs and \$83,570 for second mortgage delivery fees) and Underwriters' compensation relating to the 2008 Series A Bonds. See "Part I – UNDERWRITING."

## **Deposit to Acquisition Account**

The 2008 Series A subaccount of the Acquisition Account is established by the 2008 Series A Indenture in the Program Fund. Certain proceeds of the 2008 Series A Bonds (and amounts exchanged for such proceeds) will be deposited to the 2008 Series A subaccount. Such amounts deposited to the 2008 Series A subaccount of the Acquisition Account are expected to be used to acquire 2008 Series A Mortgage Loans in accordance with "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts" and "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." Prior to being used for such purpose, such amounts are expected to be invested in an investment agreement as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments."

## **Funds Exchange Refunding**

Certain proceeds of the 2008 Series A-3 Bonds, the 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds will be exchanged pursuant to the Funds Exchange Agreement to finance the repayment of advances ("**Advances**") previously made under the Authority's line of credit to finance the refunding or redemption of certain other outstanding bonds of the Authority. The amount exchanged for such proceeds in accordance with the Funds Exchange Agreement will be deposited to the 2008 Series A subaccount of the Acquisition Account to be invested as described in "Deposit to Acquisition Account" under this caption. See also "Sources and Uses of Funds" under this caption.

## **CERTAIN PROGRAM ASSUMPTIONS**

### **Generally**

As described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds," certain amounts deposited to the 2008 Series A subaccount of the Acquisition Account in accordance with the 2008 Series A Indenture will be available to acquire 2008 Series A First Mortgage Loans. The Bonds (including the 2008 Series A 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 2008 Series A 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 2008 Series A Bonds.

As required by the Master Indenture and at the request of the Authority, Lehman Brothers, Inc. has prepared certain cash flow projections giving effect to the issuance of the 2008 Series A 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 2008 Series A 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) 2008 Series A Mortgage Loans are not acquired at the times anticipated by the Authority, or are not acquired at all, (ii) 2008 Series A Mortgage Loans are not paid on a timely basis in accordance with their terms, (iii) the rate of receipt of Prepayments is either more rapid or less rapid than that projected, (iv) interest payable on Adjustable Rate Bonds and amounts

due under Related Auxiliary Obligations differs from Related Interest Rate Contract Revenues, or (v) 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 Loan Rates; Amounts**

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." It is assumed that all amounts in the 2008 Series A subaccount of the Acquisition Account will be used to acquire 2008 Series A Mortgage Loans which are (i) First Mortgage Loans that generally amortize as thirty-year and forty-year, fixed-rate mortgages, with equal monthly installments of principal and interest taken together (see "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM") and (ii) Second Mortgage Loans. As of May 8, 2008, reservations for first mortgage loans in the Authority's Qualified Single Family Mortgage Program expected to be funded with proceeds of 2008 Series A Bonds or amounts on deposit under the Master Indenture as shown in **Appendix B-2** had been made in an aggregate principal amount of approximately \$101.7 million in accordance with "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Reservation, Delivery and Acquisition of Mortgage Loans." The Authority generally requires Mortgage Lenders to deliver for purchase reserved mortgage loans within 75 days of the reservation date to receive the reserved interest rate. Lenders will be permitted an additional 60 days to close loans upon payment of a 1% fee. Lenders may obtain one additional 30 day extension to close loans, without an additional fee, provided that the interest rate may be reset by the Authority at the time of the extension. The Authority expects that proceeds of the 2008 Series A Bonds will be used to acquire the mortgage loans so reserved, in the event such mortgage loans close as required, as described in "Origination Period" under this caption. The Authority has also acquired mortgage loans which are being warehoused and held in its General Fund and are expected to be designated for acquisition using proceeds of the 2008 Series A Bonds, as described in **Appendix B-2** hereto. See "Part II – CERTAIN BONDOWNERS' RISKS – Special Considerations Relative to Loan Acquisition" and "Part I – TERMS OF THE 2008 SERIES A BONDS – Prior Redemption – Special Redemption – Unexpended Amounts in Acquisition Account."

The 2008 Series A Mortgage Loans which are First Mortgage Loans to be acquired with the proceeds of the 2008 Series A Bonds will bear mortgage loan interest rates, and be originated in the aggregate principal amounts, with or without a Second Mortgage Loan, to the extent consistent with the then current Cash Flow Statement and Authority Certification required by the 2008 Series A Indenture to demonstrate that the 2008 Series A Class I Asset Requirement, the 2008 Series A Class II Asset Requirement and the 2008 Series A Class III Asset Requirement will be met after taking into account such interest rates and principal amounts. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." See also **Appendix F** – "CLASS ASSET REQUIREMENTS FOR BONDS."

### **Insurance Limitations and Requirements**

The 2008 Series A Indenture requires that 2008 Series A 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 2008 Series A Private Mortgage Insurance Mortgage Loan is made or originated, at least as high as "BBB-" by S&P and "Baa3" by Moody's (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 2008 Series A Mortgage Loan is reduced to 80% or less of the appraised value (based on a current appraisal) of the property securing the 2008 Series A Mortgage Loan. As of February 1, 2008, 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 Insurance Corporation	5.80%	36.67%
Republic Mortgage Insurance Company	2.20	13.92
Genworth Financial	3.63	22.91
AIG United Guaranty Insurance	1.91	12.05
The PMI Group Inc.	1.14	7.17
Triad Guaranty Insurance	0.64	4.05
Radian	0.44	2.77
Other	<u>0.07</u>	<u>0.45</u>
<b>Total Percentage</b>	<b>15.82%</b>	<b>100%</b>

- (1) Aggregate principal balance of First Mortgage Loans in the Trust Estate as of February 1, 2008 was approximately \$1.66 billion.
- (2) Aggregate principal balance of First Mortgage Loans as of February 1, 2008 which were Private Mortgage Insurance Mortgage Loans was approximately \$270 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 some cases below the rating levels which were required for such Private Insurers by the applicable series indentures at the time of such originations.

The 2008 Series A Indenture provides that percentages of each type of Mortgage Loan (including the 2008 Series A Mortgage Loans) in the aggregate Mortgage Loan portfolio shall be percentages that each Rating Agency confirms will not adversely affect the then current rating on any Bonds (including the 2008 Series A Bonds). As of February 1, 2008, 15.82% of the \$1.66 billion aggregate principal amount of First Mortgage Loans in the Trust Estate were Private Mortgage Insurance Mortgage Loans. The Authority was actively soliciting the Mortgage Lenders to increase the volume of Private Mortgage Insurance Mortgage Loans which it acquired from such Lenders, and as expected, the volume of Private Mortgage Insurance Mortgage Loans more than doubled in 2007 from 2006. However, due to a further



tightening of credit criteria and restrictions applicable to the Applicants and the property, the Authority is reviewing its credit standards and is uncertain what the impact will be on the level of PMI Loans and mix of loans in the mortgage loan portfolio Mortgage Loans in the future. See **Appendix B-2 – "THE MORTGAGE LOAN PORTFOLIO"** for certain information concerning mortgage insurance types and percentage mix for the First Mortgage Loans in the Trust Estate as of February 1, 2008.

### **General Obligation Pledge for 2008 Series A-5 Class III Bonds**

In addition to a lien on the Trust Estate under the Indenture as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Pledge of Trust Estate," the Series 2008A Indenture provides that the 2008 Series A-5 Class III Bonds are also payable as general obligations of the Authority from unencumbered assets and available income of the Authority and any other available revenues or moneys of the Authority, subject to any agreements with the owners of particular notes or bonds pledging any particular revenues or assets for the benefit of such owners. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - The General Fund" and the Authority's audited financial statements attached hereto as **Appendix G. Potential investors should evaluate the likelihood that moneys will be available in the General Fund to pay debt service when due on the 2008 Series A-5 Class III Bonds. However, the General Fund is not pledged to repay the 2008 Series A-5 Class III Bonds. See "Part II – CERTAIN BONDOWNERS' RISKS."** The Authority has outstanding other general obligations and may hereafter incur or issue (without restriction as to amount) additional general obligations, all of which are payable on an equal basis from such assets, income and revenues of the Authority. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations."

### **Investments**

Until disbursed, amounts in the 2008 Series A subaccount of the Acquisition Account are expected to be invested in an investment agreement (the "**2008A Investment Agreement**") between the Trustee and Natixis Funding Corp. (the "**2008A Investment Provider**" or "**NFC**") at an interest rate of 2.511% per annum through December 1, 2008 or such earlier date on which all amounts invested in such fund have been withdrawn. Amounts in the 2008 Series A subaccounts of the Revenue Fund and the Redemption Fund are expected to be invested in the 2008A Investment Agreement at an interest rate of 4.271% per annum through November 1, 2038 or such earlier date on which the 2008 Series A Bonds are no longer outstanding. Amounts in the 2008 Series A subaccount of the Debt Service Reserve Fund will be invested in the 2008A Investment Agreement at an interest rate of 3.236% per annum through August 1, 2009. The obligations of NFC under the investment agreement are guaranteed by NATIXIS, a limited liability company with executive and supervisory boards (société anonyme à directoire et conseil de surveillance) governed by French law and NFC is a subsidiary of NATIXIS.

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 at the rates set forth in the following table:

## Outstanding Investment Agreements

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Provider(1)</u>	<u>Rate</u>	<u>Termination Dates</u>
2001AA	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5.30%/	5/1/36
			3 month LIBOR	
2001AA	Debt Service Reserve Fund	Trinity Funding Company, LLC	5.30%	5/1/36
2002A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5.10%	11/1/32
2002A	Debt Service Reserve Fund	Trinity Funding Company, LLC	5.60%	11/1/32
2002B	Revenue Fund, Redemption Fund	IXIS Funding Corp.	4.85%	11/1/32
2002C	Revenue Fund, Redemption Fund	TransAmerica Occidental Life Insurance Company	3.95%	11/1/36
2003A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	4.13%	11/1/32
2003B	Revenue Fund, Redemption Fund	TransAmerica Occidental Life Insurance Company	3.50%	11/1/33
2003C	Revenue Fund, Redemption Fund	TransAmerica Occidental Life Insurance Company	4.42%	11/1/32
2003C	Debt Service Reserve Fund	AIG Matched Funding Corp.	5.21%	11/1/32
2004A	Revenue Fund, Redemption Fund	AIG Matched Funding Corp.	4.19%	11/1/34
2004A	Debt Service Reserve Fund	AIG Matched Funding Corp.	5.40%	11/1/34
2004B	Revenue Fund, Redemption Fund	IXIS Funding Corp.	4.85%	11/1/34
2005A	Revenue Fund, Redemption Fund	AIG Matched Funding Corp.	3.92%	5/1/35
2005A	Debt Service Reserve Fund	AIG Matched Funding Corp.	4.96%	5/1/35
2005B	Revenue Fund, Redemption Fund	AIG Matched Funding Corp.	3.41%	5/1/36
2005B	Debt Service Reserve Fund	AIG Matched Funding Corp.	4.46%	5/1/36
2006A	Revenue Fund, Redemption Fund	IXIS Funding Corp.	4.85%	11/1/36
2006A	Debt Service Reserve Fund	Rabobank International	4.71%	11/1/36
2006B	Revenue Fund, Redemption Fund	TransAmerica Occidental Life Insurance Company	4.65%	11/1/36
2006C	Debt Service Reserve Fund	DEPFA BANK plc	4.801%	11/1/36
2006C	Revenue Fund, Redemption Fund	DEPFA BANK plc	4.10%	11/1/36
2007A	Revenue Fund, Redemption Fund	DEPFA BANK plc	4.62%	11/1/37
2007B	Revenue Fund, Redemption Fund	AIG Matched Funding Corp.	4.445%	5/1/38

(1) Neither the Authority nor the Underwriters 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."

In accordance with the terms of the Master Indenture, the Authority has also from time to time instructed the Trustee to invest certain moneys held by the Trustee in Funds and Accounts relating to prior 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.

The assumptions made by the Authority as to projected cashflows under the Indenture include the assumption that the investment rates provided by the 2008A Investment Agreement and the Investment Agreements shown on the preceding table will be available as described. However, in the event that the 2008A Investment Agreement or any Investment Agreement shown on the preceding 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 Underwriters make any representation about the financial condition or creditworthiness of the 2008A Investment Provider or any of the investment providers shown on the preceding table. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2008A Investment Provider and all such investment providers shown on the preceding table.*

### **2008A Interest Rate Contracts**

In connection with the issuance of a portion of the Taxable 2008 Series A-1 Bonds, the Authority has entered into certain interest rate swap agreements (the "**2008A-1 Interest Rate Contract**") with JPMorgan Chase Bank N.A. (the "**2008A-1 Counterparty**"). In connection with the issuance of the Taxable 2008 Series A-2 Bonds, the Authority has entered into certain interest rate swap agreements (the "**2008A-2 Interest Rate Contract**") with Citibank, N.A. (the "**2008A-2 Counterparty**"). In connection with the issuance of the 2008 Series A-3 Bonds, the Authority has entered into certain interest rate swap agreements (the "**2008A-3 Interest Rate Contract**," and together with the 2008A-1 Interest Rate Contract and the 2008A-2 Interest Rate Contract, the "**2008A Interest Rate Contracts**") with AIG Financial Products Corp. (the "**2008A-3 Counterparty**," and together with the 2008A-1 Counterparty and the 2008A-2 Counterparty, the "**2008A Counterparties**" and each a "**2008A Counterparty**"). In general, the terms of each of the 2008A Interest Rate Contracts provide that, on a same-day net-payment basis determined by reference to a notional amount expected to be equal to the principal amount of such Outstanding 2008 Series A Bonds, the Authority will pay a fixed interest rate on the notional amount. In return, the 2008A Counterparty will pay a variable rate of interest on a like notional amount. The agreement by the respective 2008A Counterparty to make payments under the related 2008A Interest Rate Contract does not affect the Authority's obligation to pay such 2008 Series A Bonds. Neither the Owners of such 2008 Series A Bonds nor any other person other than the Authority will have any rights under the respective 2008A Interest Rate Contract or against the related 2008A Counterparty. The Authority's obligation to make regular interest payments to the related 2008A Counterparty under the respective 2008A-1 Interest Rate Contract, 2008A-2 Interest Rate Contract or 2008A-3 Interest Rate Contract 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 the 2008A 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 – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority" and "– Authority Policy Regarding Derivatives." For information concerning the Interest Rate Contracts and other Auxiliary Obligations currently Outstanding under the Master Indenture, see **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations."

### **Set Asides**

It is assumed for purposes of the Cash Flow Statement (and the Indenture requires) that \$16.5 million of the proceeds of the 2008 Series A Bonds will be reserved and set aside for at least the first year after the Authority begins accepting reservations from lenders (until June 1, 2009) for use in financing the acquisition of 2008 Series A First Mortgage Loans on Targeted Area Residences on or prior to such date. In connection with the transfer of volume cap allocations, the Authority has committed to finance Mortgage Loans to borrowers in various jurisdictions and for certain purposes but does not plan to

set aside proceeds of the 2008 Series A Bonds or any other Bonds as specifically reserved for the financing of such Mortgage Loans. However, the 2008 Series A Indenture permits the Authority to reserve amounts in the 2008 Series A subaccount of the Acquisition Account for designated periods for (1) the acquisition of Mortgage Loans on Residential Housing located within designated areas within the State, (2) Eligible Borrowers meeting designated requirements and (3) Residential Housing meeting designated requirements, all as may be set forth from time to time in the Authority's Guide to Mortgage Lenders described as the "Seller's Guide" in "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." Furthermore, the Authority does expect that, if it determines to use Prepayments and Mortgage Repayments for recycling as permitted by the Master Indenture, the Authority may limit such amounts for specific programs and Borrowers as the Authority designates from time to time and 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 set asides.

### **Origination Period**

The Authority expects that proceeds of the 2008 Series A Bonds will be used to acquire 2008 Series A Mortgage Loans (assuming satisfaction of the set aside requirements discussed in "Set Asides" under this caption) during the period between June 4, 2008 and December 1, 2008.

## **TAX MATTERS**

### **Tax Treatment of Interest on Tax-Exempt 2008 Series A Bonds**

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2008 Series A-3 Bonds, the 2008 Series A-4 Class II Bonds and the 2008 Series A-5 Class III Bonds (collectively, the "**Tax-Exempt 2008 Series A Bonds**") is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Tax-Exempt 2008 Series A Bonds (the "**Tax Code**"); however, (a) interest on the 2008 Series A-3 Bonds and 2008 Series A-4 Class II Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2008 Series A-5 Class III Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, the Tax-Exempt 2008 Series A Bonds 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 of delivery of the Tax-Exempt 2008 Series A Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt 2008 Series A Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income to the extent described above. Certain of these requirements must be met on a continuous basis throughout the term of the Tax-Exempt 2008 Series A Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt 2008 Series A Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt 2008 Series A Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Tax-Exempt 2008 Series A Bonds above the yield on the Tax-Exempt 2008 Series A Bonds to be paid to the United States Treasury. The Authority will covenant and

represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Tax-Exempt 2008 Series A Bonds from gross income under the Tax Code and (in the case of the 2008 Series A-5 Class III Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the Tax-Exempt 2008 Series A Bonds from gross income and (in the case of the 2008 Series A-5 Class III Bonds) alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Tax-Exempt 2008 Series A Bonds to be included in gross income and (in the case of the 2008 Series A-5 Class III Bonds) alternative minimum taxable income from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the Authority and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Under Section 56 of the Tax Code, certain tax preference items are required to be included for purposes of the alternative minimum tax applicable to both individuals and corporations. For purposes of computing the amount of alternative minimum taxable income for any year to which this tax is applicable, the interest on the 2008 Series A-3 Bonds and 2008 Series A-4 Class II Bonds is included as a tax preference item.

Under the Tax Code, an "adjusted current earnings" adjustment is required to be made for purposes of the alternative minimum tax provision applicable to corporations. Under this adjustment, 75 percent of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction) is included in calculating the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" include interest on the 2008 Series A-5 Class III Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt 2008 Series A Bonds. Owners of the Tax-Exempt 2008 Series A Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Tax-Exempt 2008 Series A 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. Bond Counsel's opinion relates only to the exclusion of interest on the Tax-Exempt 2008 Series A Bonds from gross income under federal income tax laws and Colorado laws and alternative minimum taxable income under Colorado laws as described above and will state that no opinion is expressed regarding other federal or State of Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Tax-Exempt 2008 Series A Bonds. Owners of the Tax-Exempt 2008 Series A Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Tax-Exempt 2008 Series A 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 Tax-Exempt 2008 Series A Bonds, the exclusion of interest on the Tax-Exempt 2008 Series A Bonds from gross income or alternative minimum taxable income (in the case of 2008 Series A-5 Class III Bonds) under federal income tax laws and from alternative minimum taxable income under Colorado laws, or any combination thereof from the date of issuance of the Tax-Exempt 2008 Series A 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 Tax-Exempt 2008 Series A Bonds. Bond Owners are advised to consult with their own advisors with respect to such matters.

### **IRS Audit Program**

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Tax-Exempt 2008 Series A Bonds. If an audit is commenced, the market value of the Tax-Exempt 2008 Series A Bonds may be adversely affected. Under current audit procedures, the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedures. The Authority has covenanted in the Indenture not to take any action that would cause the interest on the Tax-Exempt 2008 Series A Bonds to lose its exclusion from gross income for federal income tax purposes (alternative minimum tax?). None of the Authority, the Underwriters or Bond Counsel is responsible for paying or reimbursing any Registered Owner or Beneficial Owner for any audit or litigation costs relating to the Tax-Exempt 2008 Series A Bonds.

### **Tax Treatment of Interest on Taxable 2008 Series A Bonds**

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE TAXABLE 2008 SERIES A-1 BONDS AND THE TAXABLE 2008 SERIES A-2 BONDS (COLLECTIVELY, THE "TAXABLE 2008 SERIES A BONDS") IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE 2008 SERIES A BONDS AND THE INCOME THEREFROM ARE FREE FROM TAXATION BY THE STATE OF COLORADO UNDER COLORADO LAWS IN EFFECT AS OF THE DATE OF DELIVERY OF THE TAXABLE 2008 SERIES A BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable 2008 Series A Bonds. Owners of the Taxable 2008 Series A Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 2008 Series A Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 2008 Series A Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

Any tax advice concerning the Taxable 2008 Series A Bonds, interest on the Taxable 2008 Series A Bonds or any other federal income tax issues associated with the Taxable 2008 Series A 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.

## **UNDERWRITING**

The 2008 Series A Bonds are to be purchased from the Authority by the underwriters listed on the front cover page of this Official Statement (the "**Underwriters**"). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2008 Series A Bonds at a price equal to 100% of the aggregate principal amount of the 2008A Adjustable Rate Bonds and the 2008 Series A-5 Class III Bonds and 102.435% of the aggregate principal amount of the 2008 Series A-4 Class II Bonds. The Underwriters will be paid a fee of \$1,003,616.81 (plus reimbursement of certain expenses) in connection with the underwriting of the 2008 Series A Bonds. The initial public offering prices of the 2008 Series A Bonds may be changed from time to time by the Underwriters.

## **2008A REMARKETING AGENT**

### **General**

Lehman Brothers, Inc. has initially been appointed to serve as Remarketing Agent for the 2008A Adjustable Rate Bonds (other than SAVRS Rate Bonds) (the "**2008A Remarketing Agent**") pursuant to a Remarketing Agreement dated as of June 1, 2008 between the Authority and Lehman Brothers, Inc. (the "**Remarketing Agreement**"). If 2008A Adjustable Rate Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2008 SERIES A BONDS – 2008A Adjustable Rate Bonds – Optional Tender and Purchase" and "– Mandatory Purchase," the 2008A Remarketing Agent is required to use its best efforts to remarket such 2008A Adjustable Rate Bonds in accordance with the terms of the Indenture and the Remarketing Agreement at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the applicable purchase date. The 2008A Remarketing Agent will also be responsible for determining the rates of interest for such 2008A Adjustable Rate Bonds in accordance with the 2008 Series A Indenture. The 2008A Remarketing Agent is to transfer any proceeds of remarketing of the 2008A Adjustable Rate Bonds it receives to the Paying Agent for deposit in accordance with the 2008 Series A Indenture.

The 2008A Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement upon providing the Authority, the Trustee, the Paying Agent and the Liquidity Facility Provider with thirty (30) days' prior written notice, except that such resignation shall not take effect until the appointment of a successor remarketing agent. The 2008A Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2008A Remarketing Agent, the Trustee, the Paying Agent and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2008A Remarketing Agent, except that the Authority shall not remove the 2008A Remarketing Agent until the appointment of a successor remarketing agent. Any successor remarketing agent shall be selected by the Authority and approved by the applicable Liquidity Facility Provider. The 2008A Remarketing Agent shall pay over, deliver and assign any monies and 2008 Series A Bonds held by it in such capacity to its successor.

### **The 2008A Remarketing Agent is Paid by the Authority**

The 2008A Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the 2008A Adjustable Rate Bonds that are optionally tendered by the owners thereof, all as further described in this Official Statement. The 2008A Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the 2008A

Remarketing Agent may differ from those of existing holders and potential purchasers of 2008A Adjustable Rate Bonds.

### **The 2008A Remarketing Agent Routinely Purchases Bonds for its Own Account**

The 2008A Remarketing Agent is permitted, but not obligated, to purchase tendered 2008A Adjustable Rate Bonds for its own account. The 2008A Remarketing Agent, in its sole discretion, routinely acquires tendered 2008A Adjustable Rate Bonds for its own inventory in order to achieve a successful remarketing of the 2008A Adjustable Rate Bonds (i.e., because there otherwise are not enough buyers to purchase the 2008A Adjustable Rate Bonds) or for other reasons. However, the 2008A Remarketing Agent is not obligated to purchase 2008A Adjustable Rate Bonds, and may cease doing so at any time without notice. The 2008A Remarketing Agent may also make a market in the 2008A Adjustable Rate Bonds by routinely purchasing and selling 2008A 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 2008A Remarketing Agent is not required to make a market in the 2008A Adjustable Rate Bonds. If the 2008A Remarketing Agent purchases 2008A Adjustable Rate Bonds for its own account, it may offer those 2008A Adjustable Rate Bonds at a discount to par to some investors. The 2008A Remarketing Agent may also sell any 2008A Adjustable Rate Bonds it has 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 2008A Adjustable Rate Bonds. The purchase of 2008A Adjustable Rate Bonds by the 2008A Remarketing Agent may create the appearance that there is greater third party demand for the 2008A Adjustable Rate Bonds in the market than is actually the case. The practices described above also may reduce the supply of 2008A Adjustable Rate Bonds that may be tendered in a remarketing.

### **2008A Adjustable Rate Bonds may be Offered at Different Prices on any Date**

The 2008A Remarketing Agent is required to determine on the rate determination date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008A 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 the 2008A Adjustable Rate Bonds (including whether the 2008A Remarketing Agent is willing to purchase 2008A Adjustable Rate Bonds for its own account). The Remarketing Agreement requires that the 2008A Remarketing Agent use its best efforts to sell tendered 2008A Adjustable Rate Bonds at par, plus accrued interest. There may or may not be 2008A Adjustable Rate Bonds tendered and remarketed on a rate determination date or an Effective Date, the 2008A Remarketing Agent may or may not be able to remarket any 2008A Adjustable Rate Bonds tendered for purchase on such date at par and the 2008A Remarketing Agent may sell 2008A Adjustable Rate Bonds at varying prices to different investors on such date or any other date. The 2008A Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008A Adjustable Rate Bonds at the remarketing price.

### **The Ability to Sell the 2008A Adjustable Rate Bonds other than through Tender Process may be Limited**

While the 2008A Remarketing Agent may buy and sell 2008A Adjustable Rate Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the 2008A Adjustable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008A Adjustable Rate Bonds other than by tendering the 2008A Adjustable Rate Bonds in accordance with the tender process.



## LITIGATION

At the time of the delivery of and payment for the 2008 Series A 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, sale or delivery of the 2008 Series A 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 2008 Series A Bonds, the Indenture or the contract for the purchase of the 2008 Series A Bonds.

## 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 Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the 2008A Adjustable Rate Bonds ratings of "Aaa/VMIG 1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings for such 2008A Adjustable Rate Bonds) on the delivery of the related Initial 2008A Liquidity Facility by the respective 2008A Liquidity Facility Provider. Moody's and S&P are expected to give the 2008 Series A-4 Class II Bonds ratings of "Aa2" and "AA," respectively, and the 2008 Series A-5 Class III Bonds ratings of "A1" and "A+," 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 2008 Series A 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 respective 2008 Series A Bonds.

## LEGAL MATTERS

In connection with the issuance and sale of the 2008 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel to the Authority, will deliver the opinion included as **Appendix E** hereto. Hogan & Hartson LLP will pass upon certain legal matters relating to the 2008 Series A 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 Underwriters. Certain legal matters will be passed upon for the 2008A-1 Liquidity Facility Provider by its counsel, Sidley Austin LLP, and for the 2008A-2/A-3 Liquidity Facility Provider by its counsel, Kutak Rock LLP.

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

## CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter of the 2008 Series A Bonds and the initial 2008A Remarketing Agent of the 2008A Adjustable Rate Bonds. Affiliates of Lehman Brothers Inc. have also acted as counterparties to the Authority under certain derivatives described in **Appendix B-1** of this Official Statement.

**(End of Part I)**

## **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>
Joel S. Rosenstein, Esq. Chair (1)	Attorney, Senn, Lewis & Visciano; Denver, Colorado	July 1, 2009
Eric C. Moore Chair, <u>pro tem</u> (1)	Chief Information Officer, Arapahoe Douglas Mental Health Network; Denver, Colorado	July 1, 2009
Sally W. Symanski Secretary/Treasurer (1)	Colorado State Auditor; Denver, Colorado	Standing
Sam Betters	Executive Director; Housing Authority of the City of Loveland; Loveland, Colorado	July 1, 2011
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2009
Michele Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	July 1, 2009
Joseph A. Garcia	President, Colorado State University – Pueblo; Pueblo, Colorado	July 1, 2009
Roxanne M. Huber	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Kevin Marchman	Executive Director, National Organization of African Americans in Housing; Denver, Colorado	July 1, 2011
Rosemary Marshall	State Representative; Denver, Colorado	End of legislative biennium 2007-2008
Mark O'Connor	Senior Vice President, First Bank Holding Company, Lakewood, Colorado	July 1, 2011

(1) These Board members were elected to their respective offices effective March 27, 2008.

The principal staff officers of the Authority are as follows:

*Milroy A. Alexander*, **Executive Director**, joined the staff in October 1988. Mr. Alexander is a graduate of Metropolitan State College, Denver, Colorado, with a Bachelor's Degree in Accounting. Prior to assuming the responsibilities of Executive Director on January 1, 2001, Mr. Alexander served as the Authority's Director of Finance. Mr. Alexander was previously a financial manager with a major Colorado manufacturer and a senior manager with Touche Ross, a big eight international accounting and consulting firm. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

*Cris A. White*, **Chief Operating Officer** since February 2002, 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.

*Thomas Hemmings*, **Chief Financial Officer**, joined the staff in October 2003. Prior to joining the Authority, Mr. Hemmings served as chief financial officer for a \$650 million commercial bank located in Alabama. Mr. Hemmings has over seventeen years experience in banking and financial services, with over 10 of those years at the chief financial officer level. Mr. Hemmings is a graduate of the University of Colorado and is a Certified Public Accountant.

*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.

*John Dolton*, **Head of Corporate Debt and Investment Management**, joined the staff in August 1990. Prior to assuming this newly created position, Mr. Dolton served as Director of Finance/CFO (January 2001 – July 2003) and as the Manager of Treasury Operations (September 1994 – December 2000). Before joining the Authority, Mr. Dolton was an analyst for a financial planning and investment management firm. Mr. Dolton has a Bachelor's Degree in Finance from the University of Colorado and holds the Chartered Financial Analyst designation.

*Steven R. Felten*, **Controller**, joined the staff in January 2005. Prior to joining the Authority, Mr. Felten served as finance director of the City of Boulder, Colorado. Mr. Felten has also served in various financial roles in the commercial banking sector, including more than ten years as controller. Mr. Felten is a graduate of the University of Mississippi and is a Certified Public Accountant.

*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, Iowa. Ms. Harkin has twenty years experience in various capacities in public, private and non-profit real estate lending and development.

*Jaime Gomez*, **Director of Commercial Lending**, joined the staff in August 1999. Prior to his current position, Mr. Gomez served as the Director of Business Finance. A corporate reorganization in July 2003 merged the Authority's Business Finance and Rental Finance Divisions, forming the Commercial Lending Division. 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.

*D. Brian Miller* was appointed as **Director of Asset Management** in October 2003. 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 August 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 2003, 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 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. 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, 2007, the Authority had approximately 175 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute eleven percent (11%) of each participating employee's gross salary to PERA in 2006. In 2007, the Authority's PERA contribution totaled approximately \$1,113,000, compared to an Authority contribution in 2006 of \$986,000. See footnote (11) of the audited 2007 financial statements attached as **Appendix G** hereto 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 2007 financial statements of the Authority included in **Appendix G** to this Official Statement 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. *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, 2007

(with summarized financial information for December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
<b>Assets</b>						
Current assets:						
Cash	\$ 30,955	\$ -	\$ -	\$ -	\$ 30,955	\$ 26,365
Investments	61,020	270,673	169,370	-	501,063	490,846
Loans receivable	8,719	60,406	27,759	(717)	96,167	83,091
Accrued interest receivable	3,612	12,898	7,753	(211)	24,052	20,211
Deferred debt financing costs, net	18	642	271	-	931	882
Other assets	4,454	-	-	-	4,454	3,885
Due to (from) other funds	(23,800)	17,724	6,076	-	-	-
<b>Total current assets</b>	<b>84,978</b>	<b>362,343</b>	<b>211,229</b>	<b>(928)</b>	<b>657,622</b>	<b>625,280</b>
Noncurrent assets:						
Investments	4,426	39,567	37,320	-	81,313	185,265
Loans receivable, net	252,847	1,751,765	805,023	(20,791)	2,788,844	2,409,656
Capital assets - non-depreciable	7,016	-	-	-	7,016	8,545
Capital assets - depreciable, net	25,707	-	-	-	25,707	32,638
Other real estate owned, net	20	1,626	451	-	2,097	1,923
Deferred debt financing costs, net	331	11,553	4,883	-	16,767	15,882
Other assets	17,619	-	-	-	17,619	14,486
<b>Total noncurrent assets</b>	<b>307,966</b>	<b>1,804,511</b>	<b>847,677</b>	<b>(20,791)</b>	<b>2,939,363</b>	<b>2,668,395</b>
<b>Total assets</b>	<b>\$ 392,944</b>	<b>\$ 2,166,854</b>	<b>\$ 1,058,906</b>	<b>\$ (21,719)</b>	<b>\$ 3,596,985</b>	<b>\$ 3,293,675</b>
<b>Liabilities</b>						
Current liabilities:						
Short-term debt	\$ 64,545	\$ -	\$ -	\$ -	\$ 64,545	\$ 8,200
Bonds payable, current portion	120	4,627	8,768	-	13,515	167,782
Notes payable, current portion	3,956	-	-	-	3,956	108
Accrued interest payable	1,220	17,704	13,373	(211)	32,086	26,360
Federally assisted program advances	708	-	-	-	708	899
Accounts payable and other liabilities	21,114	596	531	-	22,241	18,893
<b>Total current liabilities</b>	<b>91,663</b>	<b>22,927</b>	<b>22,672</b>	<b>(211)</b>	<b>137,051</b>	<b>222,242</b>
Noncurrent liabilities:						
Bonds payable, net	111,815	2,067,027	985,181	-	3,164,023	2,794,178
Notes payable	22,594	-	-	(21,508)	1,086	5,855
Other liabilities	9,456	2,229	776	-	12,461	10,355
<b>Total noncurrent liabilities</b>	<b>143,865</b>	<b>2,069,256</b>	<b>985,957</b>	<b>(21,508)</b>	<b>3,177,570</b>	<b>2,810,388</b>
<b>Total liabilities</b>	<b>235,528</b>	<b>2,092,183</b>	<b>1,008,629</b>	<b>(21,719)</b>	<b>3,314,621</b>	<b>3,032,630</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	11,215	-	-	-	11,215	9,134
Restricted by bond indentures	-	74,671	50,277	-	124,948	114,920
Unrestricted	146,201	-	-	-	146,201	136,991
<b>Total net assets</b>	<b>157,416</b>	<b>74,671</b>	<b>50,277</b>	<b>-</b>	<b>282,364</b>	<b>261,045</b>
<b>Total liabilities and net assets</b>	<b>\$ 392,944</b>	<b>\$ 2,166,854</b>	<b>\$ 1,058,906</b>	<b>\$ (21,719)</b>	<b>\$ 3,596,985</b>	<b>\$ 3,293,675</b>

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, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
<b>Operating revenues:</b>						
Interest on loans receivable	\$ 12,900	\$ 88,926	\$ 47,647	\$ (1,900)	\$ 147,573	\$ 121,839
Investment income	3,420	14,602	9,705	-	27,727	34,384
Net increase (decrease) in the fair value of investments	(66)	1,371	940	-	2,245	(2,468)
Rental income	10,882	-	-	-	10,882	11,638
Loan servicing income	9,547	-	-	-	9,547	8,543
Section 8 administration fees	4,561	-	-	-	4,561	4,622
Other revenues	3,448	69	-	-	3,517	2,284
<b>Total operating revenues</b>	<b>44,692</b>	<b>104,968</b>	<b>58,292</b>	<b>(1,900)</b>	<b>206,052</b>	<b>180,842</b>
<b>Operating expenses:</b>						
Interest on debt	9,719	95,872	51,715	(1,900)	155,406	134,364
Salaries and related benefits	14,341	-	-	-	14,341	12,721
General operating	15,635	652	548	-	16,835	15,426
Other interest expense	1,588	-	-	-	1,588	1,845
Depreciation	2,722	-	-	-	2,722	2,651
Provision for losses	(300)	1,500	(700)	-	500	(4,357)
<b>Total operating expenses</b>	<b>43,705</b>	<b>98,024</b>	<b>51,563</b>	<b>(1,900)</b>	<b>191,392</b>	<b>162,650</b>
<b>Total operating income</b>	<b>987</b>	<b>6,944</b>	<b>6,729</b>	<b>-</b>	<b>14,660</b>	<b>18,192</b>
<b>Nonoperating revenues and expenses:</b>						
Federal grant receipts	97,100	-	-	-	97,100	95,061
Federal grant payments	(97,100)	-	-	-	(97,100)	(95,061)
Gains on sales of capital assets	6,659	-	-	-	6,659	-
<b>Total nonoperating revenues, net</b>	<b>6,659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,659</b>	<b>-</b>
<b>Income before transfers</b>	<b>7,646</b>	<b>6,944</b>	<b>6,729</b>	<b>-</b>	<b>21,319</b>	<b>18,192</b>
<b>Transfers from (to) other funds</b>	<b>3,645</b>	<b>245</b>	<b>(3,890)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>11,291</b>	<b>7,189</b>	<b>2,839</b>	<b>-</b>	<b>21,319</b>	<b>18,192</b>
<b>Net assets:</b>						
Beginning of year	146,125	67,482	47,438	-	261,045	242,853
End of year	\$ 157,416	\$ 74,671	\$ 50,277	\$ -	\$ 282,364	\$ 261,045

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, 2007 as provided by the Authority.

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

	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>
Interest and investment revenue:					
Loans receivable	\$12,900	\$12,449	\$11,241	\$10,454	\$10,094
Investments	3,420	3,061	2,016	1,744	1,955
Net increase (decrease) fair value of long-term investments	<u>(66)</u>	<u>(137)</u>	<u>441</u>	<u>(392)</u>	<u>(570)</u>
Total interest and investment revenue	16,254	15,373	13,698	11,806	11,479
Interest expense - bonds and notes payable	<u>9,719</u>	<u>9,663</u>	<u>7,681</u>	<u>5,799</u>	<u>5,345</u>
Net interest and investment revenue	6,535	5,710	6,017	6,007	6,134
Other revenue (expense):					
Rental operations	10,882	11,638	10,902	10,279	9,549
Fees and miscellaneous income	17,556	15,449	14,097	12,771	14,350
Gain on sales of capital assets	6,659	--	--	--	--
Program fees	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,665</u>
Total other revenue	<u>35,097</u>	<u>27,087</u>	<u>24,999</u>	<u>23,050</u>	<u>28,564</u>
Net revenue	41,632	32,797	34,952	29,057	34,698
Other expenses:					
Salaries and related benefits	14,341	12,721	11,322	10,668	11,545
General operating <sup>(1)</sup>	15,635	14,732	14,724	13,462	13,651
Provision for losses	(300)	(1,050)	870	(816)	133
Other interest expense	1,588	1,845	1,848	1,326	1,260
Transfers	(3,645)	(6,179)	(13,192)	(3,432)	(2,865)
Depreciation	<u>2,722</u>	<u>2,651</u>	<u>2,679</u>	<u>2,574</u>	<u>2,745</u>
Total other expense	<u>30,341</u>	<u>24,720</u>	<u>18,251</u>	<u>23,782</u>	<u>26,469</u>
Change in net assets	<u>\$ 11,291</u>	<u>\$ 8,077</u>	<u>\$ 12,765</u>	<u>\$ 5,275</u>	<u>\$ 8,229</u>
Net Assets, end of year	<u>\$157,416</u>	<u>\$146,125</u> <sup>(2)</sup>	<u>\$149,244</u>	<u>\$136,479</u>	<u>\$131,204</u>
Bonds and Notes Payable	<u>\$203,030</u>	<u>\$152,455</u>	<u>\$253,738</u>	<u>\$212,798</u>	<u>\$162,623</u>
Total Assets	<u>\$392,944</u>	<u>\$327,534</u>	<u>\$428,627</u>	<u>\$359,139</u>	<u>\$305,912</u>

(1) The Authority's general operating expenses increased between 2002 and 2003 as a result of a rise in loan payoffs (prepayments) which increased the amortization of certain deferred expenses included in general operating expenses, such as service release premiums. Further information is available in the Authority's audited 2007 financial statements included in this Official Statement as **Appendix A**.

(2) The net assets shown as of December 31, 2006 reflect the restatement of net assets as of December 31, 2005. During 2006, it was determined that interfund receivables and payables arising in prior years represented amounts transferred between the various funds but not reflected as such. As a result, net assets as of December 31, 2005 were reduced by \$11,196,000.

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2003-2007.

**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." 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 (7) of the audited 2007 financial statements of the Authority attached in **Appendix G**. The Board of the Authority has adopted a Bond Issuance Policy which it amends from time to time and, among other things, establishes parameters for swap agreements authorized from time to time by resolution of the Board in connection with the issuance of bonds by the Authority (including Bonds under the Master Indenture). On an annual basis, the Authority staff is to provide a report to the Board regarding all outstanding swap agreements. The Board may change its Bond Issuance Policy at any time and from time to time at its sole discretion, including an expansion of the Policy to permit derivative products other than swap agreements. Any changes to the Bond Issuance Policy may impact future derivative obligations including Interest Rate Contracts authorized in connection with Bonds under the Master Indenture. The Authority routinely engages a consultant to evaluate the terms of any proposed swap agreement and determine whether the base price for such a swap agreement with those terms is fair in the current market environment.

### **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." For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix G**.

### *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 2007 financial statements of the Authority included in this Official Statement 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 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 CHFA due 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 another rental finance program, the *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 2007 financial statements of the Authority included in this Official Statement 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 are being offered for sale to the local housing authorities where the facilities are located, and, if those parties are not interested in the purchase, the Authority will offer the facilities to nonprofit corporations interested in the purchase. The Authority has completed seven sales to date. The Authority has five properties to sell in 2008, four of which are currently under contract. 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 but three cases. Those three properties were offered to organizations as described above, but elected not pursue the purchase. Consequently, the Authority will sell three of its properties to parties who will not restrict the affordability of the residents. These sales do 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 after the dispositions above have been completed.

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 ("**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 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 QIC, QAL and B&I II secondary market 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 *Quality Investment Capital ("QIC") 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 QIC 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 *Quality Agricultural Loan ("QAL") 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 ("**FSA**"). 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 *Business & Industry II ("B&I II") 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 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. The originating lender acts as servicer of the loans for a fee not to exceed one percent (1%) per annum of the outstanding principal balance of the guaranteed portion purchased. Proceeds of the loans may be used to finance real estate, equipment, and machinery. The participation interest is 100% guaranteed by the RBS.

## **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 2007 financial statements of the Authority included in this Official Statement as **Appendix G**.

### *Commercial Loan Programs*

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of February 1, 2008 in an aggregate principal amount of \$144,335,000) 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 as of February 1, 2008 in an aggregate principal amount of \$856,090,000. 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 – Class I and Class III" under this caption. On April 23, 2008, the Authority issued its Multi-Family/Project Bonds, Class II 2008 Series A, in an aggregate principal amount of \$32,735,000.

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 2007 financial statements of the Authority attached in **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.

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" 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.

#### *Single Family Mortgage Programs*

In connection with its Single Family Mortgage Programs, the Authority has previously issued numerous series of its Single-Family Program Bonds as senior and subordinate bonds, payable from the revenues of pledged mortgage loans and outstanding as of February 1, 2008 in the aggregate principal amount of \$86,157,914. The Authority has also 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 February 1, 2008 in the aggregate principal amount of \$1,976,915,000. This outstanding amount does not include the 2008 Series A Bonds being issued as Bonds as described in this Official Statement. See **Appendix B-1** for further detail about the Bonds. Subordinate bonds issued as part of the Single-Family Program Bonds and Class III Single Family Mortgage Bonds outstanding under the Master Indenture are also general obligations of the Authority, as described in "General Obligations – Single-Family Bonds – Subordinate Bonds and Class III Bonds" under this caption. For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see [www.colohfa.org](http://www.colohfa.org) and footnote (6) of the audited 2007 financial statements of the Authority attached in **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.

**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 – Class I and Class III. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of February 1, 2008 in an aggregate principal amount of \$251,710,000) 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 issued Class III Multi-Family/Project Bonds (outstanding as of February 1, 2008 in an aggregate principal amount of \$57,820,000) in order to finance certain rental and business loans. These Class III Multi-Family/Project Bonds are payable from loan revenues on a subordinate lien basis and also as general obligations of the Authority.

Single Family Bonds – Subordinate Bonds and 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 February 1, 2008 was \$1,270,000. The Authority has also 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 \$95,220,000 as of February 1, 2008, 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 2008 Series A-5 Class III Bonds are being issued as Class III Bonds.

General Obligation Bonds. The Authority has financed an uninsured rental loan in connection with a housing project in the City and County of Denver using proceeds of its publicly-offered general obligation housing bonds. As of February 1, 2008, such bonds, secured by a general obligation pledge of the Authority and loan revenues, were outstanding in an aggregate principal amount of \$3,130,000. In connection with its Special Projects financing program, the Authority has financed a business loan to the Colorado Municipal League through the public offering of general obligation bonds. As of February 1, 2008, such bonds were outstanding in the aggregate principal amount of \$1,060,000.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of February 1, 2008, such privately placed bonds were outstanding in an aggregate principal amount of \$27,155,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of February 1, 2008 in the aggregate principal amount of \$33,983,000. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of February 1, 2008, such privately placed bonds were outstanding in an aggregate principal amount of \$45,001,004.

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 February 1, 2008 in the aggregate principal amount of

\$277,217,331. 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 May 1, 2008, such 542(c) mortgage loans were outstanding in the amount of approximately \$288 million (\$52 million held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds, \$237 million held under the Master Indenture and securing the Bonds, and \$4 million held in the Authority's General Fund). 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 liabilities of approximately \$8.4 million as a result of defaults on insured mortgage loans for the certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA.

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 related 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 (7) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix G**. The Authority has also entered interest rate contracts in connection with its Multi-Family/Project Bonds, 2008 Series A, issued in April 2008.

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 February 1, 2008, \$64,545,000 in borrowings were outstanding under those agreements. See footnote (5) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix G**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of February 1, 2008 in the aggregate principal amount of \$1,158,054), 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.

General Obligation Ratings. Moody's has assigned an "A1" rating 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 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 February 1, 2008. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

**Summary of Certain Authority Obligations as of February 1, 2008**

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (February 1, 2008)</u>
Multifamily Housing Insured Mortgage Revenue Bonds	\$ 144,335,000
Multi-Family/Project Bonds (1)	856,090,000 (1)
Single Family Program Senior/Subordinate Bonds	86,157,914
Single Family Mortgage Bonds (2)	1,976,915,000 (2)
General Obligation Bonds:	
Rental Finance (Denver Dry Project)	3,130,000
Business Finance (Colorado Municipal League Project)	1,060,000
Privately Placed Bonds:	
Rental Finance	27,155,000
Business Finance	33,983,000
Single Family	45,001,004

- (1) In April 2008, the Authority issued its Multi-Family/Project Bonds, Class II 2008 Series A, in an aggregate principal amount of \$32,735,000.
- (2) These are the Bonds issued and outstanding under the Master Indenture. See **Appendix B-1** for more information about the Bonds. This amount does not include the 2008 Series A Bonds being issued as Bonds as described in this Official Statement.

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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 February 1, 2008. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

**General Obligations of the Authority as of February 1, 2008**

<b>General Obligations</b>	<b>Outstanding Amount (February 1, 2008)</b>
Multi-Family/Project Bonds (1):	
Class I	\$251,710,000
Class III	57,820,000
Single-Family Program Subordinate Bonds	1,270,000
Single Family Mortgage Bonds, Class III (2)	95,220,000 (1)
General Obligation Bonds:	
Rental Finance (Denver Dry Project)	3,130,000
Business Finance (Colorado Municipal League Project)	1,060,000
Privately Placed Bonds:	
Rental Finance	27,155,000
Business Finance	33,983,000
Single Family	45,001,004
Other Borrowings:	
Line of Credit	64,545,000
Rural Business Cooperative Service Notes	1,158,054

(1) This amount does not include the \$23,090,000 aggregate principal amount of Taxable 2008 Series A-1 Class II Bonds issued as Multi-Family/Project Bonds in April, 2008 which are general obligations of the Authority.

(2) This amount does not include the 2008 Series A-5 Class III Bonds being issued as Class III Bonds as described in this Official Statement.

## 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, 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, such portion of any Bank Bonds will constitute Class III Bonds and are designated as General Obligations of the Authority. 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. *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 "Part I – CERTAIN PROGRAM ASSUMPTIONS – Insurance Limitations and Requirements." 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," "Part I – CERTAIN PROGRAM ASSUMPTIONS," **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." Upon the issuance of any Series of Bonds, the Debt Service Reserve Fund Requirement for such Bonds is expected to be funded by a deposit of proceeds to 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" for a description of the outstanding Liquidity Facilities under the Master Indenture, 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 each National Repository. 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 each National Repository 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. See Part I – "TERMS OF THE 2008 SERIES A BONDS – 2008 Adjustable Rate Bonds – Mandatory Purchase."

### **Interest Rate Contracts**

In connection with the issuance of certain Adjustable Rate Bonds, 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 "Part I – CERTAIN PROGRAM ASSUMPTIONS" and **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." See also "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Authority Policy Regarding Derivatives." 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.

## 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." The Authority has taken reservations for mortgage loans which may, if closed, be acquired using proceeds of Bonds in the Acquisition Account. However, other issuers may issue bonds and make funds available on terms competitive with those terms specified for the Mortgage Loans.

**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 as described in Part I.**

### Considerations Regarding Redemption

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, CERTAIN BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE "PART I – TERMS OF THE 2008 SERIES A BONDS – PRIOR REDEMPTION" FOR A DESCRIPTION OF THE PROVISIONS SPECIFICALLY APPLICABLE TO THE 2008 SERIES A BONDS. THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of each Series of**

**Bonds subject to such special redemption under the Indenture will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium (except in certain limited circumstances).**

### **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. 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 except that payments due on the Bank Bonds following any acceleration by the Liquidity Facility Provider will be Class III Obligations and a general obligation of the Authority.

## **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. The opinion of Bond Counsel to be delivered in connection with the Tax-Exempt 2008 Series A Bonds is described in "Part I – TAX MATTERS – Tax Treatment of Interest on Tax-Exempt 2008 Series A Bonds." 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**

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 either will be based on a LIBOR or BMA Index or will be an amount equal to the actual interest payments by the Authority on the respective Adjustable Rate Bonds. To the extent Counterparty payments are based on a LIBOR or BMA 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. See "Part I – CERTAIN PROGRAM ASSUMPTIONS" and "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Interest Rate Contracts." See also **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." See footnote (7) to the audited 2007 financial statements of the Authority included in this Official Statement 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 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](http://www.chfainfo.com)) and through subscription Internet services regarding the interest rates for First Mortgage Loans under the Program. Interest rates announced on the Authority website and through subscription Internet services 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. 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. 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 the specified timeframes. Other than for certain Mortgage Loans, the Mortgage Lender must deliver the closing documents within 75 days from the date of the reservation, and the Authority will begin servicing the Mortgage Loan once the Mortgage Loan has been purchased by the Authority. For certain Mortgage Loans, the Mortgage Lender must deliver specific closing documents to the Authority within ten (10) business days of such closing for purchase of the Mortgage Loan by the Authority. (The Mortgage Lender must deliver additional closing documents within thirty (30) days of closing in the case of certain Mortgage Loans). The Mortgage Lender must deliver all remaining closing documents for all Mortgage Loans within ninety (90) days of closing.

In connection with any First Mortgage Loan originated by a Mortgage Lender, 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 does not have to be from the Borrower's own funds although it must be from a source acceptable to the First Mortgage Loan insurer or guarantor. 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 and reimburse Mortgage Lenders for any upfront mortgage insurance premiums paid on behalf of the Authority. 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. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Set Asides" for a discussion of this reservation in connection with the 2008 Series A Bonds.

## **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 made for Targeted Areas Residences, Taxable HomeAccess Loans and Mortgage Loans in the Non-Qualified Single Family Mortgage Program or

Eligible Veterans 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 \$275,000 to \$350,000. 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 2008-17. 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 January 18, 2008, 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. The revised average area purchase price safe harbor for that statistical area is computed by dividing the revised FHA loan limit by 0.76. 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.

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>
Boulder MSA	\$459,375
Denver – Aurora MSA	405,750
Edwards MiSA	477,355
Lake County	477,355
San Miguel County	477,355
Silverthorne MiSA	431,250
Greeley MSA	416,547
Fort Collins – Loveland MSA	312,500
Routt County	398,026
Colorado Springs MSA	325,000
Garfield County	393,209
Grand County	293,750
Pitkin County	381,999
Archuleta County	263,487
Grand Junction MSA	371,250
Durango MiSA	443,750
All Other Areas	263,368

Source: Internal Revenue Service Revenue Procedure 2008-18 10 I.R.B. 549.

### *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.

### *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 Suite of Programs 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. The Authority requires an online financial management class in connection with all refinancing programs. See "Special Program Features – CHFA HomeStretch Program" and "– Refinancing Programs" under this caption.

### **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 Suite of Programs, 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 Mortgage Loans (except that no servicing fee will be charged for any 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 by the time four payments are made by the Borrower and collected by the Mortgage Lender.

### **Loss Mitigation**

For Mortgagors 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 Mortgagors in default to loan counselors 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 Mortgagor 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 Mortgagor 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 subaccount of 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 Borrower 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 will be originated from the Authority, although 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 Programs*

The Authority may use amounts in the Acquisition Account to acquire Mortgage Loans originated under the Authority's HomeAccess Programs, which are intended to assist persons with disabilities or the parents of a disabled child to achieve homeownership. Under the HomeAccess Suite of Programs, very low-income persons with disabilities or the parents of a disabled child may receive First Mortgage Loans (referred to herein as "**HomeAccess Loans**") at an annual interest rate of 3.00%. As part of its HomeAccess Suite of Programs, the Authority offers its HomeAccess Plus Loans (referred to herein as "**HomeAccess Plus Loans**") and the Taxable HomeAccess Loans (referred to herein as "**Taxable HomeAccess Loans**") which may also be made to low-income persons with disabilities or the parents of a disabled child. HomeAccess Plus Loans and Taxable HomeAccess Loans may be financed by amounts in the respective subaccount of the Acquisition Account at varying annual interest rates. A Mortgage Loan in the HomeAccess Suite of Programs 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 Suite of Programs with a Second Mortgage Loan or downpayment assistance of up to \$10,000. The HomeAccess Second Mortgage Loans bear interest at an annual interest rate of 1.5% 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 Suite of Programs 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.

#### *CHFA HomeStretch Program*

The Authority's CHFA HomeStretch Program is offered to finance and refinance mortgages to Eligible Borrowers. See "Refinancing Programs" under this caption for a discussion of the refinancing activities under the CHFA HomeStretch Program. Under the CHFA HomeStretch Program, the Authority may purchase mortgage loans which have a forty (40) year term and lender paid mortgage insurance. Proceeds of certain Bonds (or amounts exchanged therefor) are expected to be used to acquire Mortgage Loans (including both First and Second Mortgage Loans) qualifying under the CHFA HomeStretch Program. Mortgage Loans under this Program will not be subject to the first time ownership requirements for the Qualified Single Family Mortgage Program, and will be PMI Mortgage Loans or uninsured Mortgage Loans with a loan to value ratio of 80% or less, made at fixed interest rates. There are no purchase price limits for these Mortgage Loans which can be made to borrowers meeting certain minimum credit levels. Specific income limits differing from the limits for the Program generally are applied to those Mortgage Loans. In addition, such Mortgage Loans under this Program are not subject to the recapture tax provisions described in "Payment of Recapture Tax" under this caption. Other Seller Guide requirements (including homebuyer education or financial management education) are applicable to these Mortgage Loans. The percentage and aggregate amounts available from Bond proceeds for acquisition of such loans under the CHFA HomeStretch Program 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 loans under the CHFA HomeStretch Program.

### *Second Mortgage Loans*

Proceeds of certain Bonds may be used (and are expected to be used) by the Authority to acquire Second Mortgage Loans to Borrowers of First Mortgage Loans and to pay a delivery fee of one-hundred fifty dollars (\$150) for each Second Mortgage Loan. Under most programs, Second Mortgage Loans may be originated for up to three percent (3%) of the First Mortgage Loan amount at a zero percent (0%) interest rate, with a term of thirty (30) or forty (40) years. Second Mortgage Loans will be 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. Repayment of the entire balance of the Second Mortgage Loan will be 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 assumable, subject to the assumpor's eligibility as it relates to the applicable Program Income Limits at the time of assumption, the assumpor's first-time homebuyer status (as applicable), and approval of the Authority. 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 Non-Qualified Single Family Program. The Authority is using such proceeds and exchanged amounts to fund mortgage refinancing activities. In addition to managing its existing Hardship Refinance Program for Eligible Borrowers who have experienced a significant life event, the Authority has established a refinancing program as part of its CHFA HomeStretch Program to refinance mortgages of Eligible Borrowers using both First and Second Mortgages Loans that may be amortized over periods of up to forty (40) years. The Authority is also making available until December 31, 2008, the CHFA FHA Secure Program for Eligible Borrowers who have experienced mortgage loan defaults on their existing mortgage loan due to an interest rate reset, or who are at risk of default due to a future interest rate reset. Implementation by the Authority of the Hardship Refinance and CHFA HomeStretch 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. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

### *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 and for the years ended December 31, 2007 and 2006, included in this Official Statement as **Appendix G**, have been audited by Clifton Gunderson LLP, independent auditors, as stated in their report appearing therein, and are the most recent audited statements of the Authority available.

## **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 and the Initial 2008A Liquidity Facilities, 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 2008 Series A Bonds.

## **COLORADO HOUSING AND FINANCE AUTHORITY**

By:           /s/ Milroy A. Alexander            
Executive Director



## APPENDIX A

### Summary of Certain Provisions of the Indenture

The Master Indenture and the 2008 Series A 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.

"National Repository" shall mean, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website [www.DisclosureUSA.org](http://www.DisclosureUSA.org).

"One-Month LIBOR Rate," "Three-Month LIBOR Rate" or "One-Year LIBOR Rate" means the rate per annum relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one month period, a three month period or a one-year period, respectively, fixed by the British Bankers' Association at 11:00 a.m., London time, on the applicable Rate determination Date, as displayed at the Internet site, <http://www.bba.org.uk>. If such Rate Determination Date is not a business day in London, the most recently fixed London Interbank Offered Rates on U.S. dollar deposits for a one month period, a three month period or a one-year period, respectively, shall be used. If the rate is no longer available at <http://www.bba.org.uk>, the Trustee will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

"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.

"SIFMA Index" means with respect to any 2008 Series A-3 Bond in the Weekly Mode for which a rate is not set pursuant to the 2008 Series A Indenture, the rate per annum determined on the basis of an index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by the Indexing Agent which meet specific criteria established by the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association and the Public Securities Association).

"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 Owners 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 February 1, 2008, the Authority had issued 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 (February 1, 2008)</u>
<b>2001 Series AA:</b>		
2001 Series AA-1 (Class I)	\$50,000,000	\$50,000,000
2001 Series AA-2 (Class I)	46,840,000	46,840,000
2001 Series AA-3 (Class I)	25,000,000	25,000,000
2001 Series AA-4 (Class II)	10,000,000	10,000,000
<b>2002 Series A:</b>		
2002 Series A-1 (Class I)	\$41,000,000	\$19,455,000
2002 Series A-2 (Class I)	12,990,000	4,700,000
2002 Series A-3 (Class I)	23,075,000	20,495,000
2002 Series A-4 (Class I)	4,545,000	4,545,000
2002 Series A-5 (Class II)	12,455,000	12,455,000
<b>2002 Series B:</b>		
2002 Series B-1 (Class I)	\$15,000,000	\$12,195,000
2002 Series B-2 (Class I)	60,000,000	28,820,000
2002 Series B-3 (Class I)	40,000,000	40,000,000
2002 Series B-4 (Class II)	5,000,000	5,000,000
2002 Series B-5 (Class III)	15,000,000	3,790,000
2002 Series B-6 (Class I)	44,340,000	--
<b>2002 Series C:</b>		
2002 Series C-1 (Class I)	\$30,000,000	\$28,785,000
2002 Series C-2 (Class I)	75,000,000	29,460,000
2002 Series C-3 (Class I)	40,000,000	40,000,000
2002 Series C-4 (Class II)	10,000,000	10,000,000
2002 Series C-5 (Class III)	17,000,000	8,910,000
2002 Series C-6 (Class I)	51,000,000	--
<b>2003 Series A:</b>		
2003 Series A-1 (Class I)	\$42,000,000	\$16,990,000
2003 Series A-2 (Class I)	20,000,000	20,000,000
2003 Series A-3 (Class II)	7,000,000	7,000,000
2003 Series A-4 (Class III)	9,000,000	5,980,000
2003 Series A-5 (Class I)	28,000,000	--
<b>2003 Series B:</b>		
2003 Series B-1 (Class I)	\$40,000,000	\$37,840,000
2003 Series B-2 (Class I)	80,000,000	44,420,000
2003 Series B-3 (Class I)	60,000,000	60,000,000
2003 Series B-4 (Class III)	20,000,000	8,670,000
2003 Series B-5 (Class I)	54,000,000	--

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (February 1, 2008)</u>
<b>2003 Series C:</b>		
2003 Series C-1 (Class I)	\$70,000,000	\$38,470,000
2003 Series C-2 (Class I)	40,000,000	40,000,000
2003 Series C-3 (Class III)	13,000,000	8,600,000
2003 Series C-4 (Class I)	30,000,000	--
2003 Series C-5 (Class I)	70,275,000	--
<b>2004 Series A:</b>		
2004 Series A-1 (Class I)	\$60,000,000	\$40,575,000
2004 Series A-2 (Class I)	50,000,000	50,000,000
2004 Series A-3 (Class III)	13,000,000	7,895,000
2004 Series A-4 (Class I)	85,000,000	--
2004 Series A-5 (Class I)	104,000,000	--
<b>2004 Series B:</b>		
2004 Series B-1 (Class I)	\$50,000,000	\$33,670,000
2004 Series B-2 (Class I)	40,000,000	40,000,000
2004 Series B-3 (Class III)	11,000,000	8,575,000
2004 Series B-4 (Class I)	82,335,000	--
<b>2005 Series A:</b>		
2005 Series A-1 (Class I)	\$50,000,000	\$39,555,000
2005 Series A-2 (Class I)	40,000,000	40,000,000
2005 Series A-3 (Class III)	10,000,000	7,800,000
2005 Series A-4 (Class I)	11,300,000	--
2005 Series A-5 (Class I)	13,095,000	--
<b>2005 Series B:</b>		
2005 Series B-1A (Class I)	\$40,000,000	\$34,405,000
2005 Series B-1B (Class I)	40,000,000	34,405,000
2005 Series B-2 (Class I)	80,000,000	80,000,000
2005 Series B-3 (Class II)	20,000,000	20,000,000
2005 Series B-4 (Class I)	102,270,000	--
2005 Series B-5 (Class I)	36,230,000	--
<b>2006 Series A:</b>		
2006 Series A-1 (Class I)	\$30,000,000	\$26,985,000
2006 Series A-2 (Class I)	20,590,000	20,590,000
2006 Series A-3 (Class I)	40,000,000	40,000,000
2006 Series A-4 (Class II)	19,410,000	19,410,000
2006 Series A-5 (Class I)	70,700,000	--
<b>2006 Series B:</b>		
2006 Series B-1 (Class I)	\$60,000,000	\$58,680,000
2006 Series B-2 (Class I)	49,325,000	49,325,000
2006 Series B-3 (Class I)	62,945,000	62,945,000
2006 Series B-4 (Class II)	20,000,000	20,000,000
2006 Series B-5 (Class I)	87,000,000	--
<b>2006 Series C:</b>		
2006 Series C-1 (Class I)	\$60,000,000	\$58,680,000
2006 Series C-2 (Class I)	70,700,000	70,700,000
2006 Series C-3 (Class II)	29,300,000	29,300,000

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (February 1, 2008)</u>
<b>2007 Series A:</b>		
2007 Series A-1 (Class I)	\$70,000,000	\$70,000,000
2007 Series A-2 (Class I)	70,000,000	70,000,000
2007 Series A-3 (Class III)	<u>35,000,000</u>	<u>35,000,000</u>
<b>2007 Series B:</b>		
2007 Series B-1 (Class I)	\$120,000,000	\$120,000,000
2007 Series B-2 (Class I)	50,000,000	50,000,000
2007 Series B-3 (Class II)	<u>50,000,000</u>	<u>50,000,000</u>
 Total Class I Bonds:	 \$2,838,555,000	 \$1,698,530,000
Total Class II Bonds:	183,165,000	183,165,000
Total Class III Bonds:	143,000,000	95,220,000
Total Class IV Bonds:	None	None

## 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 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 extended or earlier terminated):

### **Outstanding Liquidity Facilities and Providers**

<b><u>Series of Adjustable Rate Bonds</u></b>	<b><u>Related Liquidity Facility Provider</u></b>	<b><u>Expiration Date of Liquidity Facility</u></b>
2001AA-1, AA-2, and AA-3	Landesbank Hessen-Thüringen Girozentrale	December 31, 2015
2002A-1, A-2, and A-3	Federal Home Loan Bank of Topeka	April 25, 2012
2002B-1, B-2, and B-3	Lloyds TSB Bank plc	May 2, 2010
2002C-1, C-2, and C-3	Lloyds TSB Bank plc	May 2, 2010
2003A-1 and A-2	Lloyds TSB Bank plc	May 2, 2010
2003B-1, B-2 and B-3	JPMorgan Chase Bank	November 12, 2008
2003C-1	JPMorgan Chase Bank	November 9, 2008
2003C-2	Dexia Credit Local	April 13, 2012
2004A-1 and A-2	Dexia Credit Local	April 13, 2012
2004B-1 and B-2	Dexia Credit Local	April 13, 2012
2005A-1 and A-2	Dexia Credit Local	April 13, 2012
2005B-2	Dexia Credit Local	July 20, 2008
2006A-1, A-2 and A-3	Dexia Credit Local	January 18, 2009
2006B-1, B-2 and B-3	DEPFA Bank plc	July 26, 2014
2006C-1 and C-2	DEPFA Bank plc	December 20, 2014
2007A-1 and A-2	DEPFA Bank plc	May 1, 2015
2007B-1 and B-3	KBC Bank N.V.	October 18, 2012
2007B-2	Dexia Credit Local	October 18, 2017

### *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 swap agreements (each, an "Interest Rate Contract"):



<b><u>Outstanding Interest Rate Contracts</u></b>	<b><u>Amount (1)</u></b>	<b><u>Counterparty</u></b>
<b>2001 Series AA Interest Rate Contracts:</b>		
Taxable Adjustable 2001 Series AA-1 (Class I)	\$22,520,000	Lehman Brothers Financial Products Inc.
Adjustable 2001 Series AA-2 (Class I)	\$46,840,000	Lehman Brothers Financial Products Inc.
<b>2002 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2002 Series A-1 (Class I)	\$19,455,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series A-3 (Class I)	\$19,090,000	Lehman Brothers Financial Products Inc.
<b>2002 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2002 Series B-1 (Class I)	\$12,195,000	Lehman Brothers Financial Products Inc.
Taxable Adjustable 2002 Series B-2 (Class I)	\$22,930,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series B-3 (Class I)	\$40,000,000	Lehman Brothers Financial Products Inc.
<b>2002 Series C Interest Rate Contracts:</b>		
Adjustable 2002 Series C-1 (Class I)	\$28,785,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-2 (Class I)	\$29,460,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-3 (Class I)	\$40,000,000	Lehman Brothers Financial Products Inc.
<b>2003 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2003 Series A-1 (Class I)	\$15,320,000	Lehman Brothers Financial Products Inc.
Adjustable 2003 Series A-2 (Class I)	\$20,000,000	Lehman Brothers Financial Products Inc.
<b>2003 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2003 Series B-1 (Class I)	\$37,840,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2003 Series B-2 (Class I)	\$33,465,000	Lehman Brothers Derivative Products Inc.
Adjustable 2003 Series B-3 (Class I)	\$60,000,000	Lehman Brothers Derivative Products Inc.
<b>2003 Series C Interest Rate Contracts:</b>		
Taxable Adjustable 2003 Series C-1 (Class I)	\$33,900,000	Bayerische Landesbank
Adjustable 2003 Series C-2 (Class I)	\$40,000,000	Lehman Brothers Derivative Products Inc.
<b>2004 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2004 Series A-1 (Class I)	\$27,575,000	Bayerische Landesbank
Adjustable 2004 Series A-2 (Class I)	\$50,000,000	AIG Financial Products Corp.
<b>2004 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2004 Series B-1 (Class I)	\$23,670,000	UBS AG, Stamford Branch
Adjustable 2004 Series B-2 (Class I)	\$40,000,000	AIG Financial Products Corp.
<b>2005 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2005 Series A-1 (Class I)	\$30,670,000	UBS AG, Stamford Branch
Adjustable 2005 Series A-2 (Class I)	\$40,000,000	AIG Financial Products Corp.
<b>2005 Series B Interest Rate Contracts:</b>		
Adjustable 2005 Series B-2 (Class I)	\$80,000,000	AIG Financial Products Corp.
<b>2006 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series A-1 (Class I)	\$16,985,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series A-3 (Class I)	\$40,000,000	Bank of America, N.A.
<b>2006 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series B-1 (Class I)	\$58,680,000	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.
<b>2006 Series C Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series C-1 (Class I)	\$58,680,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series C-2 (Class I)	\$70,700,000	Bank of America, N.A.
<b>2007 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2007 Series A-1 (Class I)	\$70,000,000	JPMorgan Chase Bank, N.A.
Adjustable 2007 Series A-2 (Class I)	\$70,000,000	Bank of America, N.A.
<b>2007 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2007 Series B-1 (Class I)	\$99,215,000	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	Lehman Brothers Derivative Products Inc.
<b>Total Outstanding Class I Interest Rate Contracts</b>	<b><u>\$1,510,245,000</u></b>	
<b>Total Outstanding Class II Interest Rate Contracts</b>	<b><u>\$50,000,000</u></b>	

(1) As of February 1, 2008.

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." 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 – Interest Rate Contracts" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority." See footnote (7) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix G**.

The Authority also expects to enter into Interest Rate Contracts in connection with the 2008 Series A Bonds as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2008A Interest Rate Contracts."

**APPENDIX B-2**

**The Mortgage Loan Portfolio**

As of February 1, 2008, First Mortgage Loans with an outstanding aggregate principal balance of \$1,663,254,106 and Second Mortgage Loans with an outstanding aggregate principal balance of \$34,168,492 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:

<b>INFORMATION CONCERNING THE MORTGAGE LOANS</b>								
<b>AS OF</b>								
<b>FEBRUARY 1, 2008</b>								
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	\$111,332,420	1,129	\$98,612	6.61%	20.26	\$21,563,737	5,476	\$3,938
2002A	\$45,831,391	464	\$98,775	5.93%	24.08	--	--	--
2002B	\$68,104,635	623	\$109,317	5.99%	25.26	\$734,524	197	\$3,729
2002C	\$93,382,246	811	\$115,145	5.86%	25.48	\$948,167	252	\$3,763
2003A	\$43,453,668	376	\$115,568	5.59%	25.30	--	--	--
2003B	\$129,125,309	1,099	\$117,493	5.59%	25.67	\$1,788,445	500	\$3,577
2003C	\$75,099,911	669	\$112,257	5.57%	25.80	--	--	--
2004A	\$86,078,363	719	\$119,720	5.49%	26.25	--	--	--
2004B	\$75,346,673	576	\$130,810	5.30%	26.78	--	--	--
2005A	\$77,901,266	600	\$115,692	5.49%	27.04	--	--	--
2005B	\$144,785,932	1,104	\$131,147	5.51%	27.37	--	--	--
2006A	\$92,907,524	721	\$128,859	5.55%	27.69	--	--	--
2006B	\$168,089,271	1,263	\$133,087	6.01%	28.20	\$3,742,473	929	\$4,028
2006C	\$134,314,346	984	\$136,498	6.19%	28.69	\$5,391,146	1,319	\$4,087
2007A	\$155,621,101	1,098	\$141,731	5.96%	29.19	--	--	--
2007B	\$161,880,050	1,133	\$142,877	6.42%	29.53	--	--	--
Total	\$1,663,254,106	13,369	\$124,411	5.87%	27.24	\$34,168,492	8,673	\$3,940
Average for Portfolio	\$103,953,382	836	\$124,411	5.87%	27.24	\$5,694,749	1,446	\$3,940

**MORTGAGE INSURANCE INFORMATION FOR FIRST MORTGAGE LOANS  
AS OF FEBRUARY 1, 2008**

Series of Bonds	Private Mortgage Insurance	FHA – Insured	VA – Guaranteed	RHCDS-Guaranteed	Uninsured
2001AA	8%	61%	6%	4%	5%
2002A	3%	85%	6%	3%	2%
2002B	5%	81%	7%	3%	3%
2002C	6%	82%	6%	2%	2%
2003A	3%	87%	8%	1%	2%
2003B	5%	83%	5%	3%	3%
2003C	3%	86%	5%	2%	3%
2004A	6%	73%	11%	4%	7%
2004B	5%	78%	13%	2%	2%
2005A	5%	78%	11%	2%	3%
2005B	7%	76%	10%	3%	4%
2006A	11%	67%	14%	2%	7%
2006B	23%	54%	9%	3%	9%
2006C	25%	60%	6%	2%	4%
2007A	43%	43%	7%	2%	4%
2007B	42%	45%	8%	1%	4%
Average for Portfolio	16%	67%	8%	3%	4%

**INFORMATION CONCERNING PROPERTY TYPES FOR FIRST MORTGAGE LOANS  
AS OF FEBRUARY 1, 2008**

Series of Bonds	Single Family Detached	Condo/Townhome	Other
2001AA	80%	14%	6%
2002A	73%	25%	2%
2002B	71%	27%	3%
2002C	66%	31%	3%
2003A	68%	29%	3%
2003B	68%	29%	2%
2003C	71%	26%	4%
2004A	72%	25%	3%
2004B	75%	21%	4%
2005A	74%	22%	4%
2005B	70%	26%	4%
2006A	71%	24%	5%
2006B	73%	22%	5%
2006C	67%	24%	9%
2007A	69%	20%	11%
2007B	69%	22%	10%
Average for Portfolio	71%	24%	5%

**FORECLOSURE AND DELINQUENCY STATISTICS  
FOR FIRST AND SECOND MORTGAGES (1)  
AS OF FEBRUARY 1, 2008**

Series of Bonds	Loans Financed	Loans Prepaid in Full	Loans Foreclosed to Date	Real Estate Owned	Mortgage Loans Outstanding	Delinquencies 60-90 Days	Percentage of Total Loans Delinquent 60-90 Days*	Loans in Foreclosure	Percentage of Loans in Foreclosure*	Percentage of All Loans Delinquent and Foreclosure*
2001AA	10,138	3,427	106	9	6,605	75	6.69%	13	0.86%	7.55%
2002A	1,208	679	65	3	464	38	8.49%	12	1.88%	10.36%
2002B	1,749	838	91	4	820	56	9.65%	26	3.15%	12.80%
2002C	2,066	935	68	4	1,063	58	8.21%	19	1.88%	10.08%
2003A	673	258	39	0	376	40	11.05%	15	3.38%	14.43%
2003B	2,572	902	71	0	1,599	79	7.32%	25	1.98%	9.30%
2003C	949	241	39	2	669	47	6.93%	16	1.77%	8.71%
2004A	907	158	30	2	719	55	7.24%	14	1.47%	8.71%
2004B	686	99	11	1	576	36	6.46%	21	2.39%	8.85%
2005A	698	82	16	0	600	47	8.13%	13	2.06%	10.19%
2005B	1,244	121	19	5	1,104	74	7.31%	27	2.05%	9.36%
2006A	772	49	2	0	721	38	5.49%	10	0.89%	6.38%
2006B	2,257	61	4	1	2,192	76	5.77%	14	0.93%	6.70%
2006C	2,339	35	1	0	2,303	47	4.71%	7	0.56%	5.26%
2007A	1,100	2	0	0	1,098	28	2.41%	4	0.28%	2.69%
2007B	1,133	0	0	0	1,133	21	1.96%	0	0.00%	1.96%
<b>Total</b>	<b>30,491</b>	<b>7,887</b>	<b>562</b>	<b>31</b>	<b>22,042</b>	<b>815</b>	<b>6.08%</b>	<b>236</b>	<b>1.33%</b>	<b>7.42%</b>

(1) Estimated

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

As of February 1, 2008, the following balances were held in the respective subaccounts under the Master Indenture:

<u>Accounts</u>	<u>Amounts on Deposit (as of February 1, 2008) (1)(2)</u>
<u>2001AA Subaccount:</u>	
Loan Recycling Account	\$17,237,565
<u>2002A Subaccount:</u>	
Loan Recycling Account	52,417
<u>2002B Subaccount:</u>	
Loan Recycling Account	1,643,175
<u>2002C Subaccount:</u>	
Loan Recycling Account	1,648,802
<u>2003A Subaccount:</u>	
Loan Recycling Account	45,950
<u>2003B Subaccount:</u>	
Loan Recycling Account	332,796
<u>2004A Subaccount:</u>	
Loan Recycling Account	149,985
<u>2004B Subaccount:</u>	
Acquisition Account	112
<u>2005A Subaccount:</u>	
Acquisition Account	17,093
<u>2005B Subaccount:</u>	
Acquisition Account	12,590
Loan Recycling Account	226,770
<u>2006A Subaccount:</u>	
Acquisition Account	27,330
<u>2006B Subaccount:</u>	
Acquisition Account	111,849
Loan Recycling Account	122,220
<u>2006C Subaccount:</u>	
Acquisition Account	4,556,621
<u>2007A Subaccount:</u>	
Acquisition Account	7,735,638
<u>2007B Subaccount:</u>	
Acquisition Account	<u>15,010,574</u>
 Total	 <u>\$48,931,487</u>

- (1) As of May 8, 2008, mortgage loans were being held and warehoused by the Authority with a principal balance of approximately \$242.8 million, some of which may be designated for acquisition with amounts on deposit in the subaccounts of the Loan Recycling Account and the Acquisition Account.
- (2) Amounts on deposit in the subaccounts shown in the above table may also be used to acquire mortgage loans for which a reservation has been made but which have not yet been originated. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage Loan Rates; Amounts" for information about current reservations.

## APPENDIX C-1

### Certain Terms of the Initial 2008A-1 Liquidity Facility

The 2008A-1 Liquidity Facility Provider is entering a Standby Bond Purchase Agreement relating to the Taxable 2008 Series A-1 Bonds (the "**Initial 2008A-1 Liquidity Facility**"). This Appendix contains a brief summary of certain provisions of the Initial 2008A-1 Liquidity Facility, as well as certain defined terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2008A Liquidity Facility are qualified by reference to the related documents. The Initial 2008A-1 Liquidity Facility may be amended at any time without the consent of or notice to holders of Taxable 2008 Series A-1 Bonds. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2008A-1 Liquidity Facility. All capitalized terms used in this Appendix C-1 not otherwise defined shall have the meaning assigned to them in the Initial 2008A-1 Liquidity Facility.

*For information regarding the 2008A-1 Liquidity Facility Provider, see **Appendix D-1**.*

Pursuant to the Initial 2008A-1 Liquidity Facility, the 2008A-1 Liquidity Facility Provider will agree, subject to the terms and conditions therein, to purchase the Taxable 2008 Series A-1 Bonds, which are tendered by the owners thereof to the Paying Agent or are subject to mandatory purchase, but which in either case are not remarketed by the Remarketing Agent. The Initial 2008A-1 Liquidity Facility will expire on June 3, 2011, unless extended or terminated as described therein.

#### Certain Definitions with respect to the Initial 2008A-1 Liquidity Facility

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

"Available Interest Commitment" means initially, an amount equal to \$3,629,590, which amount equals 184 days' interest on the amount of Available Principal Commitment based upon an assumed rate of interest of 12.00% per annum and a 365-day year and, thereafter, means such amount adjusted from time to time as follows:

(A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a) or (b) of the definition of "Available Principal Commitment," bears to the initial Available Principal Commitment; and

(B) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition of "Available Principal Commitment," bears to the initial Available Principal Commitment provided that after giving effect to such adjustment the Available Interest Commitment shall never exceed \$3,629,590.

"Available Principal Commitment" means, initially, the principal amount of the Taxable 2008 Series A-1 Bonds Outstanding (as detailed on the cover page hereof) of \$60,000,000 and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory or voluntary reduction of the Available Principal Commitment pursuant to the Initial 2008A-1 Liquidity Facility;

(b) downward by the principal amount of any Taxable 2008 Series A-1 Bonds purchased by the 2008A-1 Liquidity Facility Provider pursuant to the Initial 2008A-1 Liquidity Facility; and

(c) upward by the principal amount of any Taxable 2008 Series A-1 Bonds theretofore purchased by the 2008A-1 Liquidity Facility Provider pursuant to the Initial 2008A-1 Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial 2008A-1 Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

*provided, however,* that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed the original principal amount of such Taxable 2008 Series A-1 Bonds. Any adjustment to the Available Principal Commitment as described in clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Commitment Period" means the period from the date of delivery of the Initial 2008A-1 Liquidity Facility to and including the earliest of (i) June 3, 2011 (or to an extended date as may become effective under the Initial 2008A-1 Liquidity Facility), (ii) the date on which no Taxable 2008 Series A-1 Bonds covered by the Initial 2008A-1 Liquidity Facility are outstanding, (iii) the close of business on the date on which the Taxable 2008 Series A-1 Bonds are converted to a Fixed Interest Rate or the SAVRS Rate, (iv) the close of business on the 30<sup>th</sup> day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Trustee and Paying Agent of a Notice of Termination Date, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety due to the redemption, repayment or other payment of all of the principal amount of the Taxable 2008 Series A-1 Bonds or due to the delivery of an Alternate Liquidity Facility or due to the occurrence of an event of default which causes an immediate termination of the Available Commitment or due to voluntary termination by the Authority.

"Parity Obligations" means any Class I Bonds now (excluding the Taxable 2008 Series A-1 Bonds) or hereafter Outstanding under the terms of the Master Indenture.

"Purchase Date" means a Business Day on which the Taxable 2008 Series A-1 Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any Taxable 2008 Series A-1 Bond that is deemed an "Eligible Bond" under the Initial 2008A-1 Liquidity Facility, 100% of the principal amount of such Taxable 2008 Series A-1 Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however,* if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further,* in no event shall the Purchase Price of any Eligible Bond include any premium owed with respect to any Taxable 2008 Series A-1 Bond or any Defaulted Interest in the excess of any amount specified in the Initial 2008A-1 Liquidity Facility.

**THE INITIAL 2008A-1 LIQUIDITY FACILITY PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE TAXABLE 2008 SERIES A-1 BONDS AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.**



## **Conditions Precedent to Obligations of 2008A-1 Liquidity Facility Provider**

The obligation of the 2008A-1 Liquidity Facility Provider to purchase the Taxable 2008 Series A-1 Bonds on any particular Purchase Date under the Initial 2008A-1 Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by such 2008A-1 Liquidity Facility Provider: (i) that the 2008A-1 Liquidity Facility Provider shall have timely received the Notice of Bank Purchase as provided in the Initial 2008A-1 Liquidity Facility, and (ii) that no Special Event of Default or Suspension Event (each as defined below) shall have occurred and be continuing and the Bank's obligations thereunder shall not otherwise have been terminated or suspended.

## **Termination by 2008A-1 Liquidity Facility Provider**

Each of the following Events of Default shall apply to the Initial 2008A-1 Liquidity Facility unless otherwise denoted below. In the case of any of the following Events of Default (each a "**Special Event of Default**"):

(i) The Authority shall fail to pay when due principal of, or interest on, the Taxable 2008 Series A-1 Bonds, including without limitation, Bank Bonds (other than as a result of acceleration of the payment of any Bank Bond pursuant to the Initial 2008A-1 Liquidity Facility), or any other Parity Obligation;

(ii) One or more final, unappealable judgments against the Authority or the Trust Estate for the payment of money, and not covered by insurance, or attachments against the property of the Authority or the Trust Estate, the operation or result of which, individually or in the aggregate, equal or exceed \$10,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of thirty (30) days;

(iii) (a) the Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debt, or seeking to declare a moratorium with respect to the payment of principal or interest on any Bond (including any Bank Bond) or any Parity Obligation, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Trust Estate, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Authority, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Trust Estate, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Authority shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or (f) a moratorium is declared with respect to the payment of principal or interest on any Taxable 2008 Series A-1 Bond (including any Bank Bond) or any Parity Obligation;

(iv) (a) any material provision of the Initial 2008A-1 Liquidity Facility, the Taxable 2008 Series A-1 Bonds, the Master Indenture, the 2008 Series A Indenture or the Remarketing Agreement related to (A) the payment of principal of or interest on the Taxable 2008 Series A-1 Bonds (including

Bank Bonds) and any Parity Obligations, as applicable, or (B) the validity and enforceability of the pledge of and lien on the Trust Estate securing the payment of the principal and interest on the Bonds (including Bank Bonds) or any Parity Obligations shall at any time for any reason cease to be valid and binding on the Authority as a result of federal or state legislative or final, nonappealable administrative action, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable;

(v) the long-term ratings by S&P and Moody's of the Taxable 2008 Series A-1 Bonds or any other Parity Obligations (as defined in the Initial 2008A-1 Liquidity Facility) not supported by credit enhancement shall be withdrawn or suspended for credit-related reasons or reduced below "BBB-" by S&P and "Baa3" by Moody's;

then, in any such event, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the 2008A-1 Liquidity Facility Provider shall immediately terminate and expire without requirement of notice by the 2008A-1 Liquidity Facility Provider. After such termination, the 2008A-1 Liquidity Facility Provider shall deliver, within five (5) Business Days, to the Authority, the Trustee, the Paying Agent and the 2008A Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

Upon the occurrence of an event which, with the passage of time would become an Event of Default under paragraph (iii) above (a "**Suspension Event**"), the obligation of the 2008A-1 Liquidity Facility Provider to purchase Taxable 2008 Series A-1 Bonds under the Initial 2008A-1 Liquidity Facility shall be immediately suspended without notice or demand to any person, and thereafter the 2008A-1 Liquidity Facility Provider shall be under no obligation to purchase the Taxable 2008 Series A-1 Bonds until the proceedings referred to in paragraph (iii) are terminated. In the event such case or proceeding is terminated, the obligations of the 2008A-1 Liquidity Facility Provider to purchase Taxable 2008 Series A-1 Bonds shall be reinstated and the terms thereof will continue in full force and effect (unless the obligations of the 2008A-1 Liquidity Facility Provider to purchase Taxable 2008 Series A-1 Bonds shall have otherwise terminated in accordance with the terms thereof or there shall have occurred a Special Event of Default) as if there had been no such suspension.

Upon the occurrence of other Events of Default not described as Special Events of Default or a Suspension Event above (including failure of the Authority to pay certain other amounts due to the 2008A-1 Liquidity Facility Provider and the breach of covenants or representations made by the Authority in the Initial 2008A-1 Liquidity Facility), such 2008A-1 Liquidity Facility Provider may, among other remedies, give notice of such Event of Default and require the termination of the Initial 2008A-1 Liquidity Facility to the Trustee, which would constitute a Liquidity Expiration Event under the Indenture and result in a mandatory tender of the Taxable 2008 Series A-1 Bond. See "Part I – TERMS OF THE 2008 SERIES A BONDS – 2008A Adjustable Rate Bonds – Mandatory Purchase."

### **Termination by Authority**

The Authority agrees not to terminate the Initial 2008A-1 Liquidity Facility or replace the Initial 2008A-1 Liquidity Facility prior to the first anniversary of the delivery of the Taxable 2008 Series A-1 Bond except upon (a)(i) the withdrawal, suspension or reduction in the rating assigned to the 2008A-1 Liquidity Facility Provider's senior unsecured short-term obligations by Moody's or S&P below "P1" or A-1," respectively, (ii) the payment to the 2008A-1 Liquidity Facility Provider of all fees, expenses and other amounts payable the Initial 2008A-1 Liquidity Facility, (iii) the payment to the 2008A-1 Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds and (iv) providing the 2008A-1 Liquidity Facility Provider notice of its intention to do so at least thirty (30) days prior to the date of such termination, or (b)(i) the payment by the Authority to the 2008A-1 Liquidity Facility

Provider of a specified termination fee, (ii) the payment to the 2008A-1 Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2008A-1 Liquidity Facility, (iii) the payment to the 2008A-1 Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds and (iv) providing the 2008A-1 Liquidity Facility Provider notice of its intention to do so at least thirty (30) days prior to the date of such termination or replacement; provided that all payments to the 2008A-1 Liquidity Facility Provider referred to in clauses (a)(ii), (a)(iii), (b)(i), (b)(ii) and (b)(iii) above shall be made with immediately available funds. In the event of such termination, the Authority may be required to replace the Initial 2008A-1 Liquidity Facility with an Alternate Liquidity Facility. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Liquidity Facilities."

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## APPENDIX C-2

### Certain Terms of the Initial 2008A-2/A-3 Liquidity Facility

The 2008A-2/A-3 Liquidity Facility Provider is entering a Standby Bond Purchase Agreement relating to the Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds (the "**Initial 2008A-2/A-3 Liquidity Facility**"). This Appendix contains a brief summary of certain provisions of the Initial 2008A-2/A-3 Liquidity Facility, as well as certain defined terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2008A-2/A-3 Liquidity Facility are qualified by reference to the related documents. The Initial 2008A-2/A-3 Liquidity Facility may be amended at any time without the consent of or notice to holders of Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2008A-2/A-3 Liquidity Facility. All capitalized terms used in this Appendix C-2 not otherwise defined shall have the meaning assigned to them in the Initial 2008A-2/A-3 Liquidity Facility.

*For information regarding the 2008A-2/A-3 Liquidity Facility Provider, see **Appendix D-2**.*

Pursuant to the Initial 2008A-2/A-3 Liquidity Facility, the 2008A-2/A-3 Liquidity Facility Provider will agree, subject to the terms and conditions therein, to purchase the Taxable 2008 Series A-2 Bonds or the 2008 Series A-3 Bonds, which are tendered by the owners thereof to the Paying Agent or are subject to mandatory purchase but are not remarketed by the Remarketing Agent. The Initial 2008A-2/A-3 Liquidity Facility will expire on June 4, 2011, unless extended or terminated as described therein.

### Certain Definitions with respect to the Initial 2008A-2/A-3 Liquidity Facility

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

"Available Interest Commitment" means an amount equal to one hundred eighty-four (184) days' interest on the Available Principal Commitment for the Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, based upon an assumed rate of interest of 12.00% per annum (in the case of the Taxable 2008 Series A-2 Bonds) and 10.00% per annum (in the case of the 2008 Series A-3 Bonds) and a 360-day year comprised of twelve 30-day months, as such amount shall be adjusted from time to time as follows:

(A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the applicable Available Principal Commitment, in accordance with clause (a) or (b) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment; and

(B) upward by an amount that bears the same proportion to such amount as the amount of any increase in the applicable Available Principal Commitment, in accordance with clause (c) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment.

"Available Principal Commitment" means initially the principal amount of the Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds Outstanding (as detailed on the cover page hereof), as applicable, and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the applicable Available Principal Commitment pursuant to the Initial 2008A-2/A-3 Liquidity Facility;

(b) downward by the principal amount of any Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, purchased by the 2008A-2/A-3 Liquidity Facility Provider pursuant to the Initial 2008A-2/A-3 Liquidity Facility; and

(c) upward by the principal amount of any Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, theretofore purchased by the 2008A-2/A-3 Liquidity Facility Provider pursuant to the Initial 2008A-2/A-3 Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial 2008A-2/A-3 Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

*provided, however*, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed the original principal amount of such Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable. Any adjustment to the Available Principal Commitment as described in clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Commitment Period" means the period from the date of delivery of the Initial 2008A-2/A-3 Liquidity Facility to and including the earliest of (i) June 4, 2011 (or to an extended date as may become effective under the Initial 2008A-2/A-3 Liquidity Facility), (ii) the date on which no Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, covered by the Initial 2008A-2/A-3 Liquidity Facility are outstanding, (iii) the close of business on the first day on which all of the Taxable 2008 Series A-2 Bonds and 2008 Series A-3 Bonds are converted to a rate other than a Covered Rate, (iv) the close of business on the 30<sup>th</sup> day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Paying Agent of a Notice of Termination Date, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety due to the redemption, repayment or other payment of all of the principal amount of the Taxable 2008 Series A-2 Bonds and 2008 Series A-3 Bonds or due to the delivery of an Alternate Liquidity Facility or due to the occurrence of an event of default which causes an immediate termination of the Available Commitment.

"Covered Rate" means with respect to any Taxable 2008 Series A-2 Bond or 2008 Series A-3 Bond, the Weekly Rate or Term Rate.

"Parity Obligations" means Class I Bonds now or hereafter Outstanding under the terms of the Master Indenture.

"Purchase Date" means a Business Day on which the Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any Taxable 2008 Series A-2 Bond or 2008 Series A-3 Bond, as applicable, that is deemed an "Eligible Bond" under the Initial 2008A-2/A-3 Liquidity Facility, 100% of the principal amount of such Taxable 2008 Series A-2 Bond or 2008 Series A-3 Bond, as applicable, plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however*, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further*, in no event shall the Purchase Price of any Eligible Bond include any premium owed with respect to any Taxable 2008 Series A-2 Bond or 2008 Series A-3 Bond, as

applicable, or any Defaulted Interest in the excess of any amount specified in the Initial 2008A-2/A-3 Liquidity Facility.

**THE INITIAL 2008A-2/A-3 LIQUIDITY FACILITY PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE TAXABLE 2008 SERIES A-2 BONDS OR 2008 SERIES A-3 BONDS, AS APPLICABLE, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.**

#### **Conditions Precedent to Obligations of 2008A-2/A-3 Liquidity Facility Provider**

The obligation of the 2008A-2/A-3 Liquidity Facility Provider to purchase the Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, on any particular Purchase Date under the Initial 2008A-2/A-3 Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by such 2008A-2/A-3 Liquidity Facility Provider: (i) that the 2008A-2/A-3 Liquidity Facility Provider shall have timely received the Notice of Bank Purchase as provided in the Initial 2008A-2/A-3 Liquidity Facility, and (ii) that no Special Event of Default or Suspension Event (each as defined below) shall have occurred and be continuing.

#### **Termination by 2008A-2/A-3 Liquidity Facility Provider**

Each of the following Events of Default shall apply to both of the Initial 2008A-2/A-3 Liquidity Facility unless otherwise denoted below. In the case of any of the following Events of Default (each a "**Special Events of Default**"):

(i) failure by the Authority to pay when due principal of, or interest on, any Taxable 2008 Series A-2 Bond or 2008 Series A-3 Bond, including without limitation, Bank Bonds (other than as a result of acceleration of the payment of any Bank Bond pursuant to the Initial 2008A-2/A-3 Liquidity Facility), or any other Parity Obligation (as defined in the Initial 2008A-2/A-3 Liquidity Facility);

(ii) One or more final, unappealable judgments against the Authority payable from the Trust Estate or against the Trust Estate for the payment of money, and not covered by insurance, or attachments against the Trust Estate, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days;

(iii) (a) the Authority shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, (A) relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or seeking to declare a moratorium with respect to obligations of the Authority, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Trust Estate, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Authority, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Trust Estate, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) the Authority shall take any action in furtherance of, or indicating its consent to,

approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Authority shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or (f) a moratorium is imposed by a finding or ruling by a court or governmental authority with competent jurisdiction over the Authority with respect to obligations of the Authority;

(iv) (a) any material provision of the Initial 2008A-2/A-3 Liquidity Facility or any Related Document (other than this Official Statement) related to (A) payment of principal of or interest on the Taxable 2008 Series A-1 Bonds or the 2008 Series A-3 Bonds, as applicable (including Bank Bonds) and other Parity Bonds, as applicable, or (B) the validity and enforceability of the pledge of the Trust Estate shall at any time for any reason cease to be valid and binding on the Authority as a result of a finding or ruling by a court or governmental authority with competent jurisdiction over the Authority, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable, or (b) the validity or enforceability of the Initial 2008A-2/A-3 Liquidity Facility, the Master Indenture or the 2008 Series A Indenture shall, in a judicial proceeding or any other official action commenced by the Authority, be contested by the Authority in said proceeding or action or the Authority shall deny that it has any further liability or obligation under any such document;

(v) the long-term ratings by S&P and Moody's of the Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, or any other Parity Obligations (as defined in the Initial 2008A-2/A-3 Liquidity Facility) not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's, other than as a result of debt maturity, redemption, defeasance, non-application and non-provision of information; or

then, in any such event, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the 2008A-2/A-3 Liquidity Facility Provider shall immediately terminate and expire without requirement of notice by the 2008A-2/A-3 Liquidity Facility Provider. After such termination, the 2008A-2/A-3 Liquidity Facility Provider shall deliver, within two (2) Business Days, to the Authority, the Trustee, the Paying Agent and the 2008A Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

Immediately upon the occurrence of an Event of Default under paragraph (iii)(b) or (c) above (and without giving effect to the applicable grace period specified therein) or paragraph (iv)(a) above (following the entry of an order or judgment subject to further proceedings and prior to the entry of a final nonappealable order or judgment) (each a "**Suspension Event**"), the obligation of the 2008A-2/A-3 Liquidity Facility Provider to purchase Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, under the Initial 2008A-2/A-3 Liquidity Facility shall be immediately suspended until the proceedings referred to in paragraph (iii)(b) or (c) are terminated prior to the court entering an order granting the relief sought in such proceedings or a final nonappealable order or judgment referred to in paragraph (iv)(a) has been obtained. In the event proceedings referred to in paragraph (iii)(b) or (c) are terminated within sixty (60) days of commencement or (subject to the following sentence) a court with jurisdiction to rule on the matters described in paragraph (iv)(a) shall find or rule that the applicable provision is valid and binding on the Authority, the obligations of the 2008A-2/A-3 Liquidity Facility Provider to purchase Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds, as applicable, under the Initial 2008A-2/A-3 Liquidity Facility shall be reinstated and the terms thereof will continue in full force and effect (unless the obligations of the 2008A-2/A-3 Liquidity Facility Provider to purchase Taxable 2008 Series A-2 Bonds or 2008 Series A-3 Bonds thereunder, as applicable, shall have otherwise terminated in accordance with the terms thereof) as if there had been no such suspension. If such proceedings are not terminated within sixty (60) days or litigation is still pending and a final nonappealable order or judgment has not been obtained within two (2) years, the 2008A-2/A-3 Liquidity Facility Provider's obligations shall immediately terminate.



Upon the occurrence of other Events of Default not described as Special Events of Default or a Suspension Event above (including failure of the Authority to pay certain other amounts due to the 2008A-2/A-3 Liquidity Facility Provider and the breach of covenants or representations made by the Authority in the Initial 2008A-2/A-3 Liquidity Facility), such 2008A-2/A-3 Liquidity Facility Provider may, among other remedies, give notice of such Event of Default and require the termination of the related Initial 2008A-2/A-3 Liquidity Facility to the Trustee, which would constitute a Liquidity Expiration Event under the Indenture and result in a mandatory tender of the Taxable 2008 Series A-2 Bonds and 2008 Series A-3 Bonds, as applicable. See "Part I – TERMS OF THE 2008 SERIES A BONDS – 2008A Adjustable Rate Bonds – Mandatory Purchase."

### **Termination by Authority**

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2008A-2/A-3 Liquidity Facility Provider's senior unsecured short-term obligations by Moody's or S&P below "P-1" or "A-1," respectively, or the default by the 2008A-2/A-3 Liquidity Facility Provider in honoring its payment obligations under the Initial 2008A-2/A-3 Liquidity Facility or the 2008A-2/A-3 Liquidity Facility Provider seeking recovery of amounts described in the Initial 2008A-2/A-3 Liquidity Facility for certain specified reasons, (ii) the payment to the 2008A-2/A-3 Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2008A-2/A-3 Liquidity Facility, and (iii) the payment to the 2008A-2/A-3 Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2008A-2/A-3 Liquidity Facility. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Liquidity Facilities."

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## APPENDIX D-1

### 2008A-1 Liquidity Facility Provider

*The following information has been obtained from the 2008A-1 Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.*

The BNP Paribas Group (the "**Group**") (of which BNP Paribas, a French corporation (*société anonyme*), is the parent company) is engaged in banking and financial services. It has approximately 163,000 employees, 127,000 of whom are based in Europe. The Group occupies positions in three fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It is present in 85 countries and has a presence in all the key financial centres. Present throughout Europe, in all its business lines, France and Italy are its two domestic markets in retail banking. BNP Paribas enjoys a presence in the United States, Asia and in emerging markets.

At 31 December 2007, the Group had consolidated assets of €1,694.5 billion (compared to €1,440.3 billion at 31 December 2006), consolidated loans and receivables due from customers of €445.1 billion (compared to €393.1 billion at 31 December 2006), consolidated items due to customers of €346.7 billion (compared to €298.7 billion at 31 December 2006) and shareholders' equity (Group share including income for 2007) of €53.8 billion (compared to €49.5 billion at 31 December 2006). Pre-tax net income for the year ended 31 December 2007 was €1.1 billion (compared to €10.6 billion for the year ended 31 December 2006). Net income, Group share, for the year ended 31 December 2007 was €7.8 billion (compared to €7.3 billion for the year ended 31 December 2006).

At 31 December 2007, the Group had long-term senior debt ratings of Aa1 with stable outlook from Moody's, AA+ with stable outlook from S&P and AA with stable outlook from Fitch.

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses". Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, Italian Retail Banking (BNL bc) and International Retail Banking and Financial Services. The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, which are conducted outside of its core businesses.

The information concerning BNP Paribas and the Group contained herein is furnished solely to provide limited introductory information regarding BNP Paribas and the Group and does not purport to be comprehensive.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP Paribas or the Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

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## APPENDIX D-2

### 2008A-2/A-3 Liquidity Facility Provider

*The following information has been obtained from the 2008A-2/A-3 Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.*

Dexia Credit Local ("**Dexia**" or the "**2008A-2/A-3 Liquidity Facility Provider**") is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 20 billion euros as of December 31, 2007, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in La Défense, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia. Dexia is the leading local authority lender in Europe, funding its lending activities in 2007 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2007, total funding raised by Dexia and Dexia Municipal Agency was 18.2 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. ("FSA Holdings"), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2007, Dexia had total consolidated assets of 345 billion euros, outstanding medium and long-term loans to customers of 285.1 billion euros and shareholders' equity of over 6.29 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 991 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2007, the exchange rate was 1.0000 euro equals 1.4721 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa1 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

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**APPENDIX E**

**Form of 2008A Bond Counsel Opinion**

\_\_\_\_\_, 2008

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

Colorado Housing and Finance Authority  
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-1  
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-2  
Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-3

Single Family Mortgage Class II Bonds, 2008 Series A-4

and

Single Family Mortgage Class III Bonds, 2008 Series A-5

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 Rate Bonds, 2008 Series A-1 (the "Taxable 2008 Series A-1 Bonds"), Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-2 (the "Taxable 2008 Series A-2 Bonds"), Single Family Mortgage Class I Adjustable Rate Bonds, 2008 Series A-3 (the "2008 Series A-3 Bonds"), Single Family Mortgage Class II Bonds, 2008 Series A-4 (the "2008 Series A-4 Bonds") and Single Family Mortgage Class III Bonds, 2008 Series A-5 (the "2008 Series A-5 Bonds" and, together with the Taxable 2008 Series A-1 Bonds, the Taxable 2008 Series A-2 Bonds, the 2008 Series A-3 Bonds and the 2008 Series A-4 Bonds, the "Bonds") in the aggregate principal amount of \$348,955,000. 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 (the "Master Indenture") as supplemented by the 2008 Series A Indenture dated as of June 1, 2008 (the "2008 Series A Indenture" and, together with the Master Indenture, 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 Taxable 2008 Series A-1 Bonds, the Taxable 2008 Series A-2 Bonds, the 2008 Series A-3 Bonds and the 2008 Series A-4 Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture. The 2008 Series A-5 Bonds constitute valid and binding obligations of the Authority, payable from the Revenues and other assets pledged thereto under the Indenture and also constitute general obligations of the Authority for the payment of which the Authority has pledged its full faith and credit, subject only to the provisions of any agreements with the owners of particular notes, bonds or other obligations pledging any particular revenues or assets to the payment thereof.

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 2008 Series A-3 Bonds, the 2008 Series A-4 Bonds and the 2008 Series A-5 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"); however, interest on the 2008 Series A-3 Bonds and the 2008 Series A-4 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2008 Series A-5 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

4. Interest on the Taxable 2008 Series A-1 Bonds and the Taxable 2008 Series A-2 Bonds is not excluded from gross income for federal income tax purposes.

5. 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.



We understand that BNP Paribas, acting through its San Francisco Branch, has delivered a Standby Bond Purchase Agreement with respect to the Taxable 2008 Series A-1 Bonds, and that Dexia Crédit Local, acting through its New York Branch, has delivered a Standby Bond Purchase Agreement with respect to the Taxable 2008 Series A-2 Bonds and the 2008 Series A-3 Bonds. We express no opinion as to the validity or enforceability of Standby Bond Purchase Agreements or the security afforded thereby.

The provisions of this opinion letter concerning federal tax issues were not 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,

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## 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 111.5% for the Class I Asset Requirement, 105% 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 Years  
ended December 31, 2007 and 2006  
and Independent Auditor's Reports**

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## Independent Auditor's Report

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, 2007, 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 an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Colorado Housing and Finance Authority's December 31, 2006 basic financial statements and, in our report dated March 29, 2007, we expressed unqualified opinions on the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2008 on our consideration of Colorado Housing and Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

The introductory section listed in the table of contents 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.

*Clifton Henderson LLP*

Greenwood Village, Colorado  
March 27, 2008

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, 2007. This analysis should be read in conjunction with the Authority’s financial statements and accompanying notes.

## Financial Highlights

- Net assets as of December 31, 2007, were \$282.4 million, an increase of \$21.3 million, or 8.2%, compared to net assets of \$261.0 million as of December 31, 2006, increasing the Authority’s capital position. Net assets as a percent of total assets decreased slightly from 7.93% as of December 31, 2006, to 7.85% as of December 31, 2007.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, the increase in net assets of \$21.3 million for 2007 represents a \$3.1 million, or 17.2%, increase compared to the increase in net assets for 2006 of \$18.2 million. This \$3.1 million increase was primarily due to \$6.7 million in gains on the sales of various apartment complexes owned by the Authority, discussed in more detail below, and a \$2.2 million net increase in the fair value of investments for 2007 compared to a \$2.5 million net decrease in 2006. Partially offsetting these items was a \$0.5 million provision for loan and other real estate losses in 2007 compared to a \$4.4 million negative provision for such losses in 2006, discussed in more detail below. Profitability, as measured by return on average net assets, was 7.85% in 2007 compared to 7.22% in 2006.
- Total net loans receivable as of December 31, 2007, were \$2.9 billion, an increase of \$392.3 million, or 15.7%, compared to the amount outstanding as of December 31, 2006.
- The increase in loans receivable was funded primarily by an increase in debt. As of December 31, 2007, total debt outstanding was \$3.2 billion, an increase of \$271.0 million, or 9.1%, compared to the balance at December 31, 2006.

## 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. 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

### Statement of Net Assets

The following table presents condensed information about the financial position of the Authority as of December 31, 2007, and 2006, and changes in the balances of selected items during the fiscal year ended December 31, 2007.

As of December 31, (in thousands)	2007	2006	\$ Change	% Change
<b>Assets</b>				
<b>Current assets</b>	\$ 657,622	\$ 625,280	\$ 32,342	5.2%
<b>Noncurrent assets:</b>				
Investments	81,313	185,265	(103,952)	-56.1%
Loans receivable, net	2,788,844	2,409,656	379,188	15.7%
Capital assets, net	32,723	41,183	(8,460)	-20.5%
Other assets	36,483	32,291	4,192	13.0%
Total noncurrent assets	2,939,363	2,668,395	270,968	10.2%
<b>Total assets</b>	\$ 3,596,985	\$ 3,293,675	\$ 303,310	9.2%
<b>Liabilities</b>				
<b>Current liabilities</b>	\$ 137,051	\$ 222,242	\$ (85,191)	-38.3%
<b>Noncurrent liabilities:</b>				
Bonds and notes payable, net	3,165,109	2,800,033	365,076	13.0%
Other liabilities	12,461	10,355	2,106	20.3%
Total noncurrent liabilities	3,177,570	2,810,388	367,182	13.1%
<b>Total liabilities</b>	3,314,621	3,032,630	281,991	9.3%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	11,215	9,134	2,081	22.8%
Restricted by bond indentures	124,948	114,920	10,028	8.7%
Unrestricted	146,201	136,991	9,210	6.7%
Total net assets	282,364	261,045	21,319	8.2%
<b>Total liabilities and net assets</b>	\$ 3,596,985	\$ 3,293,675	\$ 303,310	9.2%

Total loans receivable increased \$392.3 million, or 15.7%, during the current year, of which the noncurrent portion of the increase was \$379.2 million. This increase is largely due to new loan purchases and originations of approximately \$607.0

million, offset by loan repayments and prepayments that resulted in total principal reductions of \$212.6 million. This growth in loans receivable was primarily funded by use of bond proceeds, discussed below, in addition to the use of proceeds from sales and maturities of short-term investments

Current liabilities decreased \$85.2 million, or 38.3%, compared to 2006. This decrease was due to the maturity of \$157.7 million of short-term bonds related to the Authority’s private activity bond volume cap preservation program, partially offset by an increase of \$56.3 million in the amount borrowed under the Authority’s line of credit with the Federal Home Loan Bank. Noncurrent bonds and notes payable increased \$365.1 million, or 13.0%, compared to December 31, 2006, as a result of various new bond issues. Additional information on the Authority’s debt activities is provided under “Debt Administration”.

### Statement of Revenues, Expenses and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2007, and 2006, and the change from the prior year.

<b>For the years ended December 31, (in thousands)</b>	<b>2007</b>	<b>2006</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Operating revenues:</b>				
Interest on loans receivable	\$ 147,573	\$ 121,839	\$ 25,734	21.1%
Investment income	27,727	34,384	(6,657)	-19.4%
Net increase (decrease) in the fair value of investments	2,245	(2,468)	4,713	-191.0%
Rental income	10,882	11,638	(756)	-6.5%
Other revenues	17,625	15,449	2,176	14.1%
<b>Total operating revenues</b>	<b>206,052</b>	<b>180,842</b>	<b>25,210</b>	<b>13.9%</b>
<b>Operating expenses:</b>				
Interest on debt	155,406	134,364	21,042	15.7%
Salaries and related benefits	14,341	12,721	1,620	12.7%
General operating	16,835	15,426	1,409	9.1%
Other interest expense	1,588	1,845	(257)	-13.9%
Depreciation	2,722	2,651	71	2.7%
Provision for losses	500	(4,357)	4,857	-111.5%
<b>Total operating expenses</b>	<b>191,392</b>	<b>162,650</b>	<b>28,742</b>	<b>17.7%</b>
<b>Total operating income</b>	<b>14,660</b>	<b>18,192</b>	<b>(3,532)</b>	<b>-19.4%</b>
<b>Nonoperating revenues and expenses, net</b>	<b>6,659</b>	<b>-</b>	<b>6,659</b>	<b>0.0%</b>
<b>Change in net assets</b>	<b>21,319</b>	<b>18,192</b>	<b>3,127</b>	<b>17.2%</b>
<b>Net assets:</b>				
Beginning of year	261,045	242,853	18,192	7.5%
End of year	\$ 282,364	\$ 261,045	\$ 21,319	8.2%

Interest earned on loans of \$147.6 million, interest income on investments of \$27.7 million and interest expense on debt of \$155.4 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$206.1 million in 2007, an increase of \$25.2 million, or 13.9%, compared to 2006. Interest on loans receivable climbed \$25.7 million, or 21.1%, over the 2006 amount. This increase is primarily the result of a 19.5% increase in average loans outstanding.

Also contributing to the increase in operating revenues was a net increase in the fair value of investments of \$2.2 million in 2007 compared to a decrease in fair value of \$2.5 million in 2006. This increase was due to a decline in market rates in 2007 as opposed to increases in market rates for similar securities in 2006. In addition, loan servicing income, reflected in other revenues, increased \$1.0 million, or 11.8%, compared to 2006. The Authority services in excess of 99% of its loans receivable, for which it receives a monthly fee.

Total operating expenses of \$191.4 million for 2007 increased \$28.7 million, or 17.7%, compared to 2006. The rise was largely attributable to a \$21.0 million, or 15.7%, increase in interest expense on debt. This increase was due primarily to an increase in average debt volumes from 2006 to 2007.

Operating expenses also increased as a result of a provision for loan and other real estate losses of \$0.5 million in 2007 compared to a negative provision of \$4.4 million in 2006. During 2006 the Authority updated its methodology for determining the adequacy of its allowance for loan losses, taking into consideration historic losses, specific reviews of certain loans, and current economic conditions, among other factors. As a result of this analysis, the Authority determined that it could reduce its allowance for loan losses, resulting in the negative provision in 2006.

Reflected in nonoperating revenues and expenses are \$6.7 million in gains on the sales of various apartment complexes owned by the Authority, discussed in more detail below in “Capital Assets”.

## **Capital Assets**

Capital assets, net of accumulated depreciation, as of December 31, 2007, totaled \$32.7 million, a decrease of \$8.5 million, or 20.5%, compared to the amount as of December 31, 2006. The majority of this investment in capital assets is related to the Authority’s ownership of 10 apartment complexes that provide housing to lower and moderate income families. In late 2006 the Authority began negotiations to sell as many as 13 of its then 16 apartment properties. During 2007 the Authority sold 6 of these complexes for a total gain of \$6.7 million. Of the remaining properties to be sold, one closed in the first quarter of 2008 and three other properties are under contract.

The only significant additions during 2007 were the implementation of a new servicing application for the Authority’s multi-family and business finance loans, enhancements to a software application related to single family loan origination and renovations to the Authority’s main office.

Additional information regarding the Authority’s capital assets can be found in the notes to the financial statements.

## **Debt Administration**

As of December 31, 2007, the Authority had \$3.2 billion in bonds and notes payable outstanding and \$64.5 million outstanding under borrowing agreements with the Federal Home Loan Bank. This debt is secured by various assets and, in certain cases, the general obligation pledge of the Authority. The ratings on the debt of the Single Family Fund and the Multi-Family/Business Fund range from A1 to Aaa by Moody’s Investors Service (Moody’s) and A+ to AAA by Standard & Poor’s (S&P), depending on the underlying collateral. The ratings on the general obligation debt of the Authority are A1/A+ by Moody’s and S&P, respectively. There were no changes in ratings during 2007.

In 2007 the Authority issued \$558.8 million in debt related to its lending programs. Of this amount, \$395.0 million was issued pursuant to the Authority’s single family lending program and is reflected in the Single Family Fund, \$150.8 million was for the multi-family/business lending program and is reflected in the Multi-Family/Business Fund and \$13.0 million was issued in the form of private placements of debt to finance single family and business loans – reflected in the General Fund. Partially offsetting these new debt issues were maturities of short-term debt related to the Authority’s private activity bond volume cap preservation program, scheduled debt payments, early redemptions and refundings of various debt issues.

Additional information of the Authority’s long-term and short-term debt can be found in the notes to the financial statements.

**Colorado Housing and Finance Authority**  
**Statement of Net Assets**

December 31, 2007

(with summarized financial information for December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
<b>Assets</b>						
Current assets:						
Cash	\$ 30,955	\$ -	\$ -	\$ -	\$ 30,955	\$ 26,365
Investments	61,020	270,673	169,370	-	501,063	490,846
Loans receivable	8,719	60,406	27,759	(717)	96,167	83,091
Accrued interest receivable	3,612	12,898	7,753	(211)	24,052	20,211
Deferred debt financing costs, net	18	642	271	-	931	882
Other assets	4,454	-	-	-	4,454	3,885
Due to (from) other funds	(23,800)	17,724	6,076	-	-	-
Total current assets	84,978	362,343	211,229	(928)	657,622	625,280
Noncurrent assets:						
Investments	4,426	39,567	37,320	-	81,313	185,265
Loans receivable, net	252,847	1,751,765	805,023	(20,791)	2,788,844	2,409,656
Capital assets - non-depreciable	7,016	-	-	-	7,016	8,545
Capital assets - depreciable, net	25,707	-	-	-	25,707	32,638
Other real estate owned, net	20	1,626	451	-	2,097	1,923
Deferred debt financing costs, net	331	11,553	4,883	-	16,767	15,882
Other assets	17,619	-	-	-	17,619	14,486
Total noncurrent assets	307,966	1,804,511	847,677	(20,791)	2,939,363	2,668,395
<b>Total assets</b>	<b>\$ 392,944</b>	<b>\$ 2,166,854</b>	<b>\$ 1,058,906</b>	<b>\$ (21,719)</b>	<b>\$ 3,596,985</b>	<b>\$ 3,293,675</b>
<b>Liabilities</b>						
Current liabilities:						
Short-term debt	\$ 64,545	\$ -	\$ -	\$ -	\$ 64,545	\$ 8,200
Bonds payable, current portion	120	4,627	8,768	-	13,515	167,782
Notes payable, current portion	3,956	-	-	-	3,956	108
Accrued interest payable	1,220	17,704	13,373	(211)	32,086	26,360
Federally assisted program advances	708	-	-	-	708	899
Accounts payable and other liabilities	21,114	596	531	-	22,241	18,893
Total current liabilities	91,663	22,927	22,672	(211)	137,051	222,242
Noncurrent liabilities:						
Bonds payable, net	111,815	2,067,027	985,181	-	3,164,023	2,794,178
Notes payable	22,594	-	-	(21,508)	1,086	5,855
Other liabilities	9,456	2,229	776	-	12,461	10,355
Total noncurrent liabilities	143,865	2,069,256	985,957	(21,508)	3,177,570	2,810,388
<b>Total liabilities</b>	<b>235,528</b>	<b>2,092,183</b>	<b>1,008,629</b>	<b>(21,719)</b>	<b>3,314,621</b>	<b>3,032,630</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	11,215	-	-	-	11,215	9,134
Restricted by bond indentures	-	74,671	50,277	-	124,948	114,920
Unrestricted	146,201	-	-	-	146,201	136,991
<b>Total net assets</b>	<b>157,416</b>	<b>74,671</b>	<b>50,277</b>	<b>-</b>	<b>282,364</b>	<b>261,045</b>
<b>Total liabilities and net assets</b>	<b>\$ 392,944</b>	<b>\$ 2,166,854</b>	<b>\$ 1,058,906</b>	<b>\$ (21,719)</b>	<b>\$ 3,596,985</b>	<b>\$ 3,293,675</b>

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, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
<b>Operating revenues:</b>						
Interest on loans receivable	\$ 12,900	\$ 88,926	\$ 47,647	\$ (1,900)	\$ 147,573	\$ 121,839
Investment income	3,420	14,602	9,705	-	27,727	34,384
Net increase (decrease) in the fair value of investments	(66)	1,371	940	-	2,245	(2,468)
Rental income	10,882	-	-	-	10,882	11,638
Loan servicing income	9,547	-	-	-	9,547	8,543
Section 8 administration fees	4,561	-	-	-	4,561	4,622
Other revenues	3,448	69	-	-	3,517	2,284
<b>Total operating revenues</b>	<b>44,692</b>	<b>104,968</b>	<b>58,292</b>	<b>(1,900)</b>	<b>206,052</b>	<b>180,842</b>
<b>Operating expenses:</b>						
Interest on debt	9,719	95,872	51,715	(1,900)	155,406	134,364
Salaries and related benefits	14,341	-	-	-	14,341	12,721
General operating	15,635	652	548	-	16,835	15,426
Other interest expense	1,588	-	-	-	1,588	1,845
Depreciation	2,722	-	-	-	2,722	2,651
Provision for losses	(300)	1,500	(700)	-	500	(4,357)
<b>Total operating expenses</b>	<b>43,705</b>	<b>98,024</b>	<b>51,563</b>	<b>(1,900)</b>	<b>191,392</b>	<b>162,650</b>
<b>Total operating income</b>	<b>987</b>	<b>6,944</b>	<b>6,729</b>	<b>-</b>	<b>14,660</b>	<b>18,192</b>
<b>Nonoperating revenues and expenses:</b>						
Federal grant receipts	97,100	-	-	-	97,100	95,061
Federal grant payments	(97,100)	-	-	-	(97,100)	(95,061)
Gains on sales of capital assets	6,659	-	-	-	6,659	-
<b>Total nonoperating revenues, net</b>	<b>6,659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,659</b>	<b>-</b>
<b>Income before transfers</b>	<b>7,646</b>	<b>6,944</b>	<b>6,729</b>	<b>-</b>	<b>21,319</b>	<b>18,192</b>
<b>Transfers from (to) other funds</b>	<b>3,645</b>	<b>245</b>	<b>(3,890)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>11,291</b>	<b>7,189</b>	<b>2,839</b>	<b>-</b>	<b>21,319</b>	<b>18,192</b>
<b>Net assets:</b>						
Beginning of year	146,125	67,482	47,438	-	261,045	242,853
End of year	\$ 157,416	\$ 74,671	\$ 50,277	\$ -	\$ 282,364	\$ 261,045

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, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
<b>Cash flows from operating activities:</b>						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 22,859	\$ 158,219	\$ 41,251	\$ (9,692)	\$ 212,637	\$ 219,406
Interest payments received on loans receivable	11,970	88,721	47,139	(1,956)	145,874	123,224
Payments for fundings of loans receivable	(522,266)	-	(84,734)	-	(607,000)	(601,317)
Receipt (payment) for loan transfers between funds	447,236	(413,856)	(33,380)	-	-	-
Receipts from rental operations	10,953	-	-	-	10,953	11,609
Receipts from other revenues	15,632	-	-	-	15,632	15,191
Payments for salaries and related benefits	(14,048)	-	-	-	(14,048)	(12,510)
Payments for goods and services	(18,876)	(652)	(510)	-	(20,038)	(17,778)
All other, net	4,251	-	4	-	4,255	2,217
Net cash used by operating activities	(42,289)	(167,568)	(30,230)	(11,648)	(251,735)	(259,958)
<b>Cash flows from noncapital financing activities:</b>						
Proceeds from issuance of short-term debt	3,362,860	-	-	-	3,362,860	3,767,804
Proceeds from issuance of bonds	13,173	392,151	149,519	-	554,843	861,731
Proceeds from issuance of notes payable	-	-	-	-	-	3,884
Receipts from federal grant programs	98,135	-	-	-	98,135	97,311
Payments for federal grant programs	(98,327)	-	-	-	(98,327)	(96,412)
Principal paid on short-term debt	(3,306,515)	-	-	-	(3,306,515)	(3,880,009)
Principal paid on bonds	(8,461)	(279,265)	(54,306)	-	(342,032)	(448,668)
Principal paid on notes payable	(72)	-	-	-	(72)	(104)
Interest paid on short-term debt	(3,318)	-	-	-	(3,318)	(3,708)
Interest paid on bonds	(5,768)	(91,954)	(48,044)	1,567	(144,199)	(127,638)
Interest paid on notes payable	(12)	-	-	-	(12)	(13)
Transfers (to) from other funds	75	-	(75)	-	-	-
Net cash provided by noncapital financing activities	51,770	20,932	47,094	1,567	121,363	174,178
<b>Cash flows from capital and related financing activities:</b>						
Purchase of capital assets	(3,640)	-	-	-	(3,640)	(3,167)
Proceeds from the disposal of capital assets	16,002	-	-	-	16,002	-
Principal paid on capital-related debt	(10,541)	-	-	9,692	(849)	(786)
Interest paid on capital-related debt	(1,979)	-	-	389	(1,590)	(1,845)
Net cash provided (used) by capital and related financing activities	(158)	-	-	10,081	9,923	(5,798)
<b>Cash flows from investing activities:</b>						
Proceeds from maturities and sales of investments	1,689,586	1,385,495	968,020	-	4,043,101	4,835,021
Purchase of investments	(1,697,331)	(1,255,450)	(992,528)	-	(3,945,309)	(4,772,223)
Income received from investments	3,012	16,591	7,644	-	27,247	31,121
Net cash provided (used) by investing activities	(4,733)	146,636	(16,864)	-	125,039	93,919
<b>Net increase in cash</b>	4,590	-	-	-	4,590	2,341
Cash at beginning of year	26,365	-	-	-	26,365	24,024
Cash at end of year	\$ 30,955	\$ -	\$ -	\$ -	\$ 30,955	\$ 26,365

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, 2007

*(with summarized financial information for the year ended December 31, 2006)*

*(in thousands of dollars)*

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
<b>Reconciliation of operating income to net cash used by operating activities:</b>						
Operating income	\$ 987	\$ 6,944	\$ 6,729	\$ -	\$ 14,660	\$ 18,192
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation expense	2,722	-	-	-	2,722	2,651
Amortization of service release premiums	1,931	-	-	-	1,931	1,802
Amortization of deferred loan fees/costs, net	(434)	1,283	(66)	-	783	1,243
Provision for losses	(300)	1,500	(700)	-	500	(4,357)
Equity in income of joint venture	(159)	-	-	-	(159)	-
(Increase) decrease in fair value of investments	66	(1,371)	(940)	-	(2,245)	2,468
Investment income	(3,420)	(14,602)	(9,705)	-	(27,727)	(34,384)
Interest on debt	11,307	95,872	51,715	(1,900)	156,994	136,209
Changes in assets and liabilities:						
Loans receivable and other real estate owned	(54,372)	(255,702)	(73,690)	(9,692)	(393,456)	(381,807)
Accrued interest receivable on loans	(959)	(1,437)	(1,177)	(56)	(3,629)	(807)
Other assets	(5,634)	-	-	-	(5,634)	(4,721)
Due to/from other funds	2,451	(55)	(2,396)	-	-	-
Accounts payable and other liabilities	3,525	-	-	-	3,525	3,553
<b>Net cash used by operating activities</b>	<b>\$ (42,289)</b>	<b>\$ (167,568)</b>	<b>\$ (30,230)</b>	<b>\$ (11,648)</b>	<b>\$ (251,735)</b>	<b>\$ (259,958)</b>

The Authority defines cash and cash equivalents as cash deposits.

The accompanying notes are an integral part of these 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 project and working capital loans to industrial and commercial enterprises (both for-profit and non-profit) of small and moderate size.

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.

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.

**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 only applies applicable GASB 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 2006 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.

### **(c) Summary of Significant Accounting Policies**

**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 and an allowance for estimated loan losses. Deferred down payment assistance expense and deferred fee income 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.

**Allowance for Loan Losses** - The allowance for loan losses is provided through charges against current operations based on management's periodic review of the loan portfolio. This review 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. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made.

**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, 2007, the Authority owned a total of 10 RAP projects, including its three component units, containing 1,232 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 initially recorded at the lower of the investment in the loan or the estimated net realizable value.

**Bond and Note Issuance Costs** - Costs of debt issuance are deferred and amortized 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.

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

**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. Additional information about the swap agreements is provided in Note 7.

**Compensated Absences** - Employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over 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 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.

**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.

**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. 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.

As of December 31, 2007, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2006
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 2,011	\$ -	\$ -	\$ -	\$ 2,011	\$ 6,258
External investment pool	42,999	-	-	-	42,999	35,314
Repurchase agreement	327	-	-	-	327	1,042
U.S. Treasury	-	-	2,612	565	3,177	3,304
U.S. Government agencies	92,211	136	18,456	49,003	159,806	139,442
State & political subdivision obligations	-	-	-	10,541	10,541	10,623
Investment agreements - uncollateralized	356,903	-	-	-	356,903	456,828
Investment agreements - collateralized	6,612	-	-	-	6,612	23,300
<b>Total</b>	<b>\$ 501,063</b>	<b>\$ 136</b>	<b>\$ 21,068</b>	<b>\$ 60,109</b>	<b>\$ 582,376</b>	<b>\$ 676,111</b>

**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 \$65,446,000 in investments, 93% 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 \$59,543,000 in investments with a maturity of more than ten years held by these funds, 94% 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
External investment pool	AAAm
Repurchase agreement	AAA
U.S. Government agencies	AAA
State & political subdivision obligations	AA-AAA
Investment agreements - uncollateralized	Unrated
Investment agreements - collateralized	Unrated

The rating for the repurchase agreements in the above table is the rating of the underlying securities. 96% 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. Investment agreements generally provide for collateralization of balances in the event of a rating agency downgrade of the institution below certain rating requirements.

As of December 31, 2007, 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 similar 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
Freddie Mac	9.5%	9.4%	10.5%	8.2%
Fannie Mae	15.5%	19.3%	8.4%	24.9%

**Custodial Credit Risk – Investments** – For an investment, custodial credit risk is the risk that, in the event of the failure of the issuer, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. 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 - 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. At December 31, 2007, the Authority's cash deposits had a carrying amount of \$30,955,000 and a bank balance of \$31,695,000. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$23,228,000 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.



**(3) Loans Receivable, Other Real Estate Owned and Related Allowances**

Loans receivable at December 31, 2007, and 2006, consist of the following:

	2007	2006
General Fund	\$ 275,003	\$ 211,075
Single Family Fund:		
Program Senior and Subordinate Mortgage	103,310	119,523
	1,703,903	1,432,852
Total Single Family Fund loans	1,807,213	1,552,375
Multi-Family/Business Fund:		
Insured Mortgage Revenue	99,527	126,497
Multi-Family/Project	743,750	646,868
Total Multi-Family/Business Fund loans	843,277	773,365
Less intercompany loans, included in Multi-Family/Project above	(21,508)	(31,200)
Total loans receivable	2,903,985	2,505,615
Payments in process	(5,639)	(228)
Deferred cash assistance expense	7,833	8,705
Deferred fee income	(10,767)	(9,968)
Allowance for loan losses	(10,401)	(11,377)
Total loans receivable, net	\$ 2,885,011	\$ 2,492,747

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 private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department.

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.

Activity in the allowance for loan losses for the year ended December 31, 2007, was as follows:

Beginning Balance	Provision	Net Charge-offs	Ending Balance
\$ (11,377)	\$ (100)	\$ 1,076	\$ (10,401)

Other real estate owned net of the related allowance of \$2,097,000 as of December 31, 2007, consisted entirely of foreclosures of single-family residences. Activity in the allowance for losses on other real estate for the year ended December 31, 2007, was as follows:

Beginning Balance	Provision	Net Writedowns	Ending Balance
\$ -	\$ (400)	\$ 183	\$ (217)

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

Capital assets activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Non-depreciable capital assets:</b>				
Land	\$ 7,597	\$ -	\$ (1,944)	\$ 5,653
Construction in progress	948	3,194	(2,779)	1,363
Total non-depreciable capital assets	8,545	3,194	(4,723)	7,016
<b>Depreciable capital assets:</b>				
Cost:				
Computer equipment/software	4,526	2,467	(1,069)	5,924
Furniture and equipment	701	319	(407)	613
Rental property - non-building related	3,811	266	(2,216)	1,861
Buildings and related improvements	45,367	174	(10,500)	35,041
Total depreciable capital assets	54,405	3,226	(14,192)	43,439
Less accumulated depreciation:				
Computer equipment/software	(2,739)	(834)	1,069	(2,504)
Furniture and equipment	(510)	(56)	381	(185)
Rental property - non-building related	(2,339)	(346)	1,830	(855)
Buildings and related improvements	(16,179)	(1,486)	3,477	(14,188)
Total accumulated depreciation	(21,767)	(2,722)	6,757	(17,732)
Total depreciable capital assets, net	32,638	504	(7,435)	25,707
Total capital assets, net	\$ 41,183	\$ 3,698	\$ (12,158)	\$ 32,723

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, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Corporate activities:</b>				
Cost	\$ 14,450	\$ 3,322	\$ (1,476)	\$ 16,296
Accumulated depreciation	(5,074)	(1,207)	1,450	(4,831)
Net	9,376	2,115	(26)	11,465
<b>RAP activities:</b>				
Cost	48,500	318	(14,659)	34,159
Accumulated depreciation	(16,693)	(1,515)	5,307	(12,901)
Net	31,807	(1,197)	(9,352)	21,258
Total capital assets, net	\$ 41,183	\$ 918	\$ (9,378)	\$ 32,723

Summary financial information for the Authority's RAP activities as of December 31, 2007, and for the year then ended is provided below:

**As of December 31, 2007**

Property, net of accumulated depreciation of \$12,901	\$ 21,258
Total assets	\$ 26,692
Total liabilities	\$ 17,628
Net assets	\$ 9,064

**For the year ended December 31, 2007**

Rental income	\$ 10,882
Gains on sales of properties	6,659
Other revenues	135
General operating expenses	(6,268)
Depreciation expense	(1,515)
Interest expense	(1,588)
Operating income	\$ 8,305

**(5) Short-term Debt**

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for borrowings in an amount not to exceed the lending limit internally established by the FHLB. Historically, this limit has been well in excess of actual or projected borrowings of the Authority. 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 collateralized by certain mortgage loans and/or 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 0.55% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on July 25, 2008. The Authority pays an unused line fee at the rate of 0.15% per annum, payable in arrears on the last day of each calendar. 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.

The Authority additionally has an agreement with a commercial bank for a secured line of credit authorizing borrowings of up to \$10,000,000. The Authority borrows an amount based on the prior month’s average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under this agreement bear interest fixed at .75% per annum, and are invested with the bank in money market instruments. The line of credit agreement terminates on August 1, 2008. There are no commitment fees associated with this agreement.

Short-term debt activity for the year ended December 31, 2007, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance
\$ 8,200	\$ 3,362,860	\$ (3,306,515)	\$ 64,545

**(6) Long-term 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, 2007, and 2006, 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.

Description and due date	Interest rate (%)	2007	2006	
<b>Bonds payable:</b>				
<b>General Fund:</b>				
General Obligation Bonds:				
1992 Series A	2008-2030	9.125	\$ 3,130	\$ 3,160
1998 Series A	2008-2017	4.70 to 5.25	1,060	1,135
Total General Obligation Bonds			4,190	4,295
Single Family:				
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)				
2000 Series A*	2008-2020	6.914	1,144	1,496
2000 Series B*	2008-2020	6.675	165	166
2001 Series AP*	2008-2021	6.135	1,679	1,893
2001 Series AV*	2008-2021	6.625	220	388
2002 Series AP*	2008-2022	5.662	524	604
2004 Series A*	2008-2034	4.95	1,463	1,690
2004 Series B*	2008-2035	4.98	3,311	3,824
2004 Series CV*	2008-2035	5.14	2,134	2,488
2005 Series A *	2008-2035	5.17	8,951	9,881
2005 Series B*	2008-2036	5.32	8,158	9,522
2006 Series A*	2008-2036	5.92	10,193	10,670
2007 Series A*	2008-2037	5.50	7,994	-
Total Single Family			45,936	42,622
Multi-Family/Business Finance:				
ACCESS Program Bonds:				
1995 Series A	2008-2015	7.67	210	288
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)				
1999 Series A	2008-2024	5.71	687	745
2000 Series A	2008-2025	6.755	214	244
2003 Series A*	2008-2023	5.004	2,911	3,217
2004 Series A*	2008-2024	4.62	3,148	4,121
2004 Series B*	2008-2024	4.88	7,853	8,178
2005 Series A*	2008-2025	4.81	3,417	3,544
2006 Series A*	2008-2026	5.98	4,750	4,969
2007 Series A*	2008-2027	5.89	4,959	-
Total Guaranteed Loan Participation Purchase Bonds			27,939	25,018
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)				
2004 Series AP*	2008-2024	4.90	6,305	6,840
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)				
2000 Series A	2008-2020	6.152	4,519	4,655
2002 Series AV*	2008-2022	5.55	6,187	6,484
2003 Series AV*	2008-2024	5.19	3,794	3,844
2004 Series A*	2008-2024	4.90	12,855	13,046
Total Taxable Rental Project Revenue Bonds			27,355	28,029
Total Multi-Family/Business Finance			61,809	60,175
<b>Total General Fund</b>			<b>111,935</b>	<b>107,092</b>

Description and due date		Interest rate (%)	2007	2006
<b>Single Family Fund:</b>				
Single Family Program Senior and Subordinate Bonds:				
1995 Series D	2008-2026	5.625 to 7.375	415	795
1996 Series A	2008-2027	5.60 to 7.40	335	860
1996 Series B	2008-2027	7.45 to 7.65	300	695
1996 Series C	2008-2027	7.10 to 7.55	350	635
1997 Series A	2008-2027	7.00 to 7.25	985	1,585
1997 Series B	2008-2028	6.75 to 7.00	680	1,365
1997 Series C	2008-2028	6.75 to 6.875	985	1,830
1998 Series A	2008-2029	6.50 to 6.60	4,460	5,270
1998 Series B	2008-2029	5.50 to 6.55	4,443	5,416
1998 Series C	2008-2029	5.15 to 5.625	5,396	6,084
1998 Series D	2008-2029	6.125 to 6.35	5,540	6,950
1999 Series A	2008-2030	6.05 to 6.45	6,570	8,045
1999 Series B	2008-2030	6.50 to 6.80	4,220	6,470
1999 Series C	2008-2031	6.75 to 7.20	6,795	8,665
2000 Series A	2008-2031	7.25 to 7.50	3,020	3,810
2000 Series B	2008-2031	6.70 to 7.25	3,705	4,390
2000 Series C	2008-2031	5.70 to 8.40	3,185	4,375
2000 Series D	2008-2032	5.40 to 6.90	4,800	5,910
2000 Series E	2008-2032	5.375 to 7.00	3,735	4,525
2001 Series A	2008-2032	5.00 to 6.50	6,985	8,215
2001 Series B	2008-2033	5.00 to 6.80	9,100	10,750
2001 Series C	2008-2033	4.875 to 6.60	12,250	14,735
Total Single Family Program Senior and Subordinate Bonds			88,254	111,375
Single Family Mortgage Bonds:				
2001 Series AA	2008-2041	Variable & 5.25	131,840	131,840
2002 Series A	2008-2032	Variable & 4.55 to 5.65	61,650	67,500
2002 Series B	2008-2032	Variable & 4.80 to 5.40	89,805	100,035
2002 Series C	2008-2036	Variable & 4.40 to 4.95	117,155	129,180
2003 Series A	2008-2032	Variable & 4.75 to 5.15	49,970	55,860
2003 Series B	2008-2033	Variable & 5.00	150,930	165,050
2003 Series C	2008-2032	Variable & 5.00	87,070	98,405
2004 Series A	2008-2034	Variable & 5.25	98,470	107,600
2004 Series B	2008-2034	Variable & 5.25	82,245	91,315
2005 Series A	2008-2035	Variable & 5.25	87,355	95,430
2005 Series B	2008-2036	Variable & 4.60 to 5.22	168,810	175,940
2006 Series A	2008-2036	Variable & 5.00	106,985	180,260
2006 Series B	2008-2036	Variable & 5.10	190,950	279,270
2006 Series C	2008-2036	Variable & 4.625	158,680	160,000
2007 Series A	2008-2037	Variable & 4.80	175,000	-
2007 Series B	2008-2038	Variable	220,000	-
Total Single Family Mortgage Bonds			1,976,915	1,837,685
<b>Total Single Family Fund</b>			<b>2,065,169</b>	<b>1,949,060</b>

Description and due date	Interest rate (%)	2007	2006	
<b>Multi-Family/Business Fund:</b>				
Multi-Family Housing Insured - Mortgage Revenue Bonds:				
1996 Series A	2008-2037	6.00 to 6.40	1,785	2,485
1996 Series C		6.10 to 6.40	-	7,900
1997 Series A	2008-2038	5.75 to 7.125	4,970	6,190
1997 Series B	2008-2038	5.70 to 7.25	10,720	16,195
1997 Series C	2008-2039	5.00 to 5.75	22,765	23,785
1998 Series A	2008-2039	5.35 to 6.70	15,585	15,735
1998 Series B	2008-2040	5.45 to 7.00	7,110	7,140
1999 Series A	2008-2041	4.45 to 6.65	29,830	30,105
1999 Series B	2008-2041	5.25 to 5.85	5,295	5,345
1999 Series C	2008-2041	5.35 to 6.20	5,730	15,915
2002 Series AA	2008-2030	Variable	40,545	41,640
Total Multi-Family Housing Insured - Mortgage Revenue Bonds			144,335	172,435
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)				
2000 Series A	2008-2032	Variable & 6.15	46,915	48,025
2000 Series B*	2008-2042	Variable & 5.90 to 6.10	30,180	30,455
2001 Series A	2008-2043	4.25 to 5.65	25,855	26,215
2002 Series A	2008-2042	Variable & 4.45 to 5.70	23,845	26,245
2002 Series C	2008-2042	Variable & 3.60 to 5.30	134,190	136,840
2003 Series A	2008-2033	Variable	41,355	42,370
2004 Series A	2008-2045	Variable & 2.60 to 4.80	82,255	85,080
2005 Series A	2008-2040	Variable	70,640	72,010
2005 Series B	2008-2040	Variable	26,785	33,160
2006 Series A	2008-2041	Variable	105,670	113,700
2006 Series B	2008-2044	Variable	118,600	118,600
2007 Series A	2008-2052	Variable	47,015	-
2007 Series B	2008-2038	Variable	103,745	-
Total Multi-Family/Project Bonds			857,050	732,700
<b>Total Multi-Family/Business Fund</b>			<b>1,001,385</b>	<b>905,135</b>
<b>Total bonds payable</b>			<b>3,178,489</b>	<b>2,961,287</b>
<b>Notes payable:</b>				
Annual payments, 2008		6.125	3,884	3,884
Annual payments, 2008-2020		1.00	585	628
Annual payments, 2008-2025		1.00	573	602
Monthly payments		4.50	-	627
No payments, principal forgiven annually		0.00	-	222
<b>Total notes payable</b>			<b>5,042</b>	<b>5,963</b>
<b>Total bonds and notes payable</b>			<b>3,183,531</b>	<b>2,967,250</b>
Deferred premiums			6,679	8,706
Deferred losses on refunding amounts			(7,630)	(8,033)
<b>Total bonds and notes payable, net</b>			<b>\$ 3,182,580</b>	<b>\$ 2,967,923</b>

A breakdown of bonds payable as of December 31, 2007, and 2006 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 7. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2007	2006
Fixed rate debt	\$ 696,509	\$ 890,902
Synthetic fixed rate debt	2,194,640	1,823,650
Variable rate debt	287,340	246,735
Total	\$ 3,178,489	\$ 2,961,287

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, 2007, and 2006, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2007	2006
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	\$ 6,053	\$ 2,123	\$ 2,011
1998 Series C - 2020-2029	5.625	12,265	4,851	4,589

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, 2007, and 2006:

Description	2007	2006
Single Family Program Subordinate Bonds	\$ 1,435	\$ 2,020
Single Family Mortgage Bonds, Class III	95,220	75,875
Multi-Family/Project Bonds, Class I	252,595	202,265
Multi-Family/Project Bonds, Class III	57,820	52,405
Total	\$ 407,070	\$ 332,565



Long-term liability activity for the year ended December 31, 2007, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 2,961,287	\$ 559,134	\$ (341,932)	\$ 3,178,489	\$ 13,520
Notes payable	5,963	-	(921)	5,042	3,956
Unamortized premium	8,706	-	(2,027)	6,679	28
Deferred losses on refunding	(8,033)	(109)	512	(7,630)	(33)
Total bonds and notes payable	2,967,923	559,025	(344,368)	3,182,580	17,471
Arbitrage rebate payable	1,401	2,337	(1,108)	2,630	-
Compensated absences	588	867	(785)	670	111
Deferred income	2,913	641	(300)	3,254	217
Other long-term liabilities	5,762	1,186	(713)	6,235	-
Total long-term liabilities	\$ 2,978,587	\$ 564,056	\$ (347,274)	\$ 3,195,369	\$ 17,799

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2007, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family/Business		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2008	\$ 120	\$ 6,105	\$ 4,600	\$ 94,244	\$ 8,800	\$ 47,097	\$ 3,956	\$ 398
2009	125	6,097	4,595	89,961	9,300	45,336	73	11
2010	130	6,090	6,175	89,686	9,820	44,941	74	10
2011	272	6,080	10,545	89,352	10,305	44,519	75	9
2012	308	6,062	24,105	88,849	10,420	44,067	76	9
2013-2017	2,078	29,911	339,370	415,167	72,440	212,217	390	32
2018-2022	14,067	28,413	259,322	354,078	92,870	196,586	295	13
2023-2027	51,520	17,406	221,479	306,706	102,995	175,476	103	2
2028-2032	1,110	11,655	367,566	249,654	130,410	152,055	-	-
2033-2037	42,205	7,702	666,121	133,805	263,475	107,279	-	-
2038-2042	-	-	172,635	11,732	113,785	53,788	-	-
2043-2047	-	-	-	-	129,750	24,814	-	-
2048-2052	-	-	-	-	47,015	11,871	-	-
Total	\$ 111,935	\$ 125,521	\$ 2,076,513	\$ 1,923,234	\$ 1,001,385	\$ 1,160,046	\$ 5,042	\$ 484

\* Includes \$11.3 million of future accretion of principal value on capital appreciation bonds.

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. As of December 31, 2007, the amount outstanding on these bonds was \$455,812,000. 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.

## (7) Interest Rate Swap Agreements

**Objective** - 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, 2007, are shown in the table on the following pages. The notional amounts of the swaps match 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.

### **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 the following page. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2007, the Authority was exposed to no credit risk with 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 or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P) at the time the contract is entered into.

The Authority has executed 94 swap transactions with 8 counterparties of which 57 swaps, representing approximately 48% of the notional amount of swaps outstanding, are held with 2 separate Aaa/AAA rated (Moody's and S&P respectively) special purpose vehicles, which are bankruptcy remote, both of which are affiliates of the same parent company (22% of the notional amount outstanding are held with the special purpose vehicle with a continuation structure and 26% are held with the special purpose vehicle with a terminating structure). The bankruptcy-remote nature of these special purpose vehicles makes them bankruptcy remote from each other, as well as from their parent company. Thus they should be viewed as discrete credits. Of the remaining 37 swaps, the Authority holds 14 swaps, approximately 18% of the notional amount outstanding, with a single counterparty rated Aaa/AA+. An additional 13 swaps, approximately 15% of the notional amount outstanding, are with another single counterparty rated Aa2/AA. The remaining 10 swaps, approximately 19% of the notional amount outstanding, are held with 4 counterparties, 2 of which are rated Aaa/AAA (one of which operates as a special purpose vehicle with a terminating structure), and 2 of which are rated in the Aaa/AA category by both Moody's and S&P, respectively.

Additionally, the Authority has entered into 8 forward starting swap agreements with 3 counterparties for a notional amount of \$135,815,000. The fair value of these swaps as of December 31, 2007, was a negative \$4,819,000. As of December 31, 2007, the bonds relating to these swap agreements had not been issued.

**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 Bond Market Association Municipal Swap Index (BMA, now known as SIFMA) rate (plus a trading spread). For the swaps in which the Authority is receiving its actual VRDO rate from the counterparty, the Authority is not exposed to basis risk. For the swaps in which the Authority can only receive a rate indexed on BMA, it is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with BMA. Certain tax-exempt swaps, as indicated in the table on the following pages, contain tax risk language where in the occurrence of a tax event as described in the underlying contracts, the Authority would receive an alternative variable rate pegged at a percentage of the London Interbank Offered Rate (LIBOR). For those tax-exempt  
(text continued on page 29)

Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
<b>Single Family:</b>										
2001 Series AA1	\$ 22,520	10/04/01	11/01/13	5.290%	VRDO's Rate				Aaa/AAA	\$ (795)
2001 Series AA2	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate, with tax event language				Aaa/AAA	(4,624)
2002 Series A1	19,455	04/25/02	11/01/13	5.499%	VRDO's Rate				Aaa/AAA	(731)
2002 Series A3	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate				Aaa/AAA	(1,862)
2002 Series B1	12,195	10/24/02	05/01/22	5.529%	VRDO's Rate				Aaa/AAA	(741)
2002 Series B2	22,930	07/18/02	11/01/13	5.285%	VRDO's Rate				Aaa/AAA	(676)
2002 Series B3	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate, with tax event language				Aaa/AAA	(3,272)
2002 Series C1	28,785	10/24/02	11/01/32	5.350%	VRDO's Rate	Par optional termination right	11/01/17	21,765	Aaa/AAA	(674)
2002 Series C2	29,460	10/24/02	11/01/11	4.362%	VRDO's Rate				Aaa/AAA	(289)
2002 Series C3	40,000	10/24/02	05/01/22	4.422%	VRDO's Rate, with tax event language				Aaa/AAA	(2,763)
2003 Series A1	5,850	08/01/03	05/01/11	3.390%	LIBOR plus .05%				Aaa/AAA	38
2003 Series A1	9,470	02/26/03	11/01/11	4.008%	LIBOR plus .05%				Aaa/AAA	(24)
2003 Series A2	20,000	02/26/03	11/01/21	4.160%	BMA plus .05%, with tax event language				Aaa/AAA	(1,111)
2003 Series B1	37,840	08/01/03	11/01/26	4.851%	LIBOR plus .05%	Par optional termination right	05/01/15	27,305	Aaa/AAA	228
2003 Series B2	33,465	08/01/03	05/01/12	3.665%	LIBOR plus .05%				Aaa/AAA	127
2003 Series B3	60,000	07/09/03	11/01/26	4.384%	BMA plus .15%	Par optional termination right	05/01/15	43,170	Aaa/AAA	(2,816)
2003 Series C1	33,900	12/03/03	05/01/12	4.033%	LIBOR plus .05%				Aaa/AAA	(108)
2003 Series C2	40,000	11/13/03	11/01/26	4.595%	BMA plus .15%	Par optional termination right	05/01/15	28,780	Aaa/AAA	(2,472)
2004 Series A1	27,575	09/01/04	05/01/12	4.460%	LIBOR plus .05%				Aaa/AAA	(297)
2004 Series A2	50,000	07/28/04	11/01/26	4.369%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	35,970	Aa2/AA	(3,346)
2004 Series B1	23,670	12/01/04	05/01/12	4.052%	LIBOR plus .05%				Aaa/AA	(69)
2004 Series B2	40,000	11/01/04	11/01/26	4.122%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	Aa2/AA	(1,881)
2005 Series A1	30,670	05/01/05	05/01/13	4.356%	LIBOR plus .05%				Aaa/AA	(271)
2005 Series A2	40,000	03/16/05	11/01/27	4.071%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	32,290	Aa2/AA	(1,757)
2005 Series B2	80,000	07/20/05	05/01/34	4.169%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	48,650	Aa2/AA	(4,136)
2006 Series A1	16,985	03/01/06	11/01/13	5.161%	LIBOR plus .05%				Aaa/AA	(500)
2006 Series A3	40,000	01/18/06	11/01/36	4.313%	Trigger, BMA plus .15% or 68% of LIBOR	Par optional termination right	05/01/19	37,810	Aaa/AA+	(2,503)
2006 Series B1	58,680	11/01/06	11/01/14	5.669%	LIBOR plus .05%				Aaa/AA	(2,852)
2006 Series B2	49,325	07/26/06	11/01/34	4.195%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	16,700	Aaa/AA+	(3,188)
2006 Series B3	62,945	07/26/06	11/01/36	4.545%	Trigger, BMA plus .15% or 68% of LIBOR	Par optional termination right	05/01/19	59,190	Aaa/AA+	(5,473)
2006 Series C1	58,680	01/02/07	11/01/14	5.314%	LIBOR plus .05%				Aaa/AA	(2,214)
2006 Series C2	14,140	12/20/06	05/01/16	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/12	7,050	Aaa/AA+	(937)
2006 Series C2	10,605	12/20/06	11/01/16	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/12	5,300	Aaa/AA+	(729)
2006 Series C2	10,605	12/20/06	11/01/17	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/13	5,300	Aaa/AA+	(759)
2006 Series C2	35,350	12/20/06	11/01/34	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/19	21,210	Aaa/AA+	(2,349)
2007 Series A1	70,000	06/01/07	05/01/15	5.191%	LIBOR plus .05%				Aaa/AA	(2,571)
2007 Series A2	70,000	05/09/07	11/01/37	4.153%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	62,910	Aaa/AA+	(3,167)
2007 Series B1	99,215	11/01/07	11/01/26	5.580%	LIBOR plus .05%	Par optional termination right	11/01/17	24,610	Aaa/AA	(5,010)
2007 Series B2	50,000	10/18/07	05/01/38	4.508%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	46,545	Aaa/AA+	(3,968)
2007 Series B3	50,000	10/18/07	05/01/38	4.405%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	As of: 1) 11/1/13 2) 11/1/15 3) 11/1/17	Up to: 1) 12,500 2) 25,000 3) 50,000	Aaa/AAA	(2,290)
Total Single Family	1,510,245									(72,832)
<b>Multi-Family/Business:</b>										
2000 Series A1	12,750	03/21/00	10/01/20	5.235%	VRDO's Rate, with tax event language				Aaa/AAA	(1,860)
2000 Series A1	15,920	03/21/00	04/01/25	5.225%	VRDO's Rate, with tax event language				Aaa/AAA	(1,951)
2000 Series A2	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate				Aaa/AAA	(1,301)
2000 Series B1	6,455	10/19/00	07/01/20	7.390%	LIBOR plus .25%				Aaa/AAA	(1,029)
2002 Series A1	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate				Aaa/AAA	(1,273)
2002 Series AA	30,545	07/03/02	10/01/23	6.068%	VRDO's Rate				Aaa/AAA	(5,844)
2002 Series AA	10,000	10/01/05	04/28/08	3.345%	BMA plus .05%				Aaa/AAA	-
2002 Series C1	10,350	04/01/03	10/01/32	6.129%	VRDO's Rate	Par optional termination right	As of: 1) 10/1/12 2) 4/1/15 3) 4/1/18	Up to: 1) 4,375 2) 6,575 3) all remaining	Aaa/AAA	(686)
2002 Series C2	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate, with tax event language	Par optional termination right	04/01/18	59,340	Aaa/AAA	(8,541)
2002 Series C4	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate, with tax event language	Par optional termination right	04/01/18	26,785	Aaa/AAA	(3,627)
2003 Series A1	22,795	10/01/03	04/01/26	4.555%	LIBOR plus .05%	Par optional termination right	10/01/09	16,576	Aaa/AAA	1,205
2004 Series A1	47,310	11/01/04	10/01/25	5.528%	LIBOR plus .05%	Par optional termination right	10/01/14	all remaining	Aa2/AA	(1,658)
2004 Series A2	10,785	09/22/04	04/01/45	4.884%	BMA plus .15%	Par optional termination right	10/01/19	all remaining	Aa2/AA	(750)
2005 Series A1 (A)	5,075	08/01/05	10/01/35	5.820%	LIBOR plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(193)
2005 Series A1 (B)	3,250	08/01/05	10/01/20	5.205%	LIBOR plus .05%				Aa2/AA	(128)
2005 Series A1 (C)	10,645	08/01/05	10/01/25	5.712%	LIBOR plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(409)
2005 Series A1 (D)	4,405	08/01/05	10/01/25	5.573%	LIBOR plus .05%	Par optional termination right	10/01/11	all remaining	Aa2/AA	(94)
2005 Series A2	20,880	07/01/05	04/01/36	4.285%	BMA plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(747)

Table continued on following page.

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
2005 Series A3 (A)	6,710	04/13/05	04/01/40	4.656%	BMA plus .15%	Par optional termination right	10/01/20	all remaining	Aa2/AA	(450)
2005 Series A3 (B)	6,685	10/01/05	04/01/32	4.480%	BMA plus .15%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(249)
2005 Series B1	14,775	03/01/06	04/01/36	5.235%	LIBOR plus .05%	Par optional termination right	10/01/15	11,125	Aaa/AA+	(205)
2005 Series B2 (A)	3,645	01/02/06	10/01/40	4.735%	BMA plus .15%	Par optional termination right	10/01/15	3,305	Aaa/AAA-	(162)
2005 Series B2 (B)	6,175	09/01/06	10/01/38	4.527%	BMA plus .15%	Par optional termination right	10/01/21	4,520	Aaa/AA+	(336)
2006 Series A1	5,275	12/01/06	04/01/27	5.715%	LIBOR plus .05%	Par optional termination right	04/01/17	3,380	Aaa/AAA	(306)
2006 Series A1	1,985	02/01/07	04/01/23	5.400%	LIBOR plus .05%				Aaa/AAA	(111)
2006 Series A1	8,205	01/01/07	04/01/27	6.002%	LIBOR plus .05%	Par optional termination right	As of: 1) 10/1/11 2) 10/1/16	Up to: 1) 1,795 2) 1,355	Aaa/AAA	(709)
2006 Series A1	4,875	01/01/07	04/01/27	5.728%	LIBOR plus .05%	Par optional termination right	As of: 1) 10/1/11 2) 10/1/16	Up to: 1) 1,045 2) 1,565	Aaa/AAA	(321)
2006 Series A1	7,460	12/01/06	04/01/27	6.020%	LIBOR plus .05%	Par optional termination right	04/01/22	2,795	Aaa/AAA	(643)
2006 Series A1	12,020	12/01/06	10/01/36	5.342%	LIBOR plus .05%	Par optional termination right	04/01/21	8,040	Aaa/AA+	(359)
2006 Series A2	5,085	11/01/06	04/01/28	4.341%	BMA plus .15%	Par optional termination right	10/01/16	3,540	Aaa/AAA	(191)
2006 Series A2	9,685	12/01/06	10/01/41	4.999%	BMA plus .15%	Par optional termination right	04/01/24	7,670	Aaa/AAA	(981)
2006 Series A2	12,620	11/01/06	04/01/39	4.626%	BMA plus .15%	Par optional termination right	10/01/16	10,880	Aaa/AAA	(548)
2006 Series A2	3,100	12/01/06	04/01/26	4.740%	BMA plus .15%	Par optional termination right	04/01/24	2,670	Aaa/AAA	(300)
2006 Series A3	2,520	11/01/06	10/01/36	4.504%	BMA plus .05%	Par optional termination right	10/01/16	2,150	Aaa/AAA	(110)
2006 Series A3	905	11/01/06	04/01/27	3.995%	BMA plus .05%				Aaa/AAA	(32)
2006 Series B1	107,500	11/29/06	10/01/44	5.172%	LIBOR				Aaa/AAA	(4,795)
2006 Series B2	11,100	11/29/06	10/01/44	5.172%	LIBOR				Aaa/AAA	(494)
2007 Series A1	33,995	05/01/07	10/01/52	5.207%	LIBOR plus .05%				Aaa/AAA	(1,676)
2007 Series A2	13,020	05/01/07	10/01/52	5.207%	LIBOR plus .05%				Aaa/AAA	(642)
2007 Series B1	8,305	08/29/07	04/01/37	5.093%	LIBOR plus .05%				Aaa/AAA	(265)
2007 Series B1	11,095	08/29/07	04/01/28	5.488%	LIBOR plus .05%	Par optional termination right	10/01/17	8,220	Aaa/AAA	(465)
2007 Series B1	8,080	08/29/07	04/01/28	5.763%	LIBOR plus .05%	Par optional termination right	10/01/12	6,920	Aaa/AAA	(306)
2007 Series B1	2,590	10/01/07	04/01/28	6.133%	LIBOR plus .05%	Par optional termination right	10/01/17	1,815	Aaa/AAA	(251)
2007 Series B1	1,230	10/01/07	04/01/38	6.360%	LIBOR plus .05%	Par optional termination right	04/01/18	1,080	Aaa/AAA	(136)
2007 Series B1	7,780	10/01/07	10/01/22	5.220%	LIBOR plus .05%	Par optional termination right	04/01/28	6,190	Aaa/AA+	(140)
2007 Series B1	4,190	11/01/07	10/01/17	5.887%	LIBOR plus .05%	Par optional termination right	04/01/18	3,510	Aaa/AAA	(339)
2007 Series B1	4,020	12/01/07	10/01/27	6.035%	LIBOR plus .05%	Par optional termination right	04/01/22	2,795	Aaa/AAA	(440)
2007 Series B2	2,955	08/29/07	10/01/36	4.292%	BMA plus .15%	Par optional termination right	10/01/17	2,040	Aaa/AAA	(100)
2007 Series B2	2,150	08/29/07	04/01/38	4.544%	BMA plus .15%	Par optional termination right	10/02/17	1,780	Aaa/AAA	(90)
2007 Series B2	4,960	08/29/07	04/01/38	4.470%	BMA plus .15%	Par optional termination right	10/02/17	4,395	Aaa/AAA	(205)
2007 Series B2	4,925	12/01/07	04/01/28	4.651%	BMA plus .15%	Par optional termination right	04/01/23	3,835	Aaa/AAA	(382)
2007 Series B3	2,675	08/29/07	10/01/37	4.304%	BMA plus .15%	Par optional termination right	10/01/17	2,065	Aaa/AAA	(94)
2007 Series B3	4,985	08/29/07	10/01/19	4.096%	BMA plus .15%	Par optional termination right	10/01/14	4,430	Aaa/AAA	(147)
2007 Series B3	2,320	12/01/07	04/01/38	4.881%	BMA plus .15%	Par optional termination right	10/01/17	2,205	Aaa/AAA	(176)
T Total Multi-Family/Business	684,395									(46,042)
T Total	\$ 2,194,640									\$ (118,874)

\* VRDO indicates a Variable Rate Demand Obligation and is the actual rate paid to bondholders. BMA is the Bond Market Association Municipal Swap Index. LIBOR is the London Interbank Offered Rate.

\*\* The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of a tax event to the Authority. The fair value of these swaps would decrease an additional \$8,830,000 if a tax event had occurred on the valuation date.

swaps containing tax event language for which the Authority could receive a variable-rate payment other than actual or BMA, the Authority would then be negatively exposed to basis risk should the relationship between LIBOR and BMA converge. Certain tax-exempt swaps, as indicated in the table above, contain a trigger feature in which the Authority receives a rate indexed on BMA 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 BMA 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) 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. The Authority views the likelihood of such events to be remote at this time. 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, 2007, 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 a potential cost to the Authority.

**Swap Payments and Associated Debt** - Using interest rates as of December 31, 2007, 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
2008	\$ 118,925	\$ 93,570	\$ 19,192	\$ 231,687
2009	119,625	84,938	19,409	223,972
2010	118,975	79,045	18,876	216,896
2011	112,925	73,297	18,234	204,456
2012	99,285	68,060	17,550	184,895
2013-2017	500,725	278,802	71,712	851,239
2018-2022	363,440	191,831	47,083	602,354
2023-2027	285,045	125,477	28,696	439,218
2028-2032	219,600	76,462	15,990	312,052
2033-2037	173,075	36,528	5,782	215,385
2038-2042	50,540	14,562	1,252	66,354
2043-2047	32,480	3,872	261	36,613
Total	\$ 2,194,640	\$ 1,126,444	\$ 264,037	\$ 3,585,121

**(8) Debt Refundings**

On August 29, 2007, the Authority issued its Multi-Family/Project Bonds 2007 Series B, in the aggregate principal amount of \$103,745,000. Proceeds of the bonds were used in part to refund portions of its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1997 Series A, and 1997 Series B, in the amount of \$6,260,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$2,125,000 and an approximate economic gain to the Authority of \$961,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$109,000 was deferred and is being amortized over the estimated life of the old debt.

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.

**(9) 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 or investments. At December 31, 2007, 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, 2007, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

Appropriations for loan programs:	
Housing Opportunity loans	\$ 46,983
Housing loans	421
Business finance loans	10,695
<b>Total appropriations</b>	<b>58,099</b>
Designations:	
General obligation bonds	16,479
General operating and working capital	510
Unrealized appreciation of investments	53,478
Single and multi-family bonds	17,635
<b>Total designations</b>	<b>88,102</b>
<b>Total General Fund unrestricted net assets</b>	<b>\$ 146,201</b>

**(10) Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of December 31, 2007, is as follows:

Due From Fund	Due to Fund			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 17,985	\$ 6,466	\$ 24,451
Single Family	261	-	-	261
Multi-Family/Business	390	-	-	390
<b>Total</b>	<b>\$ 651</b>	<b>\$ 17,985</b>	<b>\$ 6,466</b>	<b>\$ 25,102</b>

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 following table summarizes the Authority's transfers for the year ended December 31, 2007:

Transfers Out	Transfers In			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 248	\$ 125	\$ 373
Single Family	3	-	-	3
Multi-Family/Business	4,015	-	-	4,015
<b>Total</b>	<b>\$ 4,018</b>	<b>\$ 248</b>	<b>\$ 125</b>	<b>\$ 4,391</b>

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.

**(11) Retirement Plans**

The Authority contributes to the Local Government Division Trust fund (Trust), previously known as the Municipal Division Trust Fund, a cost-sharing multiple-employer public defined benefit plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. Generally, all employees of the Authority are members of the Trust.

The Authority also contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer postemployment healthcare 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](http://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:

	2007	2006	2005
<b>Contribution rate of covered salary:</b>			
Members	8.00%	8.00%	8.00%
Authority:			
Trust	9.98%	9.48%	8.98%
Health Fund	1.02%	1.02%	1.02%
<b>Total contribution rate</b>	<b>11.00%</b>	<b>10.50%</b>	<b>10.00%</b>

**Contributions by the Authority:**

Trust	\$ 1,010	\$ 890	\$ 743
Health Fund	103	96	84
<b>Total contributions</b>	<b>\$ 1,113</b>	<b>\$ 986</b>	<b>\$ 827</b>

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, 2007, and 2006 were \$302,000 and \$262,000, respectively. Contributions by participating employees for the year ended December 31, 2007, was \$797,000.

Included in bonds and notes payable are bonds payable to PERA of \$36,155,000 at December 31, 2007, that carry the Authority's general obligation pledge.

**(12) 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, worker's 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.



**(13) Commitments and Contingencies**

The Authority had outstanding commitments to make or acquire single family and multi-family/business loans of \$113,524,000 and \$68,585,000, respectively, as of December 31, 2007.

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 materially affect the Authority's financial position.

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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 Underwriters 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.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee ("**Cede**") or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the 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 2.2 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 in 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 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 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name

of Cede or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to Bonds, unless authorized by a Direct Participant in accordance with DTC 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's consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede, 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 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 Participant and not of DTC, the Trustee, the Paying Agent, the Remarketing Agent, the Liquidity Facility Provider 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, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such Bonds to the Paying Agent's DTC account.

THE AUTHORITY, THE TRUSTEE, THE PAYING AGENT, THE LIQUIDITY FACILITY PROVIDER, AND THE REMARKETING AGENT 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 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 BONDS, INCLUDING ANY NOTICE OF REDEMPTION, 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, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE BONDS ARE NOT ISSUED PURSUANT TO THE INDENTURE AND THE BONDS ARE REGISTERED TO DTC, THE AUTHORITY, THE LIQUIDITY FACILITY PROVIDER, THE PAYING AGENT, THE REMARKETING 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 BONDS, (2) GIVING NOTICE OF REDEMPTION AND OTHER MATTERS WITH RESPECT TO THE BONDS, (3) REGISTERING TRANSFERS WITH RESPECT TO THE BONDS AND (4) THE SELECTION OF BONDS FOR REDEMPTION.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Trustee and the applicable Liquidity Facility Provider. Under such circumstances, in the event that a successor securities 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 depository). In that event, Bond certificates will be printed and delivered.

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.

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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 "Part I – CERTAIN PROGRAM ASSUMPTIONS." 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, 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 "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.

### **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, 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 least as high as the rating on the Bonds at the time the Mortgage Loan is purchased.

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 promissory note or evidence of debt (or, except as provided in the following sentence, a lost instrument's bond if the note or evidence of debt has been lost), (ii) the original or copy of the recorded deed of trust (which copy in some cases 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") and (iii) an originally executed Notice of Election and Demand for Sale. 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 mortgagee or its attorneys must also prepare and submit to the public trustee the so-called Combined Notice and other required notices, certificates and affidavits and a mailing list for the notices. 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. The public trustee must mail a Combined Notice no more than 20 calendar days after recording the Notice of Election and Demand to those persons on the initial mailing list provided by the mortgagee's attorney.

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. 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 within 20 days after the recording of the Notice of Election and Demand. 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 filing a Notice to Affirm prior to the transfer of the title.

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. 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 a subdivision plat, a written statement of an official that the property was within incorporated city limits, or a written statement from the assessor. 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 statute. 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. 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 benefit of the Relief Act. Under the Relief Act a mortgagor may be granted certain relief from the mortgage obligations during active 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. For requests to cure filed 30 days or more before the sale date, the mortgagee must provide the amount required to cure

by noon on the seventh calendar day prior to the sale. For requests for cure statement filed more than 30 days before the sale date, the mortgagee must provide the amount required for cure statement within 10 business days after the receipt of the request. If the request for cure statement is filed 30 or fewer days prior to the sale date, the amount required to cure must be provided to the public trustee by 12:00 Noon on the seventh (7<sup>th</sup>) calendar day prior to the date of 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 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 or a Private Insurer. 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 amended (the "Master Indenture") and pursuant to a \_\_\_ Series \_\_\_\_\_ Indenture dated as of \_\_\_\_\_ 1, 200\_\_ (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 to provide funds to be used to pay at maturity or redeem prior to maturity certain outstanding obligations of the Authority, to provide funds to finance the purchase of mortgage loans under the Authority's Single Family Mortgage Program (as defined in the Official Statement), to establish necessary reserves, and to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriters (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," **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS" and **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO," 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) "Events" means any of the events listed in Section 2(d) hereof.

(d) "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.

(e) "National Repository" means, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website [www.DisclosureUSA.org](http://www.DisclosureUSA.org).

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "Repository" means each such National Repository and any SID.

(h) "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.

(i) "SEC" means the Securities and Exchange Commission.

(j) "Senior Manager" means Lehman Brothers, Inc., 4<sup>th</sup> Floor, 745 Seventh Avenue, New York, New York 10019.

(k) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(l) "State" means the State of Colorado.

Section 2. Provision of Annual Information and Reporting of Events.

(a) Commencing with the fiscal year ending December 31, 200\_\_ and annually while the Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually each Repository (with a copy, upon request, to the Senior Manager) 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; 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) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of the occurrence of any of the following Events with respect to the Series Bonds, if material (provided, that any event under clauses (ix) or (xi) will always be deemed to be material):

- i. Principal and interest payment delinquencies with respect to the Series Bonds;
  - ii. Non-payment related defaults with respect to the Series Bonds;
  - iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - v. Substitution of credit or liquidity providers, or their failure to perform;
  - vi. Any event adversely affecting the tax-exempt status of the Series Bonds;
  - vii. Modifications to the rights of the owners of the Series Bonds;
  - viii. Bond calls (other than mandatory sinking fund redemption);
  - ix. Defeasance;
  - x. Release, substitution or sale of property securing repayment of the Series Bonds;
- and
- xi. Rating changes.

(e) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, 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 as is requested or recommended by the Repositories or 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 Authority hereunder shall not constitute an Event of Default under the Trust Document and none of the rights and remedies provided by the Trust Document 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 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 each Repository and the Senior Manager.

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 \_\_\_\_\_, 200\_\_.

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) During the period for the acquisition of Mortgage Loans with the proceeds of the Series Bonds, the original amount of funds available for the acquisition of Mortgage Loans, the total amount of funds committed by the Authority for individual Mortgage Loans, and the total principal amount of Mortgage Loans purchased by the Authority. This information will not be provided after the period for the acquisition of Mortgage Loans with the proceeds of the Series Bonds.

(iii) 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 Class IV Debt Service Fund (as applicable), 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) With respect to each Series of Bonds, the amount of total assets, the amount of total liabilities and the amount of surplus or deficit.