

NEW ISSUE - Book-Entry Only

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2011AA 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 2011AA Bonds (the "Tax Code"), and interest on the 2011AA Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. In addition, in the opinion of Bond Counsel, the 2011AA 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 2011AA Bonds. See "Part I – TAX MATTERS."



\$39,200,000
COLORADO HOUSING AND FINANCE AUTHORITY
Single Family Program Class I Bonds
Series 2011AA (Mortgage-Backed Securities Program)
(non-AMT)

Dated: Date of delivery

Due: As shown on the inside front cover

The 2011AA Bonds shown above are being issued by the Colorado Housing and Finance Authority (the "Authority") as fully registered bonds pursuant to a Master Indenture of Trust and a Series 2011AA Indenture, each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee. The 2011AA Bonds will bear interest at the fixed interest rates shown on the inside front cover. Interest on the 2011AA Bonds will be payable on each May 1 and November 1, commencing on November 1, 2011, on any redemption date (as applicable) and at maturity. Principal of the 2011AA Bonds is payable in the amounts and on the dates shown on the inside front cover, subject to prior redemption.

The 2011AA Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2011AA 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 2011AA Bonds will be registered in the name of Cede & Co. Individual purchases of 2011AA Bonds will be made in book-entry form only, and beneficial owners of the 2011AA Bonds will not receive physical delivery of bond certificates representing their interest in the 2011AA 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 2011AA Bonds. Payments of principal of and interest on the 2011AA 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 2011AA Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Maturity Schedule shown on Inside Front Cover

Certain of the 2011AA Bonds are subject to special redemption, optional redemption and mandatory sinking fund redemption prior to maturity as described herein.

The Master Indenture provides for three classes of Bonds or other Obligations thereunder – Class I, Class II and Class III Obligations. The 2011AA Bonds are being issued as Class I Bonds which are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Master Indenture as described herein on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. There are currently Class I Obligations outstanding under the Master Indenture (as further described herein, the "2009AA Program Bonds") which were issued under the United States Department of the Treasury's Single Family New Issue Bond Program (the "NIB Program") in an aggregate principal amount of \$275,210,000. Proceeds of the 2009AA Program Bonds are on deposit in an escrow account. Amounts in such escrow account secure the 2009AA Program Bonds prior to conversion of interest thereon and release of related proceeds.

Additional Bonds or other Obligations may be issued or incurred by the Authority under the Master Indenture in each of the three 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. While the 2009AA Program Bonds are outstanding under the Master Indenture, no additional Bonds may be issued which are senior to the 2009AA Program Bonds or are Adjustable Rate Bonds. **In no event shall the 2011AA Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for the payment of the 2011AA Bonds).**

At the time of delivery of the 2011AA Bonds and in connection with the conversion of the interest rate on \$58,800,000 aggregate principal amount of the 2009AA Program Bonds (the "Converted 2009AA-1 Bonds"), the proceeds of such Converted 2009AA-1 Bonds will be released from escrow. The 2011AA Bonds represent the "market bonds" required to be issued under the NIB Program in connection with the release of such proceeds of the Converted 2009AA-1 Bonds. The proceeds of the 2011AA Bonds, together with such proceeds of the Converted 2009AA-1 Bonds so released and certain funds contributed by the Authority, will be used (i) to finance single family mortgage loans through the purchase of fully modified mortgage-backed, pass-through securities ("MBS"); (ii) to finance capitalized interest; and (iii) to pay certain costs of issuance relating to the 2011AA Bonds and costs of conversion relating to the Converted 2009AA-1 Bonds. The MBS financed with such proceeds are expected to be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association.

The 2011AA Bonds are offered when, as and if issued and delivered, subject to the approval of legality by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority by Charles L. Borgman, Esq., its General Counsel; and by Hogan Lovells US LLP, Denver, Colorado, Disclosure Counsel to the Authority. The Underwriters are being represented in connection with their purchase of the 2011AA Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. CSG Advisors Inc. will serve as Financial Advisor to the Authority in connection with the issuance of the 2011AA Bonds. Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the 2011AA Bonds. For details of the Underwriters' compensation, see "Part I – UNDERWRITING" herein. It is expected that the 2011AA Bonds will be delivered (through DTC) in New York, New York on or about May 11, 2011.

RBC Capital Markets

J.P. Morgan

Loop Capital Markets

BofA Merrill Lynch

Barclays Capital

D.A. Davidson

George K. Baum & Company

Harvestons Securities, Inc.

This Official Statement is dated April 13, 2011.

MATURITY SCHEDULE

\$18,200,000 Serial Bonds
(CUSIP No. 196479 ___†)

<u>Date</u> (May 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> †	<u>Date</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> †
--	\$ --	-- %	-- %	--	2011	\$360,000	0.45%	100%	TB5
2012	740,000	0.60	100	TC3	2012	745,000	0.75	100	TD1
2013	750,000	1.00	100	TE9	2013	760,000	1.10	100	TF6
2014	765,000	1.45	100	TG4	2014	775,000	1.60	100	TH2
2015	780,000	2.00	100	TJ8	2015	785,000	2.15	100	TK5
2016	800,000	2.50	100	TL3	2016	815,000	2.65	100	TM1
2017	825,000	3.00	100	TN9	2017	840,000	3.00	100	TP4
2018	855,000	3.40	100	TQ2	2018	875,000	3.45	100	TR0
2019	605,000	3.70	100	TS8	2019	620,000	3.80	100	TT6
2020	635,000	4.00	100	TU3	2020	650,000	4.00	100	TV1
2021	660,000	4.10	100	TW9	2021	680,000	4.10	100	TX7
2022	690,000	4.30	100	UB3	2022	710,000	4.30	100	UC1
2023	730,000	4.50	100	UD9	2023	750,000	4.50	100	UE7

\$4,955,000 of 4.85% Class I Bonds, Series 2011AA due November 1, 2026 – Price: 100%
(CUSIP No. 196479 TY5†)

\$10,970,000 of 5.00% Class I Bonds, Series 2011AA due November 1, 2028 – Price: 108.195%
(the "**Premium PAC Bonds**")
(CUSIP No. 196479 TZ2†)

\$5,075,000 of 5.00% Class I Bonds, Series 2011AA due May 1, 2029 – Price: 100.250%
(CUSIP No. 196479 UA5†)

† Neither the Authority nor the Underwriters take any responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2011AA 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 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 2011AA 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 2011AA 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 2011AA Bonds, the Mortgage Loans, the MBS or any other bonds or obligations of the Authority.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities, under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and this Official Statement is not to be construed as the promise or guarantee of the Underwriters.

THE PRICES AT WHICH THE 2011AA 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 2011AA BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2011AA 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, inside front cover,
Parts I and II and the Appendices.**

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OFFICIAL STATEMENT

\$39,200,000

COLORADO HOUSING AND FINANCE AUTHORITY
Single Family Program Class I Bonds
Series 2011AA (Mortgage-Backed Securities Program)
(non-AMT)

PART I

INTRODUCTION

This Official Statement, which includes the front cover page, the 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 "**2011AA Bonds**"). The 2011AA Bonds are being issued pursuant to the Master Indenture of Trust dated as of December 1, 2009 (as amended, the "**Master Indenture**"), and the Series 2011AA Indenture dated as of May 1, 2011 (the "**2011AA 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 Master 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, 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 2011AA 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 2011AA 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 2011AA Bonds are being issued, among other things, to provide funds to finance Mortgage Loans indirectly through the purchase of fully modified mortgage-backed, pass-through securities ("**MBS**") guaranteed as to timely payment by the Government National Mortgage Association (as further defined herein, the "**Ginnie Mae Certificates**"), under the Authority's Single Family Mortgage Program. Proceeds of the 2011AA Bonds may not be used to finance any activities of the Authority other than the Single Family Mortgage Program. Proceeds of future Bonds issued under the Master Indenture may be used to finance or refinance Mortgage Loans directly or indirectly through the purchase of Ginnie Mae Certificates or MBS guaranteed by Federal National Mortgage Association

("Fannie Mae") or Federal Home Loan Mortgage Corporation ("Freddie Mac"). 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 C.*

Authority for Issuance

The 2011AA 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 2011AA Bonds are being issued and secured under the Indenture.

Converted 2009AA-1 Bonds; Release of Certain Escrowed Proceeds

On December 30, 2009, the Authority issued its Taxable Single Family Program Class I Bonds Convertible Series 2009AA (referred to herein as the "**2009AA Program Bonds**") under the Master Indenture and the Series 2009AA Indenture dated as of December 1, 2009, as supplemented and amended by the First Supplement to Series 2009AA Indenture dated as of October 1, 2010 (collectively, the "**2009AA Indenture**"). The Authority expects to provide notice to the holder of the 2009AA Program Bonds of its intent to convert the interest rate on \$58,800,000 aggregate principal amount of such 2009AA Program Bonds (the "**Converted 2009AA-1 Bonds**") from a taxable to a tax-exempt interest rate which will be computed based on the method described herein. Together, the Converted 2009AA-1 Bonds and the 2011AA Bonds are referred to in this Official Statement as the "**Series Bonds**." See "Description of the Outstanding Bonds" under this caption and "Part I – PLAN OF FINANCE." *The Converted 2009AA-1 Bonds are not being offered by this Official Statement.* Upon such conversion, the proceeds of the Converted 2009AA-1 Bonds which are currently on deposit in a special trust account established and held under the Master Indenture (the "**Escrow Fund**") will be released from the Escrow Fund and deposited to the 2009AA-1/2011AA subaccount of the Acquisition Fund. The date of such release is referred to herein as the "**2009AA-1 Release Date**."

The 2011AA Bonds represent the Market Bonds required by the 2009AA Indenture to be issued in order to convert, and release the proceeds of, the Converted 2009AA-1 Bonds. It is expected that the 2011AA Bonds will be delivered by the Authority concurrently with the 2009AA-1 Release Date. On up to five other dates on or prior to December 31, 2011 (the final NIB Program release date), interest on the remaining 2009AA Program Bonds (the "**Pre-Conversion 2009AA Bonds**") may be converted and proceeds of such Pre-Conversion 2009AA Bonds to be converted will be released from the Escrow Fund upon satisfaction of certain conditions of the 2009AA Indenture, including the issuance by the Authority of additional Bonds as Market Bonds under the Master Indenture in a principal amount equal to no less than two-thirds of the principal amount of the Pre-Conversion 2009AA Bonds to be converted. Any Pre-Conversion 2009AA Bonds with respect to which a release date has not occurred prior to December 31, 2011 are subject to mandatory redemption on February 1, 2012 at a redemption price of par plus accrued interest to the date of redemption. In connection with conversion of the Converted 2009AA-1 Bonds, the Master Indenture is being amended and supplemented by the 2009AA-1 Series Indenture dated as of May 1, 2011 (the "**2009AA-1 Series Indenture**"). The Master Indenture, as supplemented and amended by the 2009AA Indenture, the 2009AA-1 Series Indenture and the 2011AA Indenture, and as otherwise amended, is referred to herein as the "**Indenture**."

Purposes of the Outstanding Bonds

Proceeds of the 2011AA Bonds, proceeds of the Converted 2009AA-1 Bonds released from the Escrow Fund and certain funds contributed by the Authority are expected to be used to (i) finance single family mortgage loans indirectly through the purchase of Ginnie Mae Certificates, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage-Backed Securities," (ii) finance capitalized interest, and (iii) pay costs of issuance associated with the 2011AA Bonds and costs of conversion relating to the Converted 2009AA-1 Bonds. See "Part I – PLAN OF FINANCE." The proceeds of the Pre-Conversion 2009AA Bonds will remain on deposit in the Escrow Fund until released as permitted under the 2009AA Indenture. Upon release, such proceeds may only be used for purposes permitted under the Master Indenture as supplemented by the 2009AA Indenture. The 2011AA Bonds, the Converted 2009AA-1 Bonds, the Pre-Conversion 2009AA Bonds, and any bonds, notes or other financial obligations issued in the future under the Master Indenture, are referred to herein as the "**Bonds**." The 2011AA Bonds, the Converted 2009AA-1 Bonds and the Pre-Conversion 2009AA Bonds are referred to herein as the "**Outstanding Bonds**."

Description of the Outstanding Bonds

Principal of the 2011AA Bonds is payable on May 1 and November 1 in the amounts and in the years as shown on the inside front cover hereof, subject to prior redemption. The 2011AA Bonds will bear interest at the fixed interest rates shown on the inside front cover hereof. Interest on the 2011AA Bonds will be payable on each May 1 and November 1, commencing on November 1, 2011, 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 2011AA Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The 2011AA Bonds maturing on November 1, 2028 are herein referred to as the "**Premium PAC Bonds**."

The Converted 2009AA-1 Bonds will bear interest at a short-term rate from the 2009AA-1 Release Date until July 11, 2011, and at a permanent rate thereafter, calculated based on the method described in "Part I – PLAN OF FINANCE – Converted 2009AA-1 Bonds; Release of Certain Escrowed Proceeds." Principal of the Converted 2009AA-1 Bonds will be payable at maturity on November 1, 2041, or on any redemption date. The Converted 2009AA-1 Bonds are outstanding in denominations of \$5,000 or any integral multiple thereof, although they must be redeemed in denominations of \$10,000 or any integral multiple thereof. The Pre-Conversion 2009AA Bonds will continue to bear interest at a short-term rate, and the proceeds thereof will remain in the Escrow Fund as security for the repayment thereof, until any time that all or any portion of such Pre-Conversion 2009AA Bonds are converted under the 2009AA Indenture.

Certain of the Outstanding Bonds will be subject to special, optional and mandatory sinking fund redemption prior to maturity. See "Part I – TERMS OF THE OUTSTANDING BONDS – Prior Redemption of Outstanding Bonds." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

For a more complete description of the Bonds and the Indenture, see "Part I – TERMS OF THE OUTSTANDING BONDS" and Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Security and Sources of Payment

All Bonds and other Obligations outstanding under the Master Indenture (other than 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, the Mortgage Loans and the MBS and, in the case of the 2009AA Program Bonds which have not been converted, the escrowed amounts in the Escrow Fund (collectively, the "Trust Estate"). See "**Part II – SECURITY FOR THE OBLIGATIONS.**" In accordance with the Master Indenture, any Bonds or other Obligations may be outstanding as Class I, Class II or Class III Obligations, and may also be designated as General Obligations of the Authority. As of the date hereof, the only Obligations issued under the Master Indenture are the 2009AA Program Bonds, which are Class I Obligations outstanding in an aggregate principal amount of \$275,210,000. See "Part I – PLAN OF FINANCE" for a discussion of the conversion of interest rate on the Converted 2009AA-1 Bonds, release of certain proceeds from the Escrow Fund and use of such proceeds by the Authority. So long as 2009AA Program Bonds (which include the Converted 2009AA-1 Bonds and the Pre-Conversion 2009AA Bonds) are outstanding under the Master Indenture, no additional Bonds may be issued which are senior to the 2009AA Program Bonds or are Adjustable Rate Bonds.

The 2011AA Bonds are being issued as Class I Obligations pursuant to the Indenture and will be payable and secured by the Trust Estate on parity with other outstanding Class I Obligations as described herein. No 2011AA Bonds are being issued as Class II or Class III Obligations. **In no event shall the 2011AA Bonds constitute an obligation or liability of the State or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for payment of the 2011AA Bonds). Ginnie Mae, Fannie Mae and Freddie Mac guarantee only the payment of the principal of and interest on the respective MBS when due and do not guarantee the payment of the 2011AA Bonds or any other obligations issued by the Authority.**

Professionals Involved in the Offering

In connection with the issuance and sale of the 2011AA Bonds, Sherman & Howard L.L.C., as Bond Counsel to the Authority, will deliver an opinion in the form included as **Appendix B** 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 Lovells US LLP. The Underwriters are being represented in connection with their purchase of the 2011AA Bonds by their counsel, Bookhardt & O'Toole. CSG Advisors Inc. will serve as Financial Advisor to the Authority in connection with the issuance of the 2011AA Bonds. See "Part I – LEGAL MATTERS" and "Part I – FINANCIAL ADVISOR."

Availability of Continuing Information

In connection with the issuance of the 2011AA Bonds, the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix F** hereto, by which the Authority will agree to make available, in compliance with Rule 15c2-12 of the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), certain annual financial information and audited financial statements commencing with the fiscal year ending December 31, 2010 and notice of certain events.

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

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

Investment Considerations

The purchase and ownership of the 2011AA Bonds involve investment risks. Prospective purchasers of the 2011AA 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 2011AA Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE OUTSTANDING BONDS

General Terms of the Outstanding Bonds

Principal Payment; Maturity

The principal and any redemption price of the Outstanding Bonds is payable to Cede & Co. Principal of the 2011AA Bonds is payable on May 1 and November 1 in the amounts and in the years as shown on the inside cover page hereof, subject to prior redemption as described in "Prior Redemption of Outstanding Bonds" under this caption. The Converted 2009AA-1 Bonds will mature, subject to prior redemption as described in "Prior Redemption of Outstanding Bonds" under this caption, on November 1, 2041 and principal will be paid on any such redemption date and at maturity. The Pre-Conversion 2009AA Bonds will mature on November 1, 2041, except that any such Pre-Conversion 2009AA Bonds which are not converted prior to December 31, 2011 are to be redeemed as described in "Prior Redemption of Outstanding Bonds" under this caption.

Interest Rates; Payment of Interest

Interest on the Outstanding Bonds is payable to Cede & Co. The 2011AA Bonds will bear interest at the rates shown the inside front cover of this Official Statement. Interest on the 2011AA Bonds will be payable on each May 1 and November 1, commencing November 1, 2011, on any redemption date (as applicable) and at maturity. Interest on the 2011AA Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Converted 2009AA-1 Bonds will bear interest at the rates described in "Part I – PLAN OF FINANCE – Converted 2009AA-1 Bonds; Release of Certain Escrowed Proceeds." Interest on the Converted 2009AA-1 Bonds will be payable on the 2009AA-1 Release Date, on the 2009AA-1 Conversion Date (as hereinafter defined), on any redemption date and, following the 2009AA-1 Conversion Date, on each May 1 and November 1, commencing November 1, 2011. Interest on the Converted 2009AA-1 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Until any applicable release date, the Pre-Conversion 2009AA Bonds will continue to bear interest at a rate which produces an interest payment on such release date relative to the applicable Pre-Conversion 2009AA Bonds equal to total investment earnings on the related proceeds deposited to the Escrow Fund while on deposit therein. Interest on the Pre-Conversion 2009AA Bonds will be payable on each applicable release date, on each applicable conversion date, on any redemption date and, following an applicable conversion date, on each May 1 and November 1.

Book-Entry System

The Outstanding Bonds have been and will be issued as fully registered bonds without coupons. DTC will act as securities depository for the Outstanding Bonds. The ownership of one fully registered Bond for each maturity, 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 D – "BOOK-ENTRY SYSTEM."** **So long as the Outstanding Bonds are registered in the DTC book-entry form described in Appendix D, each Beneficial Owner of a Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the Outstanding 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 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 Bonds at the maturity or redemption thereof. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."**

Authorized Denominations

Purchases of the 2011AA Bonds are to be made in denominations of \$5,000 or any integral multiple thereof. The Converted 2009AA-1 Bonds and the Pre-Conversion 2009AA Bonds have been issued in denominations of \$5,000 or any integral multiple thereof, although they must be redeemed in denominations of \$10,000 or any integral multiple thereof.

Prior Redemption of Outstanding Bonds

Special Redemption – 2011AA Bonds and Converted 2009AA-1 Bonds

Unexpended Amounts in Acquisition Account. The 2011AA Bonds and the Converted 2009AA-1 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 respective Bonds or portions thereof to be so redeemed, plus accrued interest thereon to the date of redemption without premium (except as described in the next two sentences), on any date from amounts equal to respective proceeds thereof transferred from the 2009AA-1/2011AA subaccount of the Acquisition Account to the 2009AA-1/2011AA subaccount of the Class I Special Redemption Account. The 2011A Bonds maturing on May 1, 2029 are to be redeemed as described in this paragraph at a Redemption Price equal to 100.25% of the principal amount thereof plus accrued interest thereon to the date of redemption. The Premium PAC Bonds are to be redeemed as described in this paragraph at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date of redemption, plus the unamortized premium thereon determined by straight-line amortization of the original issue premium of 8.195% between the date of original issuance of the 2011AA Bonds and May 1, 2021 as of which date the redemption premium reduces to zero. The proceeds of the Converted 2009AA-1 Bonds and proceeds of the 2011AA Bonds on deposit in the 2009AA-1/2011AA subaccount of the Acquisition Account are to be used to purchase each MBS on a proportionate basis. The Indenture requires that the Trustee transfer to the Series 2009AA/2011AA subaccount of the Redemption Fund amounts which are not used to purchase MBS and remain on deposit in the 2009AA-1/2011AA 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

May 1, 2012; 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) and a Favorable Opinion of Bond Counsel. 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 Acquisition."

Prepayments and Excess Revenues. The 2011AA Bonds and the Converted 2009AA-1 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 respective 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 or transferred to the 2009AA-1/2011AA subaccount of the Class I Special Redemption Account. To the extent not used to pay scheduled principal, interest or sinking fund redemptions on Series Bonds or other Bonds issued in conjunction with and secured by the Trust Estate on a parity with the Converted 2009AA-1 Bonds, a pro rata portion (calculated based on the Outstanding principal amount of the 2009AA-1 Bonds and the Outstanding principal amount of the 2011AA Bonds) of all principal prepayments and recoveries of principal received with respect to the Mortgage Loans or MBS acquired or financed with the proceeds of the Series Bonds shall be promptly applied to the redemption of the 2009AA-1 Bonds and the 2011AA Bonds, respectively. The Authority shall cause such principal prepayments and recoveries of principal to be deposited in or transferred to the Series 2009AA-1/2011AA subaccount of the Redemption Fund to facilitate such redemption of the 2009AA-1 Bonds and the 2011AA Bonds.

If less than all of the 2011AA Bonds are to be redeemed pursuant to the preceding paragraph, the 2011AA Bonds shall be redeemed as described below; provided that no Premium PAC Bonds shall be redeemed in amounts that would cause the Aggregate Principal Amount of the then Outstanding Premium PAC Bonds to be less than the amount shown in the column entitled "75% SIFMA Outstanding Balance of Premium PAC Bonds" (the "**75% SIFMA Outstanding Balance**") for the applicable semiannual period as set forth in the table below unless no other 2011AA Bonds remain Outstanding or such redemption is required by the Tax Code:

FIRST, if and to the extent that the Aggregate Principal Amount of the Premium PAC Bonds Outstanding is in excess of the 75% SIFMA Outstanding Balance for the applicable semiannual period as set forth in the table below, such amounts shall be applied to redeem the Premium PAC Bonds;

SECOND, after applying the amounts as described in clause FIRST above, if and to the extent that the Aggregate Principal Amount of the 2011AA Bonds Outstanding exceeds the amount shown in the column "400% SIFMA Outstanding Balance of 2011AA Bonds" (the "**400% SIFMA Outstanding Balance**") for the applicable semiannual period as set forth in the table below, any remaining amounts may be applied to the redemption of 2011AA Bonds other than Premium PAC Bonds, of such maturities and in such amounts as directed by the Authority (or, in the absence of such direction, on a pro rata by maturity basis); and

THIRD, after applying the amounts as described in clauses FIRST and SECOND above, if the Aggregate Principal Amount of the 2011AA Bonds Outstanding is equal to or less than the 400% SIFMA Outstanding Balance for the applicable semiannual period as set forth below, any remaining amounts may be applied to the redemption of any 2011AA Bonds, including the

Premium PAC Bonds; provided that the percentage of such remaining amounts so applied to redeem Premium PAC Bonds may not exceed the ratio of the Aggregate Principal Amount of Outstanding Premium PAC Bonds to the Aggregate Principal Amount of Outstanding 2011AA Bonds prior to such redemption.

Such redemptions may occur at such times and with such frequency as the Authority elects; provided that redemptions described in clause FIRST above must occur at least once during each semiannual period commencing November 1, 2011 to the extent moneys in the Series 2009AA-1/2011AA subaccount of the Redemption Fund are legally available therefor. To the extent Premium PAC Bonds are to be redeemed on a date that is not a Stated Interest Payment Date, the 75% SIFMA Outstanding Balance of Premium PAC Bonds and the 400% SIFMA Outstanding Balance of 2011AA Bonds as set forth in the table below shall be deemed to be the respective amounts determined by interpolating such Outstanding Balances, using the straight line method, by reference to the respective Outstanding Balances for the Semi-Annual Period Ending dates listed in the table below which are immediately prior to and immediately subsequent to such redemption date, and the number of calendar days elapsed since the Semi-Annual Period Ending date which is immediately prior to such redemption date. In the event any 2011AA Bonds are redeemed pursuant to the provisions described in "Unexpended Amounts in Acquisition Fund" under this caption, each 75% SIFMA Outstanding Balance amount and 400% SIFMA Outstanding Balance amount shall be recalculated on a pro rata basis, based on the ratio that the Aggregate Principal Amount of all 2011AA Bonds Outstanding after such redemption bears to the original Aggregate Principal Amount of the 2011AA Bonds.

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<u>Semi-Annual Period Ending</u>	<u>75% SIFMA Outstanding Balance of Premium PAC Bonds</u>	<u>400% SIFMA Outstanding Balance of 2011AA Bonds</u>
5/11/2011	\$10,970,000	\$39,200,000
11/1/2011	10,840,000	38,295,000
5/1/2012	10,475,000	35,975,000
11/1/2012	9,950,000	32,880,000
5/1/2013	9,280,000	29,195,000
11/1/2013	8,495,000	25,180,000
5/1/2014	7,675,000	21,425,000
11/1/2014	6,905,000	18,220,000
5/1/2015	6,170,000	15,480,000
11/1/2015	5,475,000	13,155,000
5/1/2016	4,815,000	11,160,000
11/1/2016	4,200,000	9,465,000
5/1/2017	3,615,000	8,020,000
11/1/2017	3,070,000	6,790,000
5/1/2018	2,555,000	5,740,000
11/1/2018	2,085,000	4,845,000
5/1/2019	1,575,000	4,065,000
11/1/2019	1,115,000	3,400,000
5/1/2020	695,000	2,840,000
11/1/2020	320,000	2,365,000
5/1/2021	--	1,960,000
11/1/2021	--	1,625,000
5/1/2022	--	1,330,000
11/1/2022	--	1,100,000
5/1/2023	--	895,000
11/1/2023	--	725,000
5/1/2024	--	580,000
11/1/2024	--	465,000
5/1/2025	--	365,000
11/1/2025	--	285,000
5/1/2026	--	215,000
11/1/2026	--	160,000
5/1/2027	--	115,000
11/1/2027	--	80,000
5/1/2028	--	45,000
11/1/2028	--	25,000
5/1/2029	--	--

Prior to each special redemption date, the Trustee is to notify the Paying Agent and Bond Registrar of the estimated amounts of moneys available for special redemption in order to allow the Bond Registrar sufficient time to select Bonds for redemption and to mail redemption notices within the time periods required by the Indenture.

Notwithstanding the provisions described above, the 2011AA Bonds are also subject to redemption from other amounts on deposit in the Revenue Fund as described in "Cross Calls and Recycling" under this caption. See also "Projected Weighted Average Life – Premium PAC Bonds"

under this caption. **It is anticipated that moneys will be available to redeem a substantial portion of the 2011AA Bonds without premium in accordance with the preceding paragraphs. General information concerning prepayments on mortgage loans relating to outstanding bonds of the Authority has been filed by the Authority with and is available from the National Repositories. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."**

Projected Weighted Average Life – Premium PAC Bonds. The following information is provided to allow potential investors to evaluate the Premium PAC Bonds which are the subject of special redemption described above. The weighted average life of a bond refers to the average length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid weighted by the principal amount of such installment. The weighted average life of the Premium PAC Bonds will be influenced by, among other things, the rate at which Ginnie Mae Certificates are purchased and the rate at which principal payments (including scheduled payments and principal prepayments) are made on the Mortgage Loans backing the Ginnie Mae Certificates allocable to the 2011AA Bonds. An investor owning less than all of the Premium PAC Bonds may experience redemption at a rate that varies from the average life of the Premium PAC Bonds.

Levels of prepayment on mortgage loans are commonly measured relative to a prepayment standard or model. The standard used in this Official Statement is The Standard Prepayment Model of The Securities Industry and Financial Markets Association, formerly The Bond Market Association and prior thereto the Public Securities Association (the "**PSA Prepayment Model**"). The PSA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of 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 Mortgage Loans backing Ginnie Mae Certificates allocable to the 2011AA Bonds. "**100% PSA**" assumes prepayment rates of 0.2 percent per year of the then-unpaid balance of the pool of mortgage loans in the first month of the life of the pool of mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the pool of mortgage loans, 100% PSA assumes a constant prepayment rate of 6 percent per year. Multiples will be calculated from this prepayment rate standard, e.g. "**200% PSA**" assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month thirty and remaining constant at 12 percent per year thereafter. "**0% PSA**" assumes no prepayments of principal of a pool of mortgage loans will occur for the life of the pool of mortgage loans.

The following table, entitled "Projected Weighted Average Life – Premium PAC Bonds" assumes, among other things, that (i) the Mortgage Loans backing the Ginnie Mae Certificates allocable to the 2011AA Bonds prepay at the indicated percentages of the PSA Prepayment Model, (ii) all proceeds of the 2011AA Bonds in the 2009AA-1/2011AA subaccount of the Acquisition Account are used to purchase Ginnie Mae Certificates by May 12, 2011, (iii) all scheduled principal and interest payments or prepayments on Mortgage Loans backing Ginnie Mae Certificates allocable to the 2011AA Bonds are received thirty days after the date on which due or assumed to be made, and (iv) the Premium PAC Bonds are not redeemed pursuant to optional redemption or from excess revenues. Based solely on such assumptions, some or all of which are unlikely to reflect actual experience, the following table provides projected weighted average life information for the Premium PAC Bonds.

Projected Weighted Average Life – Premium PAC Bonds

<u>PSA Prepayment</u>	<u>Premium PAC Bonds Weighted Average Life (years) †</u>
0%	12.11
25	9.21
50	6.70
75	5.00
100	5.00
200	5.00
300	5.00
400	5.00
500	4.32

†The weighted average life may be affected if Premium PAC Bonds are redeemed with excess revenues or from unexpended proceeds of the 2011AA Bonds, as described above.

No assurance can be given that prepayments of principal of the Mortgage Loans backing Ginnie Mae Certificates allocable to the 2011AA Bonds will conform to any level of a particular prepayment projection, schedule or model or that prepayments will be available to be applied to redemptions of any of the 2011AA Bonds, including the Premium PAC Bonds. The rates of principal prepayments on Mortgage Loans are generally influenced by a variety of economic, geographical, social and other factors, including servicing decisions, changing property values, prevailing interest rates and the time within which Mortgage Loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on the Mortgage Loans backing Ginnie Mae Certificates financed by the 2011AA Bonds, such Mortgage Loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on such Mortgage Loans. Conversely, if prevailing interest rates rise above the interest rates on the Mortgage Loans backing Ginnie Mae Certificates financed by the 2011AA Bonds, the rate of prepayments might be expected to decrease. Foreclosures or repurchases of Mortgage Loans will also affect the expected special redemption schedules. The Authority cannot predict the number of Mortgage Loans backing Ginnie Mae Certificates financed by the 2011AA Bonds that may become delinquent, repurchased or foreclosed. For these reasons, the Authority cannot offer any assurances as to the overall rate at which the Mortgage Loans backing Ginnie Mae Certificates financed by the 2011AA Bonds will prepay and offers no assurance that the scheduled amounts will, in fact, be available to effect any redemptions described herein.

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. **The 2011AA Indenture does not limit cross calls of the 2011AA Bonds with principal prepayments and recoveries of principal received with respect to the Mortgage Loans or MBS acquired or financed with the proceeds of other Bonds under the Master Indenture or using such amounts received with respect to the MBS financed with the 2011AA Bonds to call other Bonds, which may result in redemption of the 2011AA Bonds at par earlier or later than projected.**

However, the 2009AA Indenture requires that a pro rata portion (calculated based on the Outstanding principal amount of the 2009AA-1 Bonds and the Outstanding principal amount of the 2011AA Bonds) of all such principal prepayments and recoveries of principal received with respect to the MBS financed with the 2009AA-1 Bonds and 2011AA Bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemption on the 2009AA-1 Bonds, the 2011AA Bonds or other Bonds, be used to redeem the 2009AA-1 Bonds.

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 or MBS as permitted by the Master Indenture. Such transfers for recycling are not permitted so long as 2009AA Program Bonds remain outstanding. 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."** **However, while 2009AA Program Bonds are Outstanding, no Prepayments or Mortgage Prepayments may be used to make new Mortgage Loans or MBS.** *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 Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

Optional Redemption – 2011AA Bonds and Converted 2009AA-1 Bonds

2011AA Bonds. The 2011AA Bonds are subject to redemption at the option of the Authority, on or after May 1, 2021, in whole or in part on any date, 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. The 2011AA Bonds and the Converted 2009AA-1 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 or MBS, as further described under "Selection of Bonds for Partial Redemption" and "Notice of Redemption."

Converted 2009AA-1 Bonds. The Converted 2009AA-1 Bonds are subject to redemption at the option of the Authority from any source, on the first Business Day of each month, in whole or in part at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption – 2011AA Bonds and Converted 2009AA-1 Bonds

2011AA Bonds. The 2011AA Bonds maturing on November 1, 2026 shall be redeemed prior to their maturity, in part, by payment of Series 2011AA 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 2011AA Bonds maturing on November 1, 2026 or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2011AA Bonds Maturing on November 1, 2026

<u>Year</u> <u>(May 1)</u>	Class I Sinking Fund <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	Class I Sinking Fund <u>Installment</u>
2024	\$770,000	2024	\$795,000
2025	815,000	2025	835,000
2026	860,000	2026 (1)	880,000

(1) Maturity Date

Upon any purchase pursuant to the Indenture or redemption (other than mandatory sinking fund redemption) of the 2011A Bonds maturing on November 1, 2026 for which Series 2011AA Class I Sinking Fund Installments have been established, there shall be credited toward each Series 2011AA Class I Sinking Fund Installment thereafter to become for such Bonds due an amount bearing the same ratio to such Series 2011AA Class I Sinking Fund Installment as (i) the total principal amount of such 2011AA Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2011AA 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 Series 2011AA Class I Sinking Fund Installments upon any such purchase or redemption of such 2011AA Bonds and certifying that such request is consistent with the most recently filed Cash Flow Statement Related to the 2011AA Bonds, then such Series 2011AA Class I Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

The 2011AA Bonds maturing on May 1, 2029 shall be redeemed prior to their maturity, in part, by lot by payment of Series 2011AA 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 2011AA Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2011AA Bonds Maturing on May 1, 2029

<u>Year</u> <u>(May 1)</u>	Class I Sinking Fund <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	Class I Sinking Fund <u>Installment</u>
2027	\$ 905,000	2027	\$ 930,000
2028	960,000	2028	985,000
2029 (1)	1,295,000	--	--

(1) Maturity Date

Upon any purchase pursuant to the Indenture or redemption (other than mandatory sinking fund redemption) of the 2011AA Bonds maturing on May 1, 2029 for which Series 2011AA Class I Sinking Fund Installments have been established, there shall be credited toward each Series 2011AA Class I Sinking Fund Installment thereafter to become for such 2011AA Bonds maturing due an amount bearing the same ratio to such Series 2011AA Class I Sinking Fund Installment as (i) the total principal amount of such 2011AA Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2011AA 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 Series 2011AA Class I Sinking Fund Installments upon any such purchase or redemption of such 2011AA Bonds and certifying

that such request is consistent with the most recently filed Cash Flow Statement Related to the 2011AA Bonds, then such Series 2011AA Class I Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

The Premium PAC Bonds shall be redeemed prior to their maturity, in part, by lot by payment of Series 2011AA 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 Premium PAC Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

2011A Bonds Maturing on November 1, 2028 (Premium PAC Bonds)

<u>Year</u> <u>(May 1)</u>	Class I Sinking Fund <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	Class I Sinking Fund <u>Installment</u>
2011	\$ --	2011	\$ 40,000
2012	80,000	2012	85,000
2013	85,000	2013	85,000
2014	85,000	2014	85,000
2015	85,000	2015	90,000
2016	90,000	2016	90,000
2017	90,000	2017	95,000
2018	95,000	2018	95,000
2019	380,000	2019	390,000
2020	395,000	2020	405,000
2021	415,000	2021	425,000
2022	435,000	2022	445,000
2023	460,000	2023	470,000
2024	485,000	2024	495,000
2025	510,000	2025	520,000
2026	535,000	2026	555,000
2027	570,000	2027	585,000
2028	600,000	2028 (1)	620,000

(1) Maturity Date

Upon any purchase pursuant to the Indenture or redemption (other than mandatory sinking fund redemption) of the Premium PAC Bonds for which Series 2011AA Class I Sinking Fund Installments have been established, there shall be credited toward each Series 2011AA Class I Sinking Fund Installment thereafter to become for such Premium PAC Bonds due an amount bearing the same ratio to such Series 2011AA Class I Sinking Fund Installment as (i) the total principal amount of such Premium PAC Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such Premium PAC 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 Series 2011AA Class I Sinking Fund Installments upon any such purchase or redemption of such Premium PAC Bonds and certifying that such request is consistent with the most recently filed Cash Flow Statement Related to the Premium PAC Bonds, then such Series 2011AA Class I Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

Converted 2009AA-1 Bonds. The Converted 2009AA-1 Bonds shall be redeemed prior to their maturity, in part, by payment of Series 2009AA-1 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, beginning with May 1, 2029, and in the respective principal amounts as described in the Supplement to Official Statement relating to the Converted 2009AA-1 Bonds.

Redemption of Pre-Conversion 2009AA Bonds

Mandatory Redemption. Any Pre-Conversion 2009AA Bonds with respect to which a release date has not occurred prior to December 31, 2011 are subject to mandatory redemption on February 1, 2012 at a redemption price of par plus accrued interest to the date of redemption. Within ten (10) Business Days of receipt by the Trustee of notice that the bond rating on the Pre-Conversion 2009AA Bonds has been withdrawn or fallen below "Baa3" or "BBB-," all amounts that are held in the Escrow Fund shall be used to mandatorily redeem a corresponding amount of such Pre-Conversion 2009AA Bonds, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the redemption date. The Authority has covenanted to provide such notice to the Trustee promptly upon receipt by the Authority of notice of any such withdrawal or downgrade. With respect to the redemptions described under this caption "Mandatory Redemption," amounts still on deposit in the Escrow Fund shall be used for any such redemption; if such amounts on deposit in the Escrow Fund are not sufficient, then any available moneys under the Indenture are also to be used for any such redemption.

Optional Redemption. The Pre-Conversion 2009AA Bonds are subject to redemption at the option of the Authority, in whole or in part, from any source of funds, on the first Business Day of any month, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest, if any, to the redemption date.

Selection of Bonds for Partial Redemption

In the event of a partial redemption of 2011AA Bonds, the Authority is to direct (subject to the following sentences) the maturity or maturities, and the amounts thereof, so to be redeemed. However, if less than all of the Converted 2009AA-1 Bonds or the 2011AA Bonds of like maturity are to be redeemed on any one date, the particular 2011AA Bonds or Converted 2009AA-1 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. If less than all of the 2011AA Bonds are to be redeemed from unexpended amounts in the Acquisition Account 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 2011AA Bonds, the 2011AA Bonds shall be redeemed on a pro rata by maturity basis. If less than all of the 2011AA Bonds are to be redeemed from prepayments or excess revenues under the special redemption provisions described above, then the 2011AA Bonds shall be redeemed as set forth on the table and as otherwise described under "Prepayments and Excess Revenues."

Notice of Redemption

When any 2011AA Bonds or Converted 2009AA-1 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 60 days nor less than 20 days prior to the redemption date, to the registered owner of each 2011AA Bond or Converted 2009AA-1 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 and to the MSRB. 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 2011AA Bond or Converted 2009AA-1 Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any 2011AA Bond or Converted 2009AA-1 Bond to be redeemed, notice of redemption will only be given to DTC or its nominee as the registered owner of such 2011AA Bond or Converted 2009AA-1 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 2011AA Bond or Converted 2009AA-1 Bond to be redeemed shall not affect the validity of the redemption of such 2011AA Bond or Converted 2009AA-1 Bond. See Appendix D – "BOOK-ENTRY SYSTEM."

Purchase 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 2011AA Bonds or Converted 2009AA-1 Bonds of any particular tenor and maturity, the Authority may direct the Trustee or the Paying Agent to purchase such 2011AA Bonds or Converted 2009AA-1 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 2011AA Bonds or Converted 2009AA-1 Bonds.

PLAN OF FINANCE

Converted 2009AA-1 Bonds; Release of Certain Escrowed Proceeds

The 2009AA Program Bonds currently bear interest at the initial short-term rate applicable to such Bonds. The Authority has provided notice to the holders of the 2009AA Program Bonds of its intent to convert the interest rate on the Converted 2009AA-1 Bonds as of the Release Date. From the Release Date until July 11, 2011 (the "**2009AA-1 Conversion Date**"), the Converted 2009AA-1 Bonds will bear interest at an interim short-term interest rate equal to the lesser of the Four Week T-Bill Rate as of the second Business Day prior to the Release Date plus 0.60% or the permanent interest rate, and, thereafter, the interest rate for such Converted 2009AA-1 Bonds will convert to the permanent interest rate, which will be no greater than 3.55% per annum.

On the 2009AA-1 Release Date, the proceeds of the Converted 2009AA-1 Bonds in the outstanding aggregate principal amount of \$58,800,000 which are currently on deposit in the Escrow Fund will be released and deposited to the 2009AA-1/2011AA subaccount of the Acquisition Fund. The 2011AA Bonds will be delivered by the Authority concurrently with the 2009AA-1 Release Date. Following the 2009AA-1 Release Date, \$216,410,000 will remain on deposit in the Escrow Fund, securing the Pre-Conversion 2009AA Bonds. On up to five other dates on or prior to December 31, 2011, the interest on the Pre-Conversion 2009AA Bonds may be converted and proceeds of such Pre-Conversion 2009AA Bonds may be released from the Escrow Fund, upon satisfaction of certain conditions of the 2009AA Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Additional Market Bonds."

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2011AA Bonds and Converted 2009AA-1 Bonds.

SOURCES OF FUNDS:

Par amount of 2011AA Bonds	\$39,200,000
Premium related to the 2011AA Bonds	911,679
Released proceeds of Converted 2009AA-1 Bonds (1)	58,800,000
Authority contribution (2)	<u>110,891</u>
TOTAL SOURCES OF FUNDS	<u>\$99,022,570</u>

USES OF FUNDS:

For deposit to the 2009AA-1/2011AA subaccount of the Acquisition Account (3)	\$98,000,000
For deposit to the Series 2009AA-1/2011AA subaccount of the Class I Debt Service Fund (4)	330,000
For costs of issuance and Underwriters' compensation (2)	<u>692,570</u>
TOTAL USES OF FUNDS	<u>\$99,022,570</u>

- (1) See "Converted 2009AA-1 Bonds; Release of Certain Escrowed Proceeds" under this caption.
- (2) Proceeds together with amounts contributed by the Authority will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance relating to the 2011AA Bonds and the Converted 2009AA-1 Bonds and Underwriters' compensation relating to the 2011AA Bonds. See "Part I – UNDERWRITING."
- (3) Deposits to the 2009AA-1/2011AA subaccount of the Acquisition Account are expected to be used to finance Mortgage Loans through the purchase of Ginnie Mae Certificates as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS." Such amounts while on deposit in the 2009AA-1/2011AA subaccount of the Acquisition Account prior to being used for such purpose are expected to be invested in Investment Securities as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments." See "Deposits to Acquisition Account" under this caption. "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage-Backed Securities." See also "Part I – TERMS OF THE OUTSTANDING BONDS – Prior Redemption of Outstanding Bonds – Special Redemption – 2011AA Bonds and Converted 2009AA-1 Bonds – Unexpended Amounts in Acquisition Account."
- (4) Deposit to the 2009AA-1/2011AA subaccount of the Class I Debt Service Fund is expected to be used to finance capitalized interest.

Deposits to Acquisition Account

The 2009AA-1/2011AA subaccount of the Acquisition Account is being established in the Program Fund by the 2009AA-1 Supplemental Indenture and the 2011AA Indenture. Certain proceeds of the 2011AA Bonds and proceeds of the Converted 2009AA-1 Bonds released from the Escrow Fund on the 2009AA-1 Release Date will be deposited to such 2009AA-1/2011AA subaccount of the Acquisition Account. Such amounts deposited to the subaccount are expected to be used to finance Mortgage Loans through the purchase of Ginnie Mae Certificates in accordance with "Part I – CERTAIN PROGRAM ASSUMPTIONS – Mortgage-Backed Securities." Prior to being used for such purpose, such amounts are expected to be invested in Investment Securities as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investments."

CERTAIN PROGRAM ASSUMPTIONS

Generally

As described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds," certain proceeds deposited to the 2009AA-1/2011AA subaccount of the Acquisition Account in accordance with the 2009AA-1 Supplemental Indenture and the 2011AA Indenture are expected to be used to finance or refinance Ginnie Mae Certificates which have been purchased and are being held by the Authority in its General Fund. See "Origination Period" under this caption. The proceeds of Bonds issued under the Master Indenture in the future may be used to finance or refinance Mortgage Loans directly or through the purchase of MBS. The Bonds (including the Outstanding Bonds) and other Obligations issued under the Master Indenture (other than General Obligations of the Authority and the 2009AA Program Bonds which have not been converted and are secured by the deposits in the Escrow Fund) will be secured by, among other moneys, rights and interests, the Revenues derived from the Mortgage Loans and MBS so financed or refinanced. See "Part II – SECURITY FOR THE 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 Outstanding Bonds.

As required by the Master Indenture and at the request of the Authority, RBC Capital Markets has prepared certain cash flow projections giving effect to the issuance of the 2011AA Bonds and release of proceeds of the Converted 2009AA-1 Bonds (the "**Cash Flow Statement**") which indicates that, after such issuance and release, the amounts expected to be available in the Trust Estate will be sufficient to pay principal of and interest on the Converted 2009AA-1 Bonds and the 2011AA 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 Converted 2009AA-1 Bonds, the 2011AA Bonds and the Ginnie Mae Certificates 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 Ginnie Mae Certificates included or to be included in the Trust Estate, or that the Ginnie Mae Certificates 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) Ginnie Mae Certificates are not acquired at the times anticipated by the Authority, or are not acquired at all, (ii) Ginnie Mae Certificates 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, or (iv) 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 Converted 2009AA-1 Bonds, the 2011AA Bonds and operating expenses of the Program.

Ginnie Mae Certificates

It is assumed that all proceeds of the Converted 2009AA-1 Bonds released from the Escrow Fund and proceeds of the 2011AA Bonds will be deposited to the 2009AA-1/2011AA subaccount of the Acquisition Account and used to acquire Ginnie Mae Certificates which shall mature not later than October 1, 2041 (see "Part II – SECURITY FOR THE OBLIGATIONS – The Mortgage Loans and the Mortgage-Backed Securities"). Payments on such Ginnie Mae Certificates expected to be acquired with released proceeds of the Converted 2009AA-1 Bonds and proceeds of the 2011AA Bonds and held under the Master Indenture, whether from scheduled monthly installments or from Prepayments, together with Revenues generated as investment income on the funds held under the Indenture and invested in Permitted Investments, are assumed to be the primary source of Revenues. The pass-through rates established in such Ginnie Mae Certificates, and the interest rates on any Mortgage Loans and MBS acquired into the Trust Estate in the future, will be consistent with the Cash Flow Statement. It is expected that the Ginnie Mae Certificate Purchase Price of such Ginnie Mae Certificates to be acquired

will be 100% of the principal balance of the applicable pool of Mortgage Loans on record at Ginnie Mae on the first day of the month of purchase and the Pass-Through Rate paid on such Ginnie Mae Certificates will be 4% to 5% per annum. The Mortgage Loans originated to date underlying the Ginnie Mae Certificates consist of approximately \$72 million of funded Mortgage Loans with a weighted average coupon of 4.65%, of which approximately \$17 million consists of Mortgage Loans for Targeted Residences and the balance of which consists of Mortgage Loans which satisfy the requirements of the Master Indenture. The Authority expects Ginnie Mae Certificates to be outstanding in the aggregate principal amount of approximately \$100 million by the delivery date of the 2011AA Bonds.

Under the Indenture, the Authority is to file with the Trustee upon delivery of each Authority Request to purchase Ginnie Mae Certificates, a schedule of Series 2009AA-1/2011AA Mortgage Loans underlying such Ginnie Mae Certificates, identifying the same by reference to Authority loan number, the name of the borrower, the party from whom such Mortgage Loans will be purchased, the principal amount due on such Mortgage Loans, the date through which interest has been paid by each Mortgagor, the term of such Mortgage Loans and the interest rate or rates on such Mortgage Loans. The Authority 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 Series 2009AA-1/2011AA Mortgage Loan purchased from such Mortgage Lender. Nothing in the Indenture shall be construed to prohibit the Authority from causing a Mortgage Lender to repurchase a Series 2009AA-1/2011AA Mortgage Loan in accordance with the applicable Mortgage Purchase Agreement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM."

No Debt Service Reserve Fund

No Debt Service Reserve Fund deposit will be required in connection with the issuance of the 2011AA Bonds or release of the escrowed proceeds of the Converted 2009AA-1 Bonds.

Insurance Limitations and Requirements

The Indenture requires that each 2009AA-1/2011AA Mortgage Loan underlying the Ginnie Mae Certificates to be purchased using amounts on deposit in the 2009AA-1/2011AA acquisition account will be an FHA Insured Mortgage Loan, a VA Mortgage Loan or other Mortgage Loan insured or guaranteed by a Governmental Insurer. See **Appendix E** hereto.

Investments

Until disbursed, amounts in the 2009AA-1/2011AA subaccount of the Acquisition Account are expected to be invested in Investment Securities as permitted by the Master Indenture. The assumptions made by the Authority as to projected cashflows under the Indenture include an assumption as to the investment rates for such Investment Securities.

Set Asides

The Indenture requires that 20% of the net lendable proceeds of the Converted 2009AA-1 Bonds and 2011AA Bonds (\$19,666,000) be reserved and set aside solely for the purchase of Ginnie Mae Certificates (or portions thereof) backed by Mortgage Loans on Targeted Area Residences for a period of at least one year after the date on which the proceeds of the Converted 2009AA-1 Bonds and the 2011AA Bonds are first made available for the financing (through the acquisition of MBS) by the Authority of Mortgage Loans on Targeted Area Residences. As of the date hereof, the Authority has warehoused approximately \$17 million of Mortgage Loans on Targeted Residences and expects to satisfy the set aside requirements described in the preceding sentence as of the date proceeds of the Converted 2009AA-1

Bonds and the 2011AA Bonds are first made available for financing as described above. The Authority has never failed to satisfy set aside requirements relating to its other bonds.

Origination Period

The Authority expects that released proceeds of the Converted 2009AA-1 Bonds and proceeds of the 2011AA Bonds will be used to acquire warehoused Ginnie Mae Certificates (assuming satisfaction of the set aside requirements discussed in "Set Asides" under this caption) immediately upon delivery of the 2011AA Bonds and the 2009AA-1 Release Date or shortly thereafter. See "Ginnie Mae Certificates" under this caption for a discussion of the Ginnie Mae Certificates and Mortgage Loans originated to date and held by the Authority.

Additional Market Bonds

The Authority is permitted by the 2009AA Indenture to issue under the Master Indenture Market Bonds in an aggregate principal amount equal to no less than two-thirds of the aggregate principal amount of the 2009AA Program Bonds, on no more than six occasions on or before December 31, 2011. The 2011AA Bonds are being issued as the first Market Bonds under the Master Indenture in connection with the Converted 2009AA-1 Bonds, as permitted by the 2009AA Indenture. The Authority may in the future issue additional Market Bonds in an aggregate principal amount equal to two-thirds of the Pre-Conversion 2009AA Bonds. Any such issuance of Market Bonds would support a release of amounts on deposit in the Escrow Fund. However, there is no assurance that market conditions will be such that the Authority can or will choose to issue any such additional Market Bonds. See "Part II – CERTAIN BONDOWNERS' RISKS – Special Considerations Relative to Issuance of Market Bonds." As required by the Master Indenture, the Authority will prepare or cause to be prepared certain cash flow projections giving effect to the issuance of any such Market Bonds which indicate that, after such issuance, the amounts expected to be available in the Trust Estate will be sufficient to pay principal of and interest on any such Market Bonds, the 2009AA Program Bonds and all other outstanding Bonds when due. Such cash flow projections will use 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 and MBS 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 and MBS included or to be included in the Trust Estate, or that the Mortgage Loans and MBS in the Trust Estate will perform as assumed in such cash flow projections.

TAX MATTERS

Federal Tax Treatment of Interest on 2011AA Bonds

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2011AA 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 2011AA Bonds (the "**Tax Code**"), and interest on the 2011AA Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code.

The Tax Code imposes several requirements which must be met with respect to the 2011AA Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable. Certain of these requirements must be met on a continuous basis throughout the term of the 2011AA Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2011AA

Bonds and the Series 2009AA-1 Bonds; (b) limitations on the extent to which proceeds of the 2011AA Bonds and the Series 2009AA-1 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 2011AA Bonds and the Series 2009AA-1 Bonds above the yield on the 2011AA Bonds and the Series 2009AA-1 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 2011AA Bonds from gross income under the Tax Code and alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the 2011AA Bonds from gross income and 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 2011AA Bonds to be included in gross income and 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.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2011AA Bonds. Owners of the 2011AA 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 2011AA 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.

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 2011AA Bonds. If an audit is commenced, the market value of the 2011AA 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 2011AA Bonds to lose its exclusion from gross income or from alternative minimum taxable income under the Tax Code. 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 2011AA Bonds.

Colorado Tax Treatment of 2011AA Bonds

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

Other

Bond Counsel's opinion relates only to the exclusion of interest on the 2011AA Bonds above from gross income and from alternative minimum taxable income under federal income tax laws, and the exclusion of the 2011AA Bonds from certain State of Colorado taxation as described above, and will state that no opinion is expressed regarding other federal or state tax consequences arising from the receipt or accrual of interest on or ownership or disposition of 2011AA Bonds. Owners of the 2011AA 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 2011AA 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 2011AA Bonds, the exclusion of interest on the 2011AA Bonds from gross income or from alternative minimum taxable income under federal income tax laws and the exclusion of the 2011AA Bonds from certain Colorado taxation as described above, or any combination thereof from the date of issuance of the 2011AA 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 2011AA Bonds. Bond Owners are advised to consult with their own advisor with respect to such matters.

UNDERWRITING

The 2011AA 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 2011AA Bonds at a price equal to 100% of the aggregate principal amount of the 2011AA Bonds, except that the price for the 2011A Bonds maturing May 1, 2029 will be equal to 100.250% and the price for the Premium PAC Bonds will be equal to 108.195% of the aggregate principal amount of the Premium PAC Bonds. The Underwriters will be paid a fee of \$342,570.25 (plus reimbursement of certain expenses) in connection with the underwriting of the 2011AA Bonds. RBC Capital Markets, LLC will be paid a fee of \$50,000 for prior services provided with respect to the conversion and release of the Converted 2009AA-1 Bonds. The initial public offering prices of the 2011AA Bonds may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC ("**JPMS**"), one of the Underwriters of the 2011AA Bonds, has entered into negotiated dealer agreements (each, a "**Dealer Agreement**") with each of UBS Financial Services Inc. ("**UBSFS**") and Charles Schwab & Co., Inc. ("**CS&Co.**") for the retail distribution of certain securities offerings, including the 2011AA Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2011AA Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2011AA Bonds that such firm sells.

LITIGATION

General

At the time of the delivery of and payment for the 2011AA Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that, other than as described in

this Official Statement, 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 2011AA 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 2011AA Bonds, the Indenture or the contract for the purchase of the 2011AA Bonds.

Derivatives ADR Notice

The Authority has received a Derivatives ADR Notice ("**ADR Notice**") with respect to claims by Lehman Brothers Financial Products, Inc. and Lehman Brothers Special Financing, Inc. (the "**Debtors**") relating to the termination of certain derivatives contracts. An Alternative Dispute Resolution Procedures Order for Affirmative Claims of Debtors under Derivatives Contracts dated September 17, 2009 (the "**Procedures Order**") of the United States Bankruptcy Court for the case involving the Debtors prohibits the Authority from disclosing any statements or arguments made or positions taken by the Debtors or the Authority during any part of the alternative dispute resolution process.

For this reason, the Authority cannot disclose the contents of the ADR Notice. However, in the view of the Authority, a final determination requiring the Authority to pay an amount equal to the Debtors' settlement demand in the ADR Notice would have a materially adverse impact on the financial status of the Authority. Any amount required to be paid by the Authority in connection with the Debtors' claims will not be payable using Revenues or other assets in the Trust Estate which are pledged solely to secure Bonds (including the Converted 2009AA-1 Bonds and the 2011AA Bonds) issued under the Indenture.

The Authority has responded to the Debtors' positions and settlement demand in the ADR Notice and intends to defend its position in a manner consistent with the Procedures Order. However, there is no certainty how the issues raised in the ADR Notice will be resolved (by mediation or final determination) and what the final impact of any such resolution will be on the Authority's financial status.

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.

RATING

The 2011AA Bonds will be rated "Aaa" by Moody's Investors Service ("**Moody's**"). Such rating reflects only the view of Moody's and is not a recommendation to buy, sell or hold the 2011AA Bonds. An explanation of the significance, and methodology with respect to, the rating given by Moody's may be obtained from Moody's. 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, if, in the judgment of Moody's, 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 2011AA Bonds. The Authority has no obligation to oppose, or to provide Owners of the 2011AA Bonds with notice of, any such revision or withdrawal of the rating.

LEGAL MATTERS

In connection with the issuance and sale of the 2011AA Bonds, Sherman & Howard L.L.C., as Bond Counsel to the Authority, will deliver the opinion included as **Appendix C** hereto. Hogan Lovells US LLP will pass upon certain legal matters relating to the 2011AA 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.

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

FINANCIAL ADVISOR

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

MISCELLANEOUS

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

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

(End of Part I)

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PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

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

In order to achieve its authorized purposes, the Authority currently operates Qualified and Non-Qualified Single Family Mortgage Programs, a Rental Acquisition Program and various rental and business finance programs. See "Programs To Date" under this caption. The Act authorizes the Authority to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes as set forth in the Act. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the Bonds, except as described in "Part II – SECURITY FOR THE 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. There is presently one vacancy on the Board of Directors, and no appointment has been made at this time for Secretary/Treasurer of the Board. 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>
Mark O'Connor, Chair ⁽¹⁾	Senior Vice President, First Bank Holding Company; Lakewood, Colorado	July 1, 2011
David J. Myler, Esq., Chair, <u>pro tem</u> ⁽²⁾	Partner, The Myler Law Firm, P.C.; Basalt, Colorado	July 1, 2013
Sam Betters	Executive Director; Housing Authority of the City of Loveland; Loveland, Colorado	July 1, 2011
John A. Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2013
James M. Hahn	Principal, JMH Consulting, LLC; Denver, Colorado	July 1, 2013
Roxanne M. Huber	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Anita Padilla-Fitzgerald	President and CEO, MegaStar Financial Corp.; Denver, Colorado	July 1, 2013
Joel S. Rosenstein, Esq.,	Attorney; Denver, Colorado	July 1, 2013
Sally W. Symanski ⁽³⁾	Colorado State Auditor; Denver, Colorado	Standing
Keith Swerdfeger	State Representative; Pueblo, Colorado	End of legislative biennium 2010-2011

⁽¹⁾ This Board member was elected as Chair of the Board effective March 24, 2011.

⁽²⁾ This Board member was elected as Chair, pro tem of the Board, effective March 24, 2011.

⁽³⁾ Ms. Symanski has announced her retirement. The person appointed to replace her as the Colorado State Auditor will become a new Board member.

The principal staff officers of the Authority are as follows:

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

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

of Economic Development. Mr. Gomez was also designated as a certified bank examiner by the Federal Reserve Board of Governors in February of 1991.

Thomas E. 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. Mr. Hemmings has announced his plan to leave his position at the Authority by the end of May 2011, and a search is underway for his replacement.

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

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.

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

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

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

Steve Johnson was appointed as **Director of Commercial Lending** in July 2010. Mr. Johnson began working for the Authority in 1996 as a Business Finance Loan Officer. In 1999, he was promoted to Manager of Business Lending Production. Most recently, Mr. Johnson has led the Authority's small business team's efforts to diversify and expand the products available to help small businesses access capital. Mr. Johnson is the vice chair of the Colorado Enterprise Fund, and a board member of the Council of Development Finance Agencies (CDFA). He graduated from Hillsdale College in Michigan with a Bachelor of Arts degree in marketing and finance.

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

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

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

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

Deborah Herrera, **Director of Human Resources**, originally joined the Authority in October 2001 as a senior level Human Resources Generalist and rejoined the Authority in September 2006 as the Director of Human Services. 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, 2009, the Authority had approximately 178 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 12.8 percent (12.8%) of each participating employee's gross salary to PERA in 2009. In 2009, the Authority's PERA contribution totaled approximately \$1,521,000, compared to an Authority contribution in 2008 of \$1,288,000. See footnote (11) of the audited 2009 financial statements attached as **Appendix C** hereto for further information.

Insurance Coverage

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

Authority Financial Statements

The audited 2009 financial statements of the Authority included in **Appendix C** to this Official Statement provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. See "Part II – INDEPENDENT AUDITORS." These financial statements have 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 and MBS securing Obligations under the Master Indenture and also services such Mortgage Loans. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Converted 2009AA-1 Bonds and the 2011AA Bonds are limited obligations of the Authority secured by and payable only from the Trust Estate. *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.*

The completion of the Authority's audited 2010 financial statements has been delayed due to the recent issuance by the Governmental Accounting Standards Board ("GASB") of the GASB 53 Exposure Draft, Derivative Instruments: Application of Hedge Accounting Termination Provisions. This amended standard is expected to be finalized in June, 2011, although there is no assurance that this date will not be delayed, and the Authority currently plans to defer completion of its audited 2010 financial statements until this standard is issued and adopted. In accordance with the Authority's past practice of rotating the engagement of its independent auditors every five years, the Authority has engaged a new independent auditor, BKD LLP, to audit its 2010 financial statements. See "PART II – INDEPENDENT AUDITORS."

Authority Policy Regarding Derivatives

The Master Indenture permits the Authority to enter into "Derivative Products," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products. See the definitions in **Appendix A** and "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." No Derivative Products have been entered by the Authority under the Master Indenture as of the date hereof, and the Authority is not entering into any Derivative Products with respect to the 2011AA Bonds. Under the master indentures relating to its Multi-Family/Project Bonds and its Single Family Mortgage Bonds, the Authority is also permitted to, and has entered into, certain derivative obligations which are described in footnote (7) of the audited 2009 financial statements of the Authority attached in **Appendix C**.

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 OBLIGATIONS."** See also "Obligations of the Authority" under this caption.

Single Family Mortgage Programs

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently acquires mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*.

Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single Family Mortgage Program, although the Authority does not exceed the Fannie Mae conforming loan limits. Proceeds of a mortgage loan under the Non-Qualified Single Family Mortgage Program may also be used under the Authority's refinancing program to refinance existing Mortgage Loans. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority is in the process of revising all of its procedures in order to accommodate a broader range of programs involving the purchase and sale of single family mortgage loans. For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2009 financial statements of the Authority included in this Official Statement as **Appendix C**.

The Authority in 2010 expanded its financing activities in connection with the Single Family Mortgage Programs to include the sale of certain single family mortgage loans to Fannie Mae and has also issued and sold mortgage-backed securities guaranteed by Ginnie Mae (the "**Ginnie Mae Certificates**") to finance first mortgage loans as part of the Non-Qualified Single Family Mortgage Programs. Proceeds of the 2011AA Bonds and proceeds of the Converted 2009AA-1 Bonds released from the Escrow Fund are expected to be used to finance such Mortgage Loans through the purchase of Ginnie Mae Certificates as described in "Part I – PLAN OF FINANCE" and "Part I – CERTAIN PROGRAM ASSUMPTIONS."

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 2009 financial statements of the Authority included in this Official Statement as **Appendix C**.

The Authority also makes uninsured rental loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit borrowers. Certain of these uninsured rental loans have been made as a part of the Authority's Small Affordable Rental Transactions Program (the "**SMART Program**") in principal amounts under \$5 million (or in such greater amounts as approved from time to

time pursuant to the delegated authority policy of the Authority as approved or amended from time to time by the Board). In addition to long-term rental loans under the SMART Program, the Authority also makes uninsured rental loans that provide interim financing for acquisition and/or rehabilitation of the acquired property. These loans, referred to as bridge loans, are generally less than two years in term, are secured by a first deed of trust on the real estate, and have full recourse to the borrower during the term of the bridge loan. In the case of for-profit developers, the loans are both full recourse to the borrower and personally guaranteed by the individual principals during the term of the bridge loan. The Authority has also made an uninsured rental loan to a for-profit borrower in support of certain single family rental housing facilities at Fort Carson Army Base in Colorado Springs, Colorado.

Uninsured rental loans have also been made by the Authority using funds from amounts in its General Fund designated as the Housing Opportunity Fund ("**HOF**") under a program referred to as the "**HOF Program**." Under the HOF Program, the Authority makes fixed interest rate loans to nonprofit and for profit developers in support of rental housing facilities targeted to low income residents. Eligible "low income" residents are defined as persons or families that earn 60% of Area Median Income or less. HOF loan interest rates are set on a sliding scale based on the income levels of the residents served by prospective rental housing facilities. All HOF loans must conform to standard Authority 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 its *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2009 financial statements of the Authority included in this Official Statement as **Appendix C**. During 2006, the Authority made the decision to sell a majority of the facilities it currently owns under the RAP Program. The facilities were offered for sale to local housing authorities where the facilities are located, and, if those parties were not interested in the purchase, the Authority offered such facilities to for-profit and nonprofit corporations interested in the purchase. The Authority has completed eleven sales to date. The Authority retains four properties within its portfolio and does not intend to sell three of those four properties in the foreseeable future but is actively seeking at this time to sell one of such properties. By its sale of these facilities, the Authority has offered valuable assets at a reasonable price to organizations whose mission is the development and preservation of affordable rental housing in Colorado. In all of such sales, the purchasing parties either maintained the existing number of units with affordability requirements or increased the number of units with affordability requirements. The sale of these properties does not imply that the Authority is discontinuing or closing the RAP program. The Authority intends to seek opportunities to acquire other rental properties in underserved areas within the State of Colorado at such time as such transactions support the goals of the Authority with respect to affordable rental housing in Colorado.

Business Finance Programs. The Authority originates uninsured loans as part of certain of its business loan programs, including the *CHFA Direct Loan Program*, the *Non-Profit Real Estate Loan Program*, the *U.S. Small Business Administration 504 Program (the "SBA 504 Program")*, the *CHFA Rural Loan Program*, the *RENEW Program* and the *Business and Industry Loan I ("B&I I") Program*, described below. These uninsured business loans must meet certain economic development or job creation/retention objectives under the Act and are made to small and moderate-size Colorado businesses to provide long-term, fixed rate financing for real estate and equipment. The uninsured business loans are secured by a first lien on the assets financed, are made in amounts up to ninety percent (90%) of the lesser

of cost or appraised value of the collateral, are fully-amortizing over terms of up to thirty (30) years for real estate loans and seven years for equipment, and generally require guarantees from principals of the business having a twenty percent or greater ownership interest. A guaranty is also required from the operating company if different from the Borrower.

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

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

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

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

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

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

Obligations of the Authority

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2009 financial statements of the Authority included in this Official Statement as **Appendix C**.

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, 2011 in the aggregate principal amount of \$49,178,264. The Authority has also issued its Single Family Mortgage Bonds under a Master Indenture (the "**2001 Master Indenture**") outstanding as of February 1, 2011 in the aggregate principal amount of \$1,871,910,000 and payable from the revenues of first and second mortgage loans held thereunder (the "**2001 Master Indenture Portfolio**"). As of February 1, 2011, the 2001 Master Indenture Portfolio included first mortgage loans, outstanding in an aggregate principal amount of \$1,527,997,423, and 8,876 second mortgage loans, outstanding in an aggregate principal amount of \$34,739,592. For more information regarding the 2001 Master Indenture Portfolio, see www.chfainfo.com. Subordinate bonds issued as part of the Single-Family Program Bonds and Class III Single Family Mortgage Bonds outstanding under the 2001 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. In addition, the Authority has issued its 2009AA Program Bonds, outstanding in the aggregate principal amount of \$275,210,000, under the Master Indenture, payable from amounts on deposit in the Escrow Fund until released and then payable from the Revenues of Mortgage Loans and MBS held thereunder. See "Part II – SECURITY FOR THE OBLIGATIONS." This outstanding amount includes the Converted 2009AA-1 Bonds but does not include the 2011AA Bonds being issued as Bonds under the Master Indenture as described in this Official Statement. 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. For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see www.chfainfo.com and footnote (6) of the audited 2009 financial statements of the Authority attached in **Appendix C**.

The Authority's financing activities in connection with its Single Family Mortgage Programs also include the sale of certain single family mortgage loans to Fannie Mae and the issuance and sale of Ginnie Mae Certificates in order to finance first mortgage loans as part of the Non-Qualified Single Family

Mortgage Programs. Proceeds of the Converted 2009AA-1 Bonds and the 2011AA Bonds are expected to be used to finance Mortgage Loans through the purchase of Ginnie Mae Certificates. See **Appendix G-1** to this Official Statement.

Commercial Loan Programs

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of February 1, 2011 in an aggregate principal amount of \$110,220,000) 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, 2011 in an aggregate principal amount of \$825,105,000. Certain of the Multi-Family/Project Bonds are secured by the full faith and credit of the Authority, as described in "General Obligations – Multi-Family/Project Bonds" under this caption.

Bonds secured by a pledge of loan revenues as well as bonds secured by loan revenues and the general obligation of the Authority have also been privately placed to institutional purchasers by the Authority in order to finance rental loans. See "General Obligations – Privately Placed Bonds" under this caption. The Authority has also issued general obligation housing bonds to finance a rental loan secured by a pledge of loan revenues as well as the full faith and credit of the Authority. See "General Obligations – General Obligation Bonds" under this caption. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing. See footnote (6) of the audited 2009 financial statements of the Authority attached in **Appendix C** 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.

Except for the 2009AA Program Bonds outstanding 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 2011AA Bonds and are issued and secured under resolutions or indentures of the Authority other than the Master Indenture.

General Obligations

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

Multi-Family/Project Bonds. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of February 1, 2011 in an aggregate principal amount of \$272,145,000) in order to finance business loans which are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class II Multi-Family/Project Bonds (outstanding as of February 1, 2011 in the aggregate principal amount of \$22,625,000) and Class III Multi-Family/Project Bonds (outstanding as of February 1, 2011 in an aggregate principal amount of \$2,040,000) in order to finance certain rental and business loans. These Class II and Class III Multi-Family/Project Bonds are payable from loan revenues on a subordinate lien basis to the Class I Multi-Family Project Bonds and also as general obligations of the Authority.

Single Family Bonds – 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, 2011 was \$415,000. 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 \$63,525,000 as of February 1, 2011, are payable from mortgage loan revenues under the Master Indenture and are also general obligations of the Authority.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of February 1, 2011, such privately placed bonds were outstanding in an aggregate principal amount of \$24,107,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of February 1, 2011 in the aggregate principal amount of \$23,255,255. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of February 1, 2011, such privately placed bonds were outstanding in an aggregate principal amount of \$29,967,601.

Loans Backed by Authority General Obligations. 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, 2011 in the aggregate principal amount of \$333,207,425. 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 February 1, 2011, such 542(c) mortgage loans were outstanding in the amount of \$245,517,226 (\$38,504,828 held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds and \$207,012,398 held under the Multi-Family/Project Master Indenture and securing the Multi-Family/Project Bonds). In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Commercial Loan Programs – Rental Finance Programs" under this caption. To date, the Authority has incurred risk-sharing losses of approximately \$11.8 million following the defaults on insured mortgage loans for certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, the mortgage loans for the Platte Valley Village II project in the approximate aggregate principal amount of \$1.78 million, for the Fox Run Apartments project in the approximate aggregate principal amount of \$3.45 million and for the Gold Camp Apartments project in the approximate aggregate principal amount of \$1.175 million have also defaulted. The Authority has filed insurance claims and received insurance proceeds from HUD with respect to these loans. It is likely that the Authority will incur a risk-sharing liability with respect to these loans, for which the Authority believes it is adequately reserved.

Interest Rate Contracts; Derivative Products. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the interest rate contracts relating to Single Family Mortgage Bonds under the 2001 Master Indenture and under the derivative products relating to the Multi-Family/Project Bonds under the related master indenture. See "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." See also "Authority Policy Regarding Derivatives" under this caption and footnote (7) to the audited 2009 financial statements of the Authority included in this Official Statement as **Appendix C**.

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, 2011, borrowings in an amount equal to \$89.1 million were outstanding under those agreements. See footnote (5) to the audited 2009 financial statements of the Authority included in this Official Statement as **Appendix C**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of February 1, 2011 in the aggregate principal amount of \$1,875,311), which have been used to finance project or working capital loans or participations therein for small businesses in rural areas. The Authority has pledged its full faith and credit to the payment of such notes. In addition, the Authority is obligated to repay certain seller carry-back notes (outstanding as of February 1, 2011 in the aggregate principal amount of \$56,033) which evidence borrowings by the Authority in connection with its purchase of certain RAP Projects.

General Obligation Ratings. Moody's has assigned an "A1" rating (with negative credit watch) and S&P has assigned an "A+" rating to the Authority's ability to repay its general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if, in the judgment of the issuing rating agency, circumstances so warrant.

Summary of Certain Authority Obligations

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

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Summary of Certain Authority Obligations as of February 1, 2011

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (February 1, 2011)</u>
Multifamily Housing Insured Mortgage Revenue Bonds	\$ 110,220,000
Multi-Family/Project Bonds	825,105,000
Single Family Program Senior/Subordinate Bonds	49,178,264
Single Family Mortgage Bonds	1,871,910,000
Single Family Program Bonds (1)	275,210,000
Privately Placed Bonds:	
Rental Finance	24,107,000
Business Finance	23,255,255
Single Family	29,967,601

(1) These Bonds are the 2009AA Program Bonds issued and outstanding under the Master Indenture, including the Converted 2009AA-1 Bonds. This does not include the 2011AA Bonds being issued under the Master Indenture.

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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, 2011. 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, 2011

General Obligations	Outstanding Amount (February 1, 2011)
Multi-Family/Project Bonds:	
Class I	\$272,145,000
Class II	22,625,000
Class III	2,040,000
Single-Family Program Subordinate Bonds	415,000
Single Family Mortgage Bonds, Class III	63,525,000
Privately Placed Bonds:	
Rental Finance	24,107,000
Business Finance	23,255,255
Single Family	29,967,601
Other Borrowings:	
Line of Credit	89,100,000
Rural Business Cooperative Service Notes	1,875,311
Seller Carry Back RAP Notes	56,033

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SECURITY FOR THE OBLIGATIONS

Pledge of Trust Estate

All Bonds and Derivative Products (the "**Obligations**") outstanding under the Master Indenture (other than Bonds which are General Obligations of the Authority and the Pre-Conversion 2009AA Bonds which remain secured only by the Escrow Fund) 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; and third, to secure the payment of the principal and interest on the Class III Obligations. Bonds may also be designated as General Obligations of the Authority.

No Bonds or Derivative Products are presently outstanding under the Master Indenture other than the 2009AA Program Bonds. The 2011AA Bonds are being issued as Market Bonds under the Master Indenture in connection with the conversion of interest on the Converted 2009AA-1 Bonds. The Authority also expects to issue Additional Bonds under the Master Indenture, as described in "Issuance of Additional Bonds" under this caption and "Part I – CERTAIN PROGRAM ASSUMPTIONS – Additional Market Bonds." However, so long as the 2009AA Program Bonds remain Outstanding, the Authority may not issue Adjustable Rate Bonds under the Master Indenture. *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 Derivative Products 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 and to the Mortgage Loans and the MBS described in "The Mortgage Loans and the Mortgaged-Backed Securities" 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. The 2011AA Bonds and the Converted 2009AA-1 Bonds are not designated as General Obligations.

Revenues

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

(a) all Mortgage Repayments, which include, with respect to any Mortgage Loan or the related MBS, the amounts received by or for the account of the Authority as scheduled payments of the principal of or interest (if any) on such Mortgage Loan or related MBS 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;

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

(c) Prepayments, which include any moneys received or recovered by or for the account of the Authority from any payment of or with respect to principal on any Mortgage Loan or MBS prior to the scheduled payments of principal called for by such Mortgage Loan or MBS, 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 or MBS 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 or MBS by the Authority or by any other proceedings taken by the Authority;

(d) all amounts earned on investments (other than Mortgage Loans and MBS) 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) revenues received with respect to a Derivative Product; and

(f) all other payments and receipts received by the Authority with respect to Mortgage Loans and MBS (other than 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). Such transfers, however, are not permitted so long as 2009AA Program Bonds remain outstanding. The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture.

The Mortgage Loans and the Mortgage-Backed Securities

Generally

The Trust Estate pledged under the Master Indenture to secure Obligations issued thereunder includes the right, title and interest of the Authority in the Mortgage Loans and the MBS acquired by the Authority in order to finance Mortgage Loans. Under the Master Indenture, "**MBS**" means collectively, the Ginnie Mae Certificates, the Fannie Mae Certificates and the Freddie Mac Certificates. See "Mortgage-Backed Securities" under this caption. "**Mortgage Loan**" means a permanent loan secured by a Mortgage for the purchase and/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. The Authority expects to use the amounts on deposit in the 2009AA-1/2011AA subaccount of the Acquisition Account to acquire Ginnie Mae Certificates. However, such amounts may also be used to acquire Fannie Mae Certificates and Freddie Mac Certificates. In addition, proceeds of additional Bonds issued in the future by the Authority under the Master Indenture may be used to purchase other MBS or Mortgage Loans directly. All Bonds issued under the Master Indenture will be secured by the Trust Estate which includes all MBS and Mortgage Loans so acquired with proceeds of such Bonds. In the event that only a portion of or interest in an MBS or Mortgage Loan is purchased under the Master Indenture, reference to such an MBS or a Mortgage Loan shall be interpreted and applied to relate to such portion or interest.

Mortgage-Backed Securities

An MBS acquired as part of the Trust Estate can be a Ginnie Mae Certificate, a Fannie Mae Certificate or a Freddie Mac Certificate. A "**Ginnie Mae Certificate**" is a mortgage backed security (which may be issued under either the GNMA I Program or the GNMA II Program) bearing interest at a Pass-Through Rate, issued by the Authority registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder backed by FHA Insured Mortgage Loans or VA Guaranteed Mortgage Loans. A "**Fannie Mae Certificate**" is a single pool, guaranteed

mortgage, pass-through certificate, issued by Fannie Mae, guaranteed as to timely payment of interest and principal by Fannie Mae and backed by Conventional Mortgage Loans. A "**Freddie Mac Certificate**" is a mortgage participation certificate issued by Freddie Mac and representing an undivided interest in a pool of Conventional Mortgage Loans identified by a particular alpha numeric number and CUSIP number, guaranteed as to timely payment of principal and interest by Freddie Mac.

The MBS will bear interest at Pass-Through Rates, and mature no later than dates, established on or before the time of the 2009AA-1 Release Date and subsequent Release Date(s), which rates and dates shall be consistent with the then current Cash Flow Statement. For a description of the GNMA Mortgage-Backed Certificates Program, the Fannie Mae Mortgage-Backed Securities Program and the Freddie Mac Mortgage-Backed Securities Program, see **Appendix G** to this Official Statement.

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 by the Authority or 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. For information about the insurance requirements under the 2011AA Indenture and the 2009AA-1 Supplemental 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 Derivative Products 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 also **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 of additional Bonds which may be issued by the Authority under the Master Indenture as described in "Issuance of Additional Bonds" under this caption. Any additional Mortgage Loans so acquired must meet the requirements required by the Series Indenture relating to such additional Bonds.

Issuance of Additional Bonds

The 2009AA Program Bonds were the initial Series of Bonds issued under the Master Indenture. The 2011AA Bonds are being issued as Market Bonds under the Master Indenture in connection with conversion of the interest on the Converted 2009AA-1 Bonds. The Master Indenture also permits the Authority to issue additional Bonds thereunder from time to time, without limitation as to amount, secured on an equal lien with the outstanding Bonds 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. In addition to the 2011AA Bonds, the Authority expects to issue additional Bonds, including Market Bonds, in the future under the Master Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Additional Market Bonds."

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement (if any) for each Series of Bonds is established by the Related Series Indenture. There is no Debt Service Reserve Fund Requirement for the 2011AA Bonds or the Converted 2009AA-1 Bonds. 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 and Credit Enhancement Facilities

No Liquidity Facilities or Credit Enhancement Facilities have been entered by the Authority in connection with Bonds under the Master Indenture. However, the Authority may in the future enter into any Liquidity Facility it deems necessary or desirable with respect to any Adjustable Rate Bonds issued under the Master Indenture, subject to the requirements of the Master Indenture which include a requirement that the Authority shall not issue Adjustable Rate Bonds under the Master Indenture so long as the 2009AA Program Bonds are Outstanding.

Derivative Products

No Derivative Products have been entered by the Authority under the Master Indenture. However, the Authority may in the future enter into any Derivative Product it deems necessary or desirable with respect to any Adjustable Rate Bonds under the Master Indenture, subject to the requirements of the Master Indenture which include a requirement that the Authority shall not issue Adjustable Rate Bonds under the Master Indenture so long as the 2009AA Program Bonds are Outstanding.

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 and the Pre-Conversion 2009AA Bonds which will remain secured only by the Escrow Fund). See "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate." There is no assurance that the Mortgage Loans and MBS 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 Obligations under the Master Indenture when due. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." Additional Bonds, Derivative Products and Liquidity Facilities 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 Issuance of Market Bonds

Under the 2009AA Indenture, the Authority has agreed to issue Market Bonds at certain levels and within the structuring limitations set forth in the 2009AA Indenture. The 2011AA Bonds are being issued as an initial series of Market Bonds. While the Authority expects to be able to issue additional Market Bonds in an amount necessary to satisfy the Market Bond Requirement, there is no certainty that market conditions will permit such issuance. In the event that all or any portion of such Market Bonds cannot be issued prior to December 31, 2011, amounts which remain in the Escrow Fund will be used to redeem the related 2009AA Program Bonds. See "Part I – TERMS OF THE OUTSTANDING BONDS – Prior Redemption of Outstanding Bonds."

Special Considerations Relative to Mortgage Loans and MBS

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 or MBS 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-Backed Securities."

In the event that sufficient Mortgage Loans have not been originated and acquired so that the costs of such Mortgage Loans or the related MBS 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 or the related MBS as certified by the Authority are required to be used to redeem the related Series of Bonds 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 OUTSTANDING BONDS – PRIOR REDEMPTION OF OUTSTANDING BONDS" FOR A DESCRIPTION OF THE PROVISIONS SPECIFICALLY APPLICABLE TO THE 2011AA BONDS, THE CONVERTED 2009AA BONDS AND THE PRE-CONVERSION 2009AA BONDS. THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED.

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 2011AA Bonds is described in "Part I – TAX MATTERS – Tax Treatment of Interest on 2011AA Bonds." Bond Counsel will also be delivering an opinion in connection with the conversion of interest on the Converted 2009AA-1 Bonds from a taxable to tax-exempt interest rate. 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, 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.

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 G – "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. While such defaults on Mortgage Loans in a pool backing the Ginnie Mae Certificates securing a Series of Bonds would not have an impact on the Revenues available to pay debt service on the Bonds when due, the Authority would be required to advance funds to Ginnie Mae with respect to such defaulted payments on the Mortgage Loans. Information about historical default rates on portfolios of mortgage loans which secure outstanding bonds of the Authority has been provided by the Authority in its past filings with the nationally recognized municipal securities information repositories. In addition, physical damage to the residences securing the Mortgage Loans may exceed the limits of, or be caused by a peril not insured under, the standard hazard insurance policies insuring such residences, thereby diminishing the value of the Mortgage Loans securing the Bonds.

Other Risks

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

THE SINGLE FAMILY MORTGAGE PROGRAM

The Trust Estate which secures Obligations under the Master Indenture, including the 2011AA Bonds and the Converted 2009AA-1 Bonds, will include Mortgage Loans and related MBS representing interests in pools of Mortgage Loans, as described in "Part II – SECURITY FOR THE OBLIGATIONS." The following sections describe requirements for the Mortgage Loans which are based on requirements in the Act or derive from general policies and limits established by the Authority for qualification of Mortgage Lenders, Servicers, Borrowers and Eligible Properties as well as basic requirements for Mortgage Loans (with noted exceptions). As indicated, certain requirements described below relate only to Mortgage Loans made as a part of the Authority's Qualified Single Family Mortgage Program. A number of the procedures described below may not apply to the Zero Interest First Mortgage Loans. *It is expected that there will be variations in particular cases and that the policies and procedures of the Authority will be modified from time to time consistent with the Act, the Indenture and any procedures applicable to the Mortgage Loans.*

Communication of Program Information

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

Reservation, Delivery and Acquisition of Mortgage Loans

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

In connection with any First Mortgage Loan (with the exception of Zero Interest Loans and loans under the Hardship Refinance Program) originated by a Mortgage Lender in the Single Family Mortgage Programs, a Borrower may request and obtain a Second Mortgage Loan, the proceeds of which may be used to fund upfront cash requirements of the applicable First Mortgage Loan, including payment of the origination fee, closing costs, initial required escrow deposits and/or all or a portion of a downpayment. Proceeds of a Second Mortgage Loan may also be used by a Borrower for a temporary "buy down" of the

interest rate. See "Special Program Features – Second Mortgage Loans" under this caption. First Mortgage Loans will be offered with and without a Second Mortgage Loan at varying interest rates. In addition, the Authority may require a Borrower to make a cash contribution using funds other than the proceeds of a Second Mortgage Loan. The cash contribution must be from the Borrower's own funds. The Authority or the Trustee will acquire First Mortgage Loans from the Mortgage Lenders with available funds of the Authority at a price sufficient, in some cases, to pay additional lender fees. The Authority or the Trustee will also use available funds to reimburse Mortgage Lenders for any related Second Mortgage Loans originated by such Mortgage Lenders on behalf of the Authority in connection with such First Mortgage Loans.

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

Eligibility Requirements

Residency Requirements

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

Purchase Price Limitations

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

The term "Purchase Price" means that cost of acquiring an Eligible Property from the seller as a completed residential unit, including: (i) all amounts paid, either in cash or in kind, by the Eligible Borrower (or a related party or for the benefit of the Eligible Borrower) to the seller (or a related person

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

The term "Average Area Purchase Price" means the average area purchase price under the safe harbor limitations calculated as provided in Revenue Procedure 2010-25. 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 November 25, 2009, an issuer of qualified mortgage bonds or mortgage credit certificates may use the revised FHA loan limit for the statistical area to compute a revised average area purchase price safe harbor for that statistical area, provided that the issuer maintains records evidencing the revised FHA loan limit. In accordance with the Tax Code, the average area purchase price may be determined by the Authority, in lieu of the safe harbor limitations described above, if the Authority uses more accurate and comprehensive data.

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

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

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

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

Condominium Projects

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

Income Limits

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

Credit Scores for Originated Mortgage Loan Applicants

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

Homebuyer Education Requirement

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

Mortgage Purchase Agreement

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

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

Seller's Guide

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

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

Servicing of the Mortgage Loans

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

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

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

Loss Mitigation

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

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

HomeAccess Program

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

SectionEight and SectionEight Plus Programs

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

Second Mortgage Loans

Proceeds of certain Bonds may in the future be used by the Authority to acquire Second Mortgage Loans made to Borrowers of First Mortgage Loans, including such Second Mortgage Loans made to Borrowers of First Mortgage Loans as well as Second Mortgage Loans originated under the Master Indenture in connection with first mortgage loans purchased and pledged to repay certain GNMA Securities expected to be issued by the Authority. Under most programs, Second Mortgage Loans will be originated for three percent (3%) of the first mortgage loan amount on an interest-bearing basis at the same rate as the first mortgage loan and payable on a monthly basis, with a term of thirty (30) years. Generally, Second Mortgage Loans are due in full upon the sale of the property, the refinance of the

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

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

Refinancing Programs

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

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INDEPENDENT AUDITORS

The financial statements of the Authority as of and for the years ended December 31, 2009 and 2008, included in this Official Statement as **Appendix C**, 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. The Authority has not requested, nor did the Authority obtain, permission from Clifton Gunderson LLP to include the Authority's financial statements as an appendix to this Official Statement. See "PART II – COLORADO HOUSING AND FINANCE AUTHORITY – Authority Financial Statements."

COLORADO HOUSING AND FINANCE AUTHORITY

By: /s/ Cris A. White
Executive Director

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APPENDIX A

Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2011AA Indenture, copies of which are available from the Authority and the Trustee, contain 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 Principal Amount" means as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

"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.

"Authority Derivative Payment" means a payment (including a termination payment, if so provided in the Derivative Product) required to be made by or on behalf of the Authority due to a Reciprocal Payor pursuant to a Derivative Product.

"Authority Payment Account" means the Account so designated, which is created and established in the Debt Service Fund with respect to General Obligation Bonds by the Master Indenture.

"Authority Request" means a written request or direction of the Authority signed by an Authorized Officer.

"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.

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

"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.

"Bond Payment Date" means for each Bond, each date on which interest or a Principal Installment or both are payable on such Bond, and unless limited, means all such dates.

"Bond Purchase Fund" means the Fund so designated, which is created and established by a Series Indenture.

"Bond Registrar" means the bank, trust company or national banking association, appointed as Bond Registrar under the Master Indenture, and having the duties, responsibilities and rights provided for in the Indenture and its successor or successors, and any other person at any time substituted in its place as Bond Registrar pursuant to the 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 (or in connection with the refinance of a qualified subprime loan to the extent permitted by Section 143(k)(12) of the Code), who is a person or family of "low or moderate income" qualifying as such under the Act and the Rules and Regulations and, as applicable, 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 any Related Credit Facility Provider, Liquidity Facility Provider and Reciprocal Payor 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, a certificate prepared by or on behalf of the Authority with respect to Cash Flows setting forth, for the period extending from the date of such certificate to the latest maturity of the Bonds then outstanding, (i) all Revenues expected to be received during such period; (ii) the application of all such Revenues in accordance with the Indenture; (iii) the resulting balances on each Bond Payment Date and Derivative Product Payment Date, if any; and establishing under all scenarios included in the Cash Flows, that anticipated Revenues will be at least sufficient to pay the principal of and interest on the Obligations when due and all Program Expenses payable under the Indenture when due. Each Cash Flow Statement shall be accompanied by all supporting Cash Flows. 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 other Series to which it has been linked for Cash Flow Statement purposes.

"Cash Flows" means cash flow schedules prepared by or on behalf of the Authority, presented in sufficient detail acceptable to the Rating Agencies and including a listing of all assumptions and scenarios used in the preparation of such cash flow schedules. The assumptions used and scenarios included shall be acceptable to the Rating Agencies.

"Class I Asset Requirement," with respect to a Series of Bonds, shall have the meaning (if any) set forth in the Related Series Indenture.

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

"Class I Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Class I Obligations" means the Class I Bonds and any Derivative Product the priority of payment of which is equal with that of Class I Bonds.

"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 I Special Redemption Account" means the Account so designated, which is created and established in the Redemption Fund by the Master Indenture.

"Class II Asset Requirement," with respect to a Series of Bonds, shall have the meaning set forth in the Related Series Indenture.

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

"Class II Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture."

"Class II Obligations" means the Class II Bonds and any Derivative Product the priority of payment of which is equal with that of Class II Bonds.

"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 II Special Redemption Account" means the Account so designated, which is created and established in the Redemption Fund by the Master Indenture."

"Class III Asset Requirement," with respect to a Series of Bonds, shall have the meaning set forth in the Related Series Indenture.

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

"Class III Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Class III Obligations" means the Class III Bonds and any Derivative Product the priority of payment of which is equal with that of Class III Bonds.

"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 III Special Redemption Account" means the Account so designated, which is created and established in the Redemption Fund by the Master Indenture.

"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.

"Confirmation" means a letter from each Rating Agency then rating a Series confirming that, without regard to any Credit Enhancement Facility, the action proposed to be taken by the Authority will not, in and of itself, result in a lowering, suspension or withdrawal of the ratings then applicable to the Bonds.

"Conventional Mortgage Loan" means a Mortgage Loan, other than an FHA Insured Mortgage Loan, a VA Mortgage Loan or other Mortgage Loan insured or guaranteed by a Governmental Insurer, which meets the requirements of Fannie Mae or Freddie Mac, as applicable.

"Cost of Issuance Account" means the Account so designated, which is created and established within the Program Fund by the Master Indenture.

"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, and Derivative Products or otherwise pursuant to the Indenture, which costs and items of expense shall include, but not be limited to, underwriters' compensation, initial fees and expenses due to any Credit Facility Provider or Liquidity Facility Provider, 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.

"Credit Enhancement Facility" means an insurance policy insuring, or a letter of credit, surety bond or other financial instrument providing a direct or indirect source of funds for, the timely payment of principal of and interest on the Bonds of a Series or portion thereof (but not necessarily principal due

upon acceleration thereof under the Master Indenture) and any related insurance or other agreement, as shall be designated pursuant to a Series Indenture with respect to such Series.

"Credit Facility Provider" means a commercial bank or other Person providing a Credit Enhancement Facility pursuant to any Series Indenture with respect to a Series.

"Debt Service Payment" means, when used with respect to any Bond Payment Date, the sum of the (a) interest, if any, and (b) Principal Installments, if any, due and payable on such date with respect to the Bonds 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, MBS or Investment Securities held under the provisions of the Indenture, and its successor or successors.

"Derivative Payment Date" means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of the Authority Derivative Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

"Derivative Product" means a written contract or agreement between the Authority and a Reciprocal Payor, which provides that the Authority's obligations thereunder will be conditioned on the absence of (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and:

(i) under which the Authority is obligated to pay (whether on a net payment basis or otherwise) on one or more scheduled and specified Derivative Product Payment Dates, the Authority Derivative Payments in exchange for the Reciprocal Payor's obligations to pay (whether on a net payment basis or otherwise), or to cause to be paid, to the Authority, Reciprocal Payments on one or more scheduled and specified Derivative Product Payment Dates in the amounts set forth in the Derivative Product;

(ii) for which the Authority's obligations to make Authority Derivative Payments may be secured by a pledge of an lien on the Trust Estate on an equal and ratable basis with the Outstanding Class I Bonds, Class II Bonds or Class III Bonds, as the case may be; and

(iii) under which the Reciprocal Payments are to be made directly to the Trustee for deposit into the Revenue Fund.

"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.

"Event of Default" means any of those events defined as Events of Default in the Master Indenture.

"Excess Earnings" means, with respect to Mortgage Loans and MBS 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.

"Excess Earnings Fund" means the Fund so designated, which is created and established under the Master Indenture.

"Fannie Mae" means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. Section 1716 *et seq.*, and its successors and assigns.

"Fannie Mae Certificate" means a single pool, guaranteed mortgage, pass-through certificate, bearing interest at the Pass-Through Rate, issued by Fannie Mae, guaranteed as to timely payment of interest and principal by Fannie Mae and backed by Conventional Mortgage Loans, which will mature not later than the date set forth in the applicable Series Indenture.

"Fannie Mae Certificate Purchase Price" means 100% of the principal balance of the applicable pool of Mortgage Loans on record at Fannie Mae on the first day of the month of purchase, or such other percentage of such principal balance as may be reported by the Authority to the Trustee upon the acquisition of the related Fannie Mae Certificate.

"FHA" means the Federal Housing Administration and any agency or instrumentality of the United States of America succeeding to the mortgage industry functions thereof.

"FHA Insured Mortgage Loan" means a Mortgage Loan insured by FHA.

"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.

"Freddie Mac" means the Federal Home Loan Mortgage Corporation or any successor thereto.

"Freddie Mac Certificate" means a mortgage participation certificate issued by Freddie Mac and representing an undivided interest in a pool of Conventional Mortgage Loans identified by a particular alphanumeric number and CUSIP number, guaranteed as to timely payment of principal and interest by Freddie Mac and bearing interest at the Pass-Through Rate, which will mature not later than the date set forth in the applicable Series Indenture.

"Freddie Mac Certificate Purchase Price" means 100% of the principal balance of the applicable pool of Mortgage Loans on record at Freddie Mac on the first day of the month of purchase, or such other percentage of such principal balance as may be reported by the Authority to the Trustee upon the acquisition of the related Freddie Mac Certificate.

"Fund" or "Funds" means one or more of the special trust funds created and established pursuant to the Master Indenture or Series Indenture.

"General Obligation Bond" means a Bond for the payment of which the Authority pledges its full faith and credit, subject only to the provisions of any agreements with the owners of particular notes or bonds pledging any particular revenues or assets to the payment thereof.

"Ginnie Mae" means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development or any successor to its functions.

"Ginnie Mae Certificate" means a fully modified, mortgage backed security (which may be issued under either the GNMA I Program or the GNMA II Program) bearing interest at the Pass-Through Rate, issued by the Authority, registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by Ginnie Mae pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder backed by FHA Insured Mortgage Loans, VA Guaranteed Mortgage Loans or other Mortgage Loans insured or guaranteed by an eligible Governmental Insurer, which will mature not later than the date set forth in the applicable Series Indenture.

"Ginnie Mae Certificate Purchase Price" means 100% of the principal balance of the applicable pool of Mortgage Loans on record at Ginnie Mae on the first day of the month of purchase, or such other percentage of such principal balance as may be reported by the Authority to the Trustee upon the acquisition of the related Ginnie Mae Certificate.

"Ginnie Mae Guaranty Agreement" means one or more guaranty agreements in the form set forth in the Ginnie Mae Guide between the Authority and Ginnie Mae now or hereafter in effect pursuant to which Ginnie Mae has agreed or will agree to guarantee Ginnie Mae Certificates backed by Mortgage Loans.

"Ginnie Mae Guide" means the Ginnie Mae Mortgage Backed Securities Guide Section 5500.3, as amended from time to time.

"Governmental Insurer" means FHA, VA, the U.S. Department of Housing and Urban Development, the Rural Housing Service (formerly, the Rural Housing and Community Development Service, the successor to the Farmers Home Administration), and any other governmental agency which insures or guarantees mortgage loans that can be backed by a Ginnie Mae Certificate.

"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.

"Indexing Agent" means Municipal Market Data, Boston Massachusetts, a Thompson Financial Services Company, or its successor.

"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 Reserve Account" means the Account so designated, which is created and established within the Debt Service Reserve Fund by the Master Indenture.

"Investment Agreement" means any investment agreement provided by an Investment Provider, which agreement, as of the date of execution thereof, shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency.

"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), which Investment Provider shall be approved by the Agency for the purpose of providing investment agreements.

"Investment Revenues" means amounts earned on investments (other than Mortgage Loans and MBS) 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; Freddie Mac (including participation MBS only if they guarantee timely payment of principal and interest); Ginnie Mae (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 MBS) 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) Any Investment Agreement;

(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 commercial bank or other Person providing a Liquidity Facility pursuant to any Series Indenture with respect to a Series.

"Loan Recycling Account" means the Account so designated, which is created and established in the Program Fund by the Master Indenture.

"MBS" means, collectively, the Ginnie Mae Certificates, the Fannie Mae Certificates and the Freddie Mac Certificates. In the event that only a portion of or interest in an MBS is acquired under the Indenture, references in the Master Indenture to such MBS shall be interpreted and applied to relate to such portion or interest.

"Mortgage" means a mortgage, deed of trust or other instrument creating a valid lien on real property within the State and improvements constructed or to be constructed thereon or on a leasehold under a lease of such real property 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 (or for the refinance of a qualified subprime loan to the extent permitted by Section 143(k)(12) of the Code) 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. In the event that only a portion of or interest in a Mortgage Loan is purchased under the Indenture, references in the Master Indenture to such Mortgage Loan shall be interpreted and applied to relate to such portion or interest.

"Mortgage Repayments" means, with respect to any Mortgage Loan or the related MBS, the amounts received by or for the account of the Authority as scheduled payments of principal and interest (if any) on such Mortgage Loan or related MBS 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 Revenues received with respect to a Derivative Product.

"MSRB" means the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://www.emma.msrb.org>.

"Obligations" means, collectively, the Class I Obligations, the Class II Obligations and the Class III Obligations.

"Outstanding" means, when used with respect to a Derivative Product, means a Derivative Product which has not expired, been terminated or been deemed paid in accordance with the provisions of the Master Indenture, and when used with reference to any 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.

"Owner" means (i) with respect to a Bond, the registered owner of such Bond, and (ii) with respect to a Derivative Product, any Reciprocal Payor, unless the context otherwise requires.

"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.

"Pass-Through Rate" means the rate of interest on an MBS reported by the Authority to the Trustee upon the acquisition of such MBS, equal to the rate of interest on the Mortgage Loans underlying such MBS less authorized Servicing Fees (including the guarantee fee charged by Ginnie Mae, Fannie Mae or Freddie Mac, as applicable).

"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 or MBS, but excluding any Servicing Fees with respect to the collection of such moneys) on any Mortgage Loan or MBS prior to the scheduled payments of principal called for by such Mortgage Loan or MBS, 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 or MBS 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 or MBS by the Authority or by any other proceedings taken by the Authority.

"Principal Installment" means, as of any date of calculation, and for any Bond 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 and Class III Sinking Fund Installments due and payable on such date.

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

"Program Expenses" means all the Authority's expenses of administering its activities under the Indenture and the Act. Such expenses may include, without limiting the generality of the foregoing, (i) Fiduciary Expenses, (ii) the fees and expenses of any auction agent, market agent and any broker-dealer then acting under a Series Indenture with respect to auction rate Bonds, (iii) the fees and expenses of any calculation agent then acting under a Series Indenture with respect to index-based bonds, (iv) the costs of any remarketing of any Bonds, including the fees and expenses of any remarketing agent then acting under a Series Indenture with respect to such Bonds, (v) the fees and expenses due to any Credit Facility Provider or any Liquidity Facility Provider with respect to any Bonds for which any Credit Enhancement Facility or a Liquidity Facility is in place, (vi) the fees and expenses of the Authority incurred in connection with the preparation of legal opinions and other authorized reports or statements attributable to the Bonds (vii) fees and expenses associated with the delivery of a substitute Credit Enhancement Facility or Liquidity Facility under a Series Indenture (viii) fees and expenses associated with the monitoring of the Bonds, the Mortgage Loans and the MBS by the Rating Agencies, (ix) fees and expenses associated with (but not payments under) Derivative Products, (x) Costs of Issuance not paid from proceeds of Bonds, and (xi) salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, including information processing equipment, telephone, software, insurance premiums, legal, accounting, management, consulting and banking services and expenses, travel and other operating costs of the Authority, payments to pension, retirement, dental, health and hospitalization and life and disability insurance benefits, and any other employee benefits; and any other

expenses required or permitted to be paid by the Authority, all to the extent properly allocable to a financing under the Indenture.

"Program Fund" means the Fund so designated, which is created and established under the Master Indenture.

"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, to the extent any such rating agency has been requested in writing by the Authority (which request has not been withdrawn in writing by the Authority) to issue a rating on any of the Bonds and such rating service has issued and continues to apply a rating on such Bonds at the time in question. The Authority shall at all times have designated at least one such service as a Rating Agency under the Indenture.

"Rebate Fund" means the Fund so designated, which is created and established by the Master 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.

"Reciprocal Payments" means any payment to be made to, or for the benefit of, the Authority under a Derivative Product.

"Reciprocal Payor" means a third party which, at the time of entering into a Derivative Product, shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency, and which is obligated to make Reciprocal Payments under a Derivative Product.

"Record Date" means, except as otherwise provided in a Series Indenture (i) with respect to each Bond 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 Bond 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 Bond 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 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), MBS (or portion thereof), 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 and, as applicable, 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) revenues received with respect to a Derivative Product, and (d) all other payments and receipts received by the Authority with respect to Mortgage Loans and MBS, 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 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" means a Mortgage constituting a second lien on real property.

"Second Mortgage Loan" means a Mortgage Loan secured by a Second Mortgage.

"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.

"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, in each case not in excess of the amount assumed in the most recently filed Cash Flow Statement.

"Short Term Bond Account" means the Account so designated, which is created and established in the Program Fund by the Master Indenture.

"Short-Term Bonds" means bonds or notes of the Authority either scheduled to mature in their entirety or be subject to mandatory tender within three years of the date of issuance thereof, the proceeds of which are not immediately available for the purchase of Mortgage Loans or MBS.

"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.

"VA" means the Veterans Administration, an agency of the United States, or any successors to its functions.

"VA Mortgage Loan" means a Mortgage Loan guaranteed by VA.

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 Redemption Fund, consisting of:
 - (i) the Class I Special Redemption Account;
 - (ii) the Class II Special Redemption Account; and
 - (iii) the Class III Special Redemption Account
- (h) the Rebate Fund; and
- (i) 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, Mortgage Loans and MBS (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) upon Authority Request, accompanied by an opinion of Bond Counsel, to assure that the interest on Tax exempt Bonds remains excludable from the gross income of the owners thereof for federal income tax purposes; and
- (e) if and to the extent that the aggregate amount of moneys, investments, Mortgage Loans and MBS 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, Mortgage Loans and MBS (or portions thereof or interests therein) 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, Mortgage Loans and/or MBS (or portions thereof or interests therein) among subaccounts Related to each Series as requested. Mortgage Loans and MBS (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 and MBS (or portions thereof or interests therein) are being reallocated, if such Mortgage Loans (or Mortgage Loans Related to such MBS) 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 and MBS 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 or to acquire MBS (or portions thereof or interests therein) in accordance with the provisions of the Indenture; provided, however, that such Mortgage Loans (or Mortgage Loans Related to such MBS) must satisfy the terms and conditions set forth in the Master Indenture and applicable provisions of the Related Series Indenture.

All references in the Master Indenture to the purchase, acquisition, finance or refinance of Mortgage Loans or MBS shall be interpreted to include the purchase, acquisition, finance or refinance of portions thereof or interests therein; provided that Mortgage Loans and MBS may be purchased, acquired, financed or refinanced pursuant to the Indenture only if (i) the remaining portion of such Mortgage Loan or MBS is purchased, acquired, financed or refinanced pursuant to the Master Indenture of Trust dated as of October 1, 2001 (as amended, the "2001 Master Indenture") between the Authority and Zions First National Bank, as Trustee, (ii) all Series of Bonds pursuant to which such portion of such Mortgage Loan or MBS is purchased, acquired, financed or refinanced pursuant to the Indenture are Class I Bonds and (iii) all Series of Bonds pursuant to which such remaining portion of such Mortgage Loan or MBS is purchased, acquired, financed or refinanced pursuant to the 2001 Master Indenture are Class I Bonds (as all such terms are defined in the 2001 Master Indenture).

In accordance with Section 143 of the Code, and unless otherwise approved by an opinion of Bond Counsel, certain amounts, if any, designated by each Series Indenture shall be made available solely for the purchase of Mortgage Loans on Targeted Area Residences for a period of at least one year after the date on which the proceeds of the related Series of Tax-exempt Bonds are first made available for the purchase by the Authority of Mortgage Loans on Targeted Residences. In furtherance of such purpose, the Authority shall reserve from the amounts deposited in the Related subaccount of the Acquisition Account an aggregate amount equal to the foregoing requirement. The Authority, acting upon the advice of Bond Counsel, will take all reasonable steps necessary, including the preparation, distribution and publication of advertisements and the organization of informational meetings with appropriate community groups, to cause the amount reserved pursuant to the preceding sentence to be utilized for such purpose.

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. The Trustee shall withdraw moneys from the Acquisition Account for the acquisition of MBS pursuant to the Master Indenture upon receipt of an Authority Request. The purchase price of each Ginnie Mae Certificate shall be the Ginnie Mae Certificate Purchase Price, the purchase price of each Fannie Mae Certificate shall be the Fannie Mae Certificate Purchase Price and the purchase price of each Freddie Mac Certificate shall be the Freddie Mac Certificate Purchase Price. If the Trustee receives an interest payment on an MBS representing interest accrued prior to the date such MBS was purchased by the Trustee with amounts on deposit in the Acquisition Account, the Trustee shall remit such amount to the Authority when received. The Trustee shall not disburse moneys from the Acquisition Account for the acquisition of an MBS unless (i) such MBS shall be acquired in accordance with the Master Indenture, (ii) such MBS will bear interest at the applicable Pass-Through Rate and (iii) the MBS will be held by the Trustee as described in the Master Indenture. Any moneys deposited in the Acquisition Account that the Authority certifies from time to time will not be used to purchase Mortgage

Loans or MBS 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 remain Outstanding, upon receipt of an Authority Request to withdraw all or any portion of the Related moneys, investments, Mortgage Loans and/or MBS from the Related Funds, Accounts and subaccounts, the Trustee shall make such withdrawal and shall transfer such moneys, investments, Mortgage Loans and/or MBS, 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 or an MBS (or portions thereof or interests therein) 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, MBS, Mortgage Repayments and Prepayments, and moneys in any Fund or Account, shall be interpreted and applied to relate such Mortgage Loan, MBS, Mortgage Repayments, Prepayments and moneys to each Series furnishing proceeds for such Mortgage Loan or MBS 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 or MBS or by such other method as shall be provided in an Authority Request, accompanied by an opinion of Bond Counsel that such method will not adversely affect the exclusion from gross income of interest on Tax-exempt Bonds.

The Ginnie Mae Certificate acquired by the Trustee shall be held at all times by the Trustee in trust for the benefit of the Owners and shall be registered in the name of the Trustee or its nominee or held in book entry form as described in the Master Indenture. A Ginnie Mae Certificate will be issued in book entry form through a book entry system of the Federal Reserve System and transferred to the Trustee. If the Trustee does not receive payment with respect to a Ginnie Mae Certificate when due by the close of business on the twentieth day of any month (or the next business day if the twentieth day is not a Business Day), the Trustee shall demand by telephone payment from Ginnie Mae in immediately available funds in connection with the guaranty of timely payments of principal and interest by Ginnie Mae in accordance with the terms of the Ginnie Mae Certificates.

The Fannie Mae Certificates acquired by the Trustee shall be held at all times by the Trustee or its nominee in trust for the benefit of the Owners and shall be held in book entry form as described in this subsection. A Fannie Mae Certificate will be issued in book entry form through a book entry system of the Federal Reserve System and transferred to the Trustee. If the Trustee does not receive payment or advice from the depository of payment with respect to a Fannie Mae Certificate when due by the close of business on the twenty-fifth day of any month (or the next business day if the twenty-fifth day is not a business day), the Trustee shall demand by telephone payment from Fannie Mae in immediately available funds in connection with the guaranty of timely payments of principal and interest by Fannie Mae in accordance with the terms of the Fannie Mae Certificates.

The Freddie Mac Certificates acquired by the Trustee shall be held at all times by the Trustee or its nominee in trust for the benefit of the Owners and shall be held in book entry form as described in this subsection. A Freddie Mac Certificate will be issued in book entry form through a book entry system of

the Federal Reserve System and transferred to the Trustee. If the Trustee does not receive payment or advice from the depository of payment with respect to a Freddie Mac Certificate when due by the close of business on the twenty-fifth day of any month (or the next business day if the twenty-fifth day is not a business day), the Trustee shall demand by telephone payment from Freddie Mac in immediately available funds in connection with the guaranty of timely payments of principal and interest by Freddie Mac in accordance with the terms of the Freddie Mac Certificates.

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 Related Costs of Issuance shall be transferred by the Trustee to the Authority or to the Related subaccount in the Acquisition Account upon receipt by the Trustee of an Authority Certificate stating that such moneys are no longer needed for the payment of Costs of Issuance, whereupon such subaccount of the Cost of Issuance Account shall be closed.

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 and MBS (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 and Class III Asset Requirement, as applicable, will be met, and (c) Confirmation, except to the extent a previous Cash Flow Statement, Authority Certificate and Confirmation shall apply to such transfer and the Mortgage Loans to be made and/or MBS to be acquired 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 (directly, or through the acquisition of MBS) 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 or acquisition of MBS 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 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 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 Bond Payment Date or Derivative Product 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 Bond Payment Date or Derivative Product Payment Date upon all Class I Bonds of the Related Series then Outstanding and any Authority Derivative Payment secured on a parity with the Class I Bonds and unpaid as of such date; 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 Bond 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 Bond Payment Date to and including the next Bond 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 following Bond 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 (if any) of the Related Series of Bonds will be met on such Bond 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 Bond Payment Date or Derivative Product Payment Date upon all Class II Bonds of the Related Series then Outstanding and any Authority Derivative Payment secured on a parity with the Class II Bonds and unpaid as of such date; 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 Bond Payment Date; provided however, that if such Bond 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 Bond Payment Date to and including the next Bond 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 Bond 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 Bond 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 Bond Payment Date or Derivative Product Payment Date upon all Class III Bonds of the Related Series then Outstanding and any Authority Derivative Payment secured on a parity with the Class III Bonds and unpaid as of such date; 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 Bond Payment Date; provided however, that if such Bond 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 Bond Payment Date

to and including the next Bond 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 Bond 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 Bond Payment Date and giving effect to such transfer;

(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 Bond 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); and

(U) Upon Authority Request, to the Related subaccount of the Loan Recycling Account, in order to finance or refinance Mortgage Loans (directly or through the acquisition of MBS), 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 Bond Payment Dates or Derivative Product 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 Bond 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 Indenture or shall be retained in the Revenue Fund or transferred and allocated as set forth in an Authority Request, subject in each case to any limitations or requirements specified 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 Bond 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 and the Class III 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 Bond 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 or Class III 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 and Class III Bonds on such Bond Payment Date.

In the event Bonds are to be redeemed on a date other than a Bond 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 or the Class III Debt Service Fund to pay accrued interest on such redemption date for such Class I Bonds, Class II Bonds and Class III 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 Bond Payment Date and Derivative Product Payment Date for the purpose of paying the interest and Principal Installments on the Related Class I Bonds and any Authority Derivative Payment secured on a parity with 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), or (ii) 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 Bond 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 Bond Payment Date and shall determine the amount, if any, which will 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.

On the last Business Day prior to each Bond 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, due on Related Class I Bonds on the next succeeding Bond 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, due on Related Class I Bonds on the next succeeding Bond 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, due on Related Class II Bonds on the next succeeding Bond 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, due on Related Class II Bonds on the next succeeding Bond 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, due on Related Class III Bonds on the next succeeding Bond 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, due on Related Class III Bonds on the next succeeding Bond 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.

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 Bond Payment Date and Derivative Product Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class II Bonds and any Authority Derivative Payment secured on a parity with 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), or (ii) 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 Bonds 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 Bond Payment Date and Derivative Product Payment Date for the purpose of paying first the interest and then Principal Installments on the Related Class III Bonds and any Authority Derivative Payment secured on a parity with 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), or (ii) 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 Bonds 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 Certificate delivered in connection therewith, and (ii) to the extent required by such Authority Certificate, 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 or MBS 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 or MBS plus accrued interest, if any, thereon, and any unamortized premium, and any such Mortgage Loans or MBS so purchased shall be credited to such subaccount of the Excess Earnings Fund. Mortgage Loans or MBS in a subaccount of the Excess Earnings Fund may be exchanged for Mortgage Loans or MBS 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 or MBS in such subaccount of the Excess Earnings Fund, upon receipt by the Trustee of an Authority Request specifying the Mortgage Loans or MBS 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 to pay all interest 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 Obligation Bonds 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 Obligation Bonds for which such amounts are provided. Amounts in such subaccounts shall only be used to pay interest or Principal Installments due and payable on the Related General Obligation Bonds and may not be transferred to any Debt Service Fund for Bonds which are not General Obligation Bonds 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.

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 and MBS.

(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 and MBS consistent with sound lending practices and principles and applicable requirements under the Code, including the prompt collection 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 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 Owners under or with respect to all Mortgage Loans and MBS, the obligations evidencing such Mortgage Loans and the agreements securing such Mortgage Loans and MBS 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 Owners; (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 Owners 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 Loans and MBS

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 or MBS 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, as determined in good faith by the Authority.

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 such stipulations as shall be necessary or advisable in connection with the stated purpose of the applicable section of the Master Indenture, and the Authority and the Trustee do 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, 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 when and as the same shall become due and payable or shall fail to make any payment due under any other Class I Obligation when and as the same shall become due and payable;
- (c) The Authority shall fail to pay any Principal Installment or interest on any Class II Bond or to make any payment due under any other Class II Obligations 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 to make any payment due under any other Class III Obligations 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 perform or observe any other covenant, agreement or condition on its part contained in the Indenture (except the requirement that the Authority pay amounts to the Trustee from its other revenues, moneys or assets in connection with General Obligation Bonds), 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
- (f) 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 a majority in Aggregate Principal Amount of Outstanding Bonds following an Event of Default described in paragraphs (a), (b), (c) or (d) of "Events of Default" above and 100% in Aggregate Principal Amount of Outstanding Bonds following an Event of Default described in paragraphs (e) or (f) of "Events of Default" above shall, give 30 days notice in writing to the Authority of its intention to declare all Outstanding Obligations 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 with respect to an Event of Default described in paragraph (e) or (f) of "Events of Default" above to the extent provided in the following paragraph) in Aggregate Principal Amount of Outstanding Bonds shall, by notice in writing to the Authority, declare all Obligations Outstanding immediately due and payable; and such Obligations shall become and be immediately due and payable, anything in the Bonds, any Derivative Product or 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 (e) or (f) 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 all Obligations 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 Outstanding Obligations 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 Obligations 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 Obligations; (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, 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 a majority 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 Owners of the Obligations under the Act, the Bonds, any Derivative Product 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 a majority 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 Owners, 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.

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 that are not General Obligation Bonds, 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 of Bonds 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 and Principal Installments then due and payable on the Class I Bonds and all Authority Derivative Payments secured on a parity with the Class I Bonds, 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 Bonds and all Authority Derivative Payments secured on a parity with the Class I Bonds 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 Bonds 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 Bonds 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 Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Class I Bonds and all Authority Derivative Payments secured on a parity with the Class I Bonds and, if the amount available shall not be sufficient to pay in full such principal and interest and Authority Derivative Payments, then to the payment of principal and interest and Authority Derivative Payments, without any preference or priority, ratably according to the amounts due, to the Persons entitled thereto.

(iii) To the payment of the Principal Installments of and interest and other amounts then due on the Class II Bonds and all Authority Derivative Payments secured on a parity with the Class II Bonds in accordance with the provisions of subparagraph (ii) above as if such subparagraph referred to the Class II Bonds rather than the Class I Bonds.

(iv) To the payment of Principal Installments of and interest then due on the Class III Bonds and all Authority Derivative Payments secured on a parity with the Class III Bonds in accordance with the provisions of subparagraph (ii) above as if such subparagraph referred to the Class III Bonds rather than the Class I Bonds.

(v) 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 Owners of the Bonds 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 Owners of the Bonds 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 and III Obligations and Class II Obligations over Class III 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 Owners of the Bonds 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 Owners of the Bonds.

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 under the Indenture.

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

With the consent of the Trustee, a Supplemental Indenture may be executed and delivered by the Authority: (a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture, or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable, provided such action shall not adversely affect the interest of the Owners under the Indenture and are not contrary to or inconsistent with the Indenture theretofore in effect; (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owens or the Trustee; (c) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed by the Authority; (d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture, provided that the loss of such right, power or privilege shall not adversely impact the Revenues available to pay the Outstanding Bonds; (e) to include as pledged revenues or money under, and subject to the provisions of, the Indenture any additional revenues or money legally available therefor; (f) to provide for additional duties of the Trustee in connection with the Mortgage Loans and MBS; (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) provided the Authority has first obtained a Confirmation, to make the terms and provisions of the Indenture, including the lien and security interest granted herein, applicable to a Derivative Product, and to modify the applicable section of the Master Indenture with respect to any particular Derivative Product; (j) provided the Authority has first obtained a Confirmation, to amend the Indenture to allow for any Bonds to be supported by a Credit Enhancement Facility or Liquidity Facility, including amendments with respect to repayment to such a provider on a parity with any Bonds or Derivative Product and providing rights to such provider under the Indenture, including with respect to defaults and remedies; (k) 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 (l) 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 Owners of Bonds, 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 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 Owners of the Bonds.

Discharge of Indenture in Entirety; Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, (i) to the Owners 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, (ii) to each Reciprocal Payor, all Authority Derivative Payments then due, and (iii) to each Credit Facility Provider, any and all amounts due and owing pursuant to any Credit Enhancement Facility, 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 Owners, 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, and to each Reciprocal Payor all Reciprocal Payments then due, at the times and in the manner stipulated therein and in this Master Indenture and in the Derivative Product, such Bonds and each Reciprocal Payor 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 and to each Reciprocal Payor 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 Owners 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.

Any Authority Derivative Payments are deemed to have been paid and the applicable Derivative Product terminated when payment of all Authority Derivative Payments due and payable to each Reciprocal Payor under its respective Derivative Product have been made or duly provided for to the satisfaction of each Reciprocal Payor and the respective Derivative Product has been terminated.

APPENDIX B

Form of 2011AA Bond Counsel Opinion

_____, 2011

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

Colorado Housing and Finance Authority
Single Family Program Class I Bonds
Series 2011AA (Mortgage-Backed Securities Program)

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 Single Family Program Class I Bonds, Series 2011AA (Mortgage Backed Securities Program) (the "Bonds") in the aggregate principal amount of \$39,200,000. 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 December 1, 2009, as amended, and as supplemented by the Series 2011AA Indenture dated as of May 1, 2011 (together, the "Indenture"), between the Authority and Zions First National Bank, as trustee (the "Trustee"). Capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

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

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

1. The Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture.

2. The Indenture has been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms.

3. Interest on the Bonds is 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") and is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinion expressed in this paragraph assumes continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents and certain other certifications furnished to us.

4. The Bonds, their transfer and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date hereof.

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

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

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

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

Respectfully submitted,

APPENDIX C

**Financial Statements for the Years
ended December 31, 2009 and 2008
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, 2009, which collectively comprise Colorado Housing and Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Housing and Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from Colorado Housing and Finance Authority's December 31, 2008 basic financial statements and, in our report dated April 23, 2009, 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, 2009, 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 25, 2010 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 5 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colorado Housing and Finance Authority's basic financial statements. The Schedule of Adjusted Net Worth and Schedule of Insurance Requirement listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 25, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2009. This analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- Net assets as of December 31, 2009, were \$280.4 million, a decrease of \$15.3 million, or 5.2%, compared to net assets of \$295.7 million as of December 31, 2008, decreasing the Authority's capital position. Net assets as a percent of total assets increased from 7.28% as of December 31, 2008, to 7.64% as of December 31, 2009.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, the decrease in net assets of \$15.3 million for 2009 represents a \$28.6 million, or 215.0%, decrease compared to the increase in net assets for 2008 of \$13.3 million. This \$28.6 million decrease was comprised of a \$12.5 million decrease in net interest income (primarily due to a \$19.1 million decrease in the fair market value of investments held), a \$4.5 million increase in other operating revenues, a \$14.5 million increase in operating expenses, including a \$9.9 million increase in the provision for loan losses, and no gain on sale of RAP properties in 2009 (\$6.1 million in 2008). Profitability, as measured by return on average net assets, was a negative 5.31% in 2009 compared to a positive 4.60% in 2008.
- Total investments as of December 31, 2009, were \$577.5 million, a decrease of \$145.9 million, or 20.2%, compared to the amount outstanding as of December 31, 2008. As loans were paid down, the proceeds were used to pay off bonds, reducing the corresponding debt service reserves reflected in investments.
- Total net loans receivable as of December 31, 2009, were \$3.0 billion, a decrease of \$255.5 million, or 8.0%, compared to the amount outstanding as of December 31, 2008. Loan repayments occurred without a corresponding increase in new loans retained as the Authority issued more Ginnie Mae securities during 2009.
- As of December 31, 2009, total debt outstanding was \$3.3 billion, a decrease of \$360.6 million, or 9.8%, compared to the balance at December 31, 2008. Payments of loans have been used to reduce bond balances rather than recycling into new loans.

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

The following table presents condensed information about the financial position of the Authority as of December 31, 2009, and 2008, and changes in the balances of selected items during the fiscal year ended December 31, 2009 (in thousands):

As of December 31,	2009	2008	\$ Change	% Change
Assets				
Cash	\$ 35,900	\$ 29,355	\$ 6,545	22.3%
Investments	285,765	479,323	(193,558)	-40.4%
Loans receivable	163,033	106,935	56,098	52.5%
Loans receivable held for sale	67,356	-	67,356	0.0%
Other current assets	31,397	31,544	(147)	-0.5%
Current assets	583,451	647,157	(63,706)	-9.8%
Noncurrent assets:				
Investments	291,691	244,075	47,616	19.5%
Loans receivable, net	2,722,117	3,101,117	(379,000)	-12.2%
Capital assets, net	28,586	29,606	(1,020)	-3.4%
Other assets	45,364	37,804	7,560	20.0%
Total noncurrent assets	3,087,758	3,412,602	(324,844)	-9.5%
Total assets	\$ 3,671,209	\$ 4,059,759	\$ (388,550)	-9.6%
Liabilities				
Short-term debt	\$ 73,250	\$ 164,985	\$ (91,735)	-55.6%
Bonds payable	22,822	18,394	4,428	24.1%
Notes payable	74	73	1	1.4%
Other current liabilities	55,708	69,486	(13,778)	-19.8%
Current liabilities	151,854	252,938	(101,084)	-40.0%
Noncurrent liabilities:				
Bonds and notes payable, net	3,225,551	3,498,847	(273,296)	-7.8%
Other liabilities	13,436	12,307	1,129	9.2%
Total noncurrent liabilities	3,238,987	3,511,154	(272,167)	-7.8%
Total liabilities	3,390,841	3,764,092	(373,251)	-9.9%
Net assets:				
Invested in capital assets, net of related debt	28,586	29,606	(1,020)	-3.4%
Restricted by bond indentures	119,031	144,216	(25,185)	-17.5%
Unrestricted	132,751	121,845	10,906	9.0%
Total net assets	280,368	295,667	(15,299)	-5.2%
Total liabilities and net assets	\$ 3,671,209	\$ 4,059,759	\$ (388,550)	-9.6%

Total loans receivable decreased \$255.5 million, or 8.0%, during the current year, of which the noncurrent portion of the decrease was \$379.0 million. This decrease is largely due to the shift of securitizing new loan production into Ginnie Mae securities that are sold in the market. During 2009, \$308.9 million in loans were sold to Ginnie Mae and Fannie Mae. New loan purchases and originations held by the Authority were approximately \$373.6 million.



Management's Discussion and Analysis

Current liabilities decreased \$101.1 million, or 40.0%, compared to 2008. This decrease was primarily due to a decrease of \$91.7 million in the amount borrowed under the Authority's lines of credit. Noncurrent bonds and notes payable decreased \$273.3 million, or 7.8%, compared to December 31, 2008, primarily due to the pay down of bond principal. Additional information on the Authority's debt activities is provided under "Debt Administration".

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2009, and 2008, and the change from the prior year (in thousands):

For the years ended December 31,	2009	2008	\$ Change	% Change
Interest income and expense:				
Interest on loans receivable	\$ 172,953	\$ 171,953	\$ 1,000	0.6%
Investment income	14,990	26,481	(11,491)	-43.4%
Net increase (decrease) in the fair value of investments	(10,396)	8,710	(19,106)	-219.4%
Interest on debt	(175,712)	(192,774)	17,062	-8.9%
Net interest income	1,835	14,370	(12,535)	-87.2%
Other operating revenues:				
Rental income	7,460	8,424	(964)	-11.4%
Other revenues	26,964	21,511	5,453	25.3%
Total other operating revenues	34,424	29,935	4,489	15.0%
Total operating income	36,259	44,305	(8,046)	-18.2%
Operating expenses:				
Salaries and related benefits	16,180	14,936	1,244	8.3%
General operating	17,815	14,957	2,858	19.1%
Depreciation	3,159	2,684	475	17.7%
Provision for losses	14,404	4,517	9,887	218.9%
Total operating expenses	51,558	37,094	14,464	39.0%
Net operating income (loss)	(15,299)	7,211	(22,510)	-312.2%
Federal grant receipts	112,458	101,882	10,576	10.4%
Federal grant payments	(112,458)	(101,882)	(10,576)	10.4%
Gains on sales of capital assets	-	6,092	(6,092)	-100.0%
Nonoperating revenues and expenses, net	-	6,092	(6,092)	-100.0%
Change in net assets	(15,299)	13,303	(28,602)	-215.0%
Net assets:				
Beginning of year	295,667	282,364	13,303	4.7%
End of year	\$ 280,368	\$ 295,667	\$ (15,299)	-5.2%



Interest earned on loans of \$173.0 million, interest income on investments of \$15.0 million and interest expense on debt of \$175.7 million are the primary components of net interest income of the Authority.

Total operating income was \$36.3 million in 2009, a decrease of \$8.0 million, or 18.2%, compared to 2008. There were two major components of the decrease in operating revenues. First, a net decrease in the fair value of investments of \$19.1 million due primarily to a decline in market rates in 2009 compared to 2008. In addition, there was an \$11.5 million decrease in investment income due primarily to a decrease in investment balances. These decreases were partially offset by a \$17.1 million decrease in interest on debt and a \$4.5 million increase in other operating revenues. Interest expense on debt decreased due to lower market rates and debt balances.

Total operating expenses of \$51.6 million for 2009 increased \$14.5 million, or 39.0%, compared to 2008. Salaries and general operating expenses increased \$4.1 million due to increased staffing levels, increased professional fees and an increase in the amortization of service release premiums. Additionally, the Authority incurred a \$9.9 million increase in the provision for loan losses due to higher delinquency and foreclosure rates.

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.

Capital Assets

Capital assets, net of accumulated depreciation, as of December 31, 2009, totaled \$28.6 million, a decrease of \$1.0 million, or 3.4%, compared to the amount as of December 31, 2008. The majority of this investment in capital assets is related to the Authority's ownership of four apartment complexes that provide housing to lower- and moderate-income families.

The significant additions during 2009 include the implementation of a Business Intelligence application, improvements to our disaster recovery system, and enhancements to existing software related to debt management and single family and multi-family origination.

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

Debt Administration

As of December 31, 2009, the Authority had \$3.2 billion in bonds and notes payable outstanding and \$73.3 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 long-term 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 Authority issuer's credit rating on the general obligation debt is A1/A+ by Moody's and S&P, respectively.

In 2009 the Authority issued \$137.4 million in debt related to its lending programs. Of this amount, \$90.0 million was issued pursuant to the Authority's single family lending program and is reflected in the Single Family Fund, \$47.4 million was for the multi-family/business lending program and is reflected in the Multi-Family/Business Fund. 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 and early redemptions 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.



BASIC FINANCIAL STATEMENTS

Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2009

(with summarized financial information for December 31, 2008)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2009	2008
Assets						
Current assets:						
Cash (Note 2)	\$ 35,597	\$ 303	\$ -	\$ -	\$ 35,900	\$ 29,355
Investments (Note 2)	63,984	197,520	24,261	-	285,765	479,323
Loans receivable (Note 3)	73,644	61,931	28,070	(612)	163,033	106,935
Loans receivable held for sale (Note 3)	67,356	-	-	-	67,356	-
Accrued interest receivable	4,021	13,093	6,513	(184)	23,443	26,015
Deferred debt financing costs, net	17	607	195	-	819	864
Other assets	6,364	629	142	-	7,135	4,665
Due (to) from other funds	(36,621)	31,506	5,115	-	-	-
Total current assets	214,362	305,589	64,296	(796)	583,451	647,157
Noncurrent assets:						
Investments (Note 2)	1,670	122,248	167,773	-	291,691	244,075
Loans receivable, net (Note 3)	129,840	1,795,999	814,038	(17,760)	2,722,117	3,101,117
Capital assets - non-depreciable (Note 4)	4,981	-	-	-	4,981	6,635
Capital assets - depreciable, net (Note 4)	23,605	-	-	-	23,605	22,971
Other real estate owned, net	5,085	4,635	328	-	10,048	2,379
Deferred debt financing costs, net	297	10,920	3,512	-	14,729	15,558
Other assets	20,587	-	-	-	20,587	19,867
Total noncurrent assets	186,065	1,933,802	985,651	(17,760)	3,087,758	3,412,602
Total assets	\$ 400,427	\$ 2,239,391	\$ 1,049,947	\$ (18,556)	\$ 3,671,209	\$ 4,059,759
Liabilities						
Current liabilities:						
Short-term debt (Note 5)	\$ 73,250	\$ -	\$ -	\$ -	\$ 73,250	\$ 164,985
Bonds payable (Note 6)	90	11,610	11,122	-	22,822	18,394
Notes payable (Note 6)	74	-	-	-	74	73
Accrued interest payable	1,082	15,884	11,785	(184)	28,567	46,264
Federally assisted program advances	347	-	-	-	347	110
Accounts payable and other liabilities	25,289	1,043	462	-	26,794	23,112
Total current liabilities	100,132	28,537	23,369	(184)	151,854	252,938
Noncurrent liabilities:						
Bonds payable, net (Note 6)	87,788	2,154,024	960,271	-	3,202,083	3,497,835
Notes payable (Note 6)	41,840	-	-	(18,372)	23,468	1,012
Other liabilities (Note 6)	9,330	2,499	1,607	-	13,436	12,307
Total noncurrent liabilities	138,958	2,156,523	961,878	(18,372)	3,238,987	3,511,154
Total liabilities	239,090	2,185,060	985,247	(18,556)	3,390,841	3,764,092
Net assets						
Invested in capital assets, net of related debt	10,214	-	-	18,372	28,586	29,606
Restricted by bond indentures	-	54,331	64,700	-	119,031	144,216
Unrestricted (Note 10)	151,123	-	-	(18,372)	132,751	121,845
Total net assets	161,337	54,331	64,700	-	280,368	295,667
Total liabilities and net assets	\$ 400,427	\$ 2,239,391	\$ 1,049,947	\$ (18,556)	\$ 3,671,209	\$ 4,059,759

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, 2009

(with summarized financial information for the year ended December 31, 2008)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2009	2008
Interest income and expense:						
Interest on loans receivable	\$ 17,979	\$ 104,218	\$ 52,151	\$ (1,395)	\$ 172,953	\$ 171,953
Investment income	337	8,093	6,560	-	14,990	26,481
Net increase (decrease) in the fair value of investments	(185)	(6,274)	(3,937)	-	(10,396)	8,710
Interest on debt	(7,561)	(118,922)	(50,624)	1,395	(175,712)	(192,774)
Net interest income	10,570	(12,885)	4,150	-	1,835	14,370
Other operating income:						
Rental income	7,460	-	-	-	7,460	8,424
Loan servicing income	11,891	-	-	-	11,891	11,306
Section 8 administration fees	4,449	-	-	-	4,449	4,255
Other revenues	10,772	(148)	-	-	10,624	5,950
Total other operating revenues	34,572	(148)	-	-	34,424	29,935
Total operating revenues	45,142	(13,033)	4,150	-	36,259	44,305
Operating expenses:						
Salaries and related benefits	16,180	-	-	-	16,180	14,936
General operating	16,333	1,134	348	-	17,815	14,957
Depreciation	3,159	-	-	-	3,159	2,684
Provision for losses	3,662	5,147	5,595	-	14,404	4,517
Total operating expenses	39,334	6,281	5,943	-	51,558	37,094
Net operating income (loss)	5,808	(19,314)	(1,793)	-	(15,299)	7,211
Nonoperating revenues and expenses:						
Federal grant receipts	112,458	-	-	-	112,458	101,882
Federal grant payments	(112,458)	-	-	-	(112,458)	(101,882)
Gains on sales of capital assets	-	-	-	-	-	6,092
Total nonoperating revenues, net	-	-	-	-	-	6,092
Income before transfers	5,808	(19,314)	(1,793)	-	(15,299)	13,303
Transfers from (to) other funds	4,078	(3,443)	(635)	-	-	-
Change in net assets	9,886	(22,757)	(2,428)	-	(15,299)	13,303
Net assets:						
Beginning of year	151,451	77,088	67,128	-	295,667	282,364
End of year	\$ 161,337	\$ 54,331	\$ 64,700	\$ -	\$ 280,368	\$ 295,667

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, 2009

(with summarized financial information for the year ended December 31, 2008)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2009	2008
Cash flows from operating activities:						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 21,671	\$ 241,558	\$ 44,551	\$ (678)	\$ 307,102	\$ 218,027
Interest payments received on loans receivable	16,368	105,568	52,506	(1,407)	173,035	169,914
Payments for fundings of loans receivable	(363,014)	(6)	(10,569)	-	(373,589)	(545,771)
Receipts from sale of loans	300,195	8,732	-	-	308,927	-
Receipt (payment) for loan transfers between funds	99,149	(99,781)	632	-	-	-
Receipts from rental operations	7,553	-	-	-	7,553	8,431
Receipts from other revenues	18,371	(135)	-	-	18,236	22,144
Payments for salaries and related benefits	(16,210)	-	-	-	(16,210)	(15,444)
Payments for goods and services	(17,049)	(1,226)	(365)	-	(18,640)	(18,656)
All other, net	2,130	-	-	-	2,130	701
Net cash provided (used) by operating activities	69,164	254,710	86,755	(2,085)	408,544	(160,654)
Cash flows from noncapital financing activities:						
Proceeds from issuance of short-term debt	8,560,675	-	-	-	8,560,675	5,911,850
Proceeds from issuance of bonds	-	90,000	47,435	-	137,435	587,274
Proceeds from replacement of interest rate swaps	-	-	-	-	-	123,003
Proceeds from issuance of notes payable	22,530	-	-	-	22,530	-
Receipts from federal grant programs	112,158	-	-	-	112,158	101,851
Payments for federal grant programs	(112,458)	-	-	-	(112,458)	(101,882)
Principal paid on short-term debt	(8,652,410)	-	-	-	(8,652,410)	(5,811,410)
Principal paid on bonds	(14,707)	(309,293)	(104,759)	-	(428,759)	(296,108)
Payments on terminations of interest rate swaps	-	-	-	-	-	(79,450)
Principal paid on notes payable	(73)	-	-	-	(73)	(3,957)
Interest paid on short-term debt	(498)	-	-	-	(498)	(2,702)
Interest paid on bonds	(5,489)	(132,323)	(53,886)	-	(191,698)	(170,332)
Interest paid on notes payable	(11)	-	-	-	(11)	(257)
Transfers (to) from other funds	(10,769)	(3,898)	14,667	-	-	-
Net cash used by noncapital financing activities	(101,052)	(355,514)	(96,543)	-	(553,109)	257,880
Cash flows from capital and related financing activities:						
Purchase of capital assets	(2,210)	-	-	-	(2,210)	(5,411)
Proceeds from the disposal of capital assets	71	-	-	-	71	11,934
Principal paid on capital-related debt	(678)	-	-	678	-	-
Interest paid on capital-related debt	(1,407)	-	-	1,407	-	-
Net cash provided (used) by capital and related financing activities	(4,224)	-	-	2,085	(2,139)	6,523
Cash flows from investing activities:						
Proceeds from maturities and sales of investments	2,012,992	3,224,745	488,903	-	5,726,640	3,731,322
Purchase of investments	(1,970,748)	(3,140,512)	(490,083)	-	(5,601,343)	(3,854,349)
Income received from investments	593	16,874	10,485	-	27,952	17,678
Net cash provided by investing activities	42,837	101,107	9,305	-	153,249	(105,349)
Net increase (decrease) in cash	6,725	303	(483)	-	6,545	(1,600)
Cash at beginning of year	28,872	-	483	-	29,355	30,955
Cash at end of year	\$ 35,597	\$ 303	\$ -	\$ -	\$ 35,900	\$ 29,355

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, 2009

(with summarized financial information for the year ended December 31, 2008)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2009	2008
Reconciliation of operating income to net cash used by operating activities:						
Net operating income (loss)	\$ 5,808	\$ (19,314)	\$ (1,793)	\$ -	(15,299)	7,211
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation expense	3,159	-	-	-	3,159	2,684
Amortization of service release premiums	3,035	-	-	-	3,035	1,988
Amortization of deferred loan fees/costs, net	(1,046)	1,058	(97)	-	(85)	285
Provision for losses	3,662	5,147	5,595	-	14,404	4,517
(Increase) decrease in fair value of investments	185	6,274	3,937	-	10,396	(8,710)
Investment income	(337)	(8,093)	(6,560)	-	(14,990)	(26,481)
Interest on debt	7,561	118,922	50,624	(1,395)	175,712	192,773
Changes in assets and liabilities:						
Loans receivable and other real estate owned	47,471	149,458	34,711	(678)	230,962	(330,019)
Accrued interest receivable on loans	(1,611)	1,351	355	(12)	83	(2,039)
Other assets	(3,031)	(93)	(12)	-	(3,136)	(2,574)
Accounts payable and other liabilities	4,308	-	(5)	-	4,303	(289)
Net cash used by operating activities	\$ 69,164	\$ 254,710	\$ 86,755	\$ (2,085)	\$ 408,544	\$ (160,654)

The Authority defines cash and cash equivalents as cash deposits.

The accompanying notes are an integral part of these statements

colorado housing and finance authority



NOTES TO FINANCIAL STATEMENTS



(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation and Reporting Entity

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

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

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

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

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

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

Measurement Focus and Basis of Accounting - The Authority's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements for its funds, as well as those of the Financial Accounting Standards Board issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Authority 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 2008 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

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

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

Loans Receivable – Mortgage loans receivable are carried at their unpaid principal balance net of deferred down payment assistance expense, deferred fee income 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.

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

Allowance for Loan Losses - The allowance for loan losses is 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, 2009, the Authority owned a total of four RAP projects, including its three component units, containing 917 units.



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

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

Other Real Estate Owned - Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value.

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.

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

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

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

Variable rate bonds have an assumed Stand-by Purchase Agreement (SBPA) which states that the issuer of the SBPA will purchase the bonds in the event the remarketing agent is unsuccessful in marketing the bonds. In this event the interest rate paid by the Authority will be calculated using a defined rate from the SBPA. If the bonds remain unsold for a period of 90 days, they are deemed to be "bank bonds" and the Authority is required to repurchase the bonds from the SBPA issuer. The timing of this repurchase, or term out, will vary by issuer for two years to ten years.

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.

Forward Sales Contracts - Forward sales securities commitments and private investor sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At December 31, 2009, the Authority had executed 67 forward sales transactions with a \$115,102,000 notional amount with six counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in Note 8. The forward sales will all settle by April 30, 2010.



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

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

Other Liabilities: At December 31, 2009, the major components of other liabilities are:

- *Servicing escrow:* the net amount of collected escrow funds currently being held to pay future obligations of property taxes and mortgage insurance premiums due on real properties.
- *Brownfield monies:* amounts advanced from the state of Colorado to be used for loans for the expansion, redevelopment, or reuse of real property which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant that have not yet been extended.
- *Deferred Low Income Housing Tax Credit (LIHTC) Income:* compliance monitoring fees collected in advance on multi-family properties that have been awarded low income housing tax credits to be used over a 15 year period. These fees cover the ongoing cost the Authority incurs to certify that these properties remain low-income compliant during the 15 year period and continue to be eligible to use the tax credits awarded.
- *Compensated Absences:* employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over 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. In addition, under the federal government's American Recovery and Reinvestment Act (ARRA), passed in February 2009, the Authority became the allocator of the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). The two programs were created to assist developers holding allocations of federal Low Income Housing Tax Credits (LIHTC). The Authority received over \$60 million in federal funds to allocate to projects already underway across the state.

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.



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

New Accounting Principles - The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. No new statements needed to be adopted for the fiscal year ended December 31, 2009.

The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides guidance on internally generated intangible assets, primarily computer software; and Statement No. 53, *Accounting and Reporting for Derivative Instruments* which provides guidance on derivative instruments. The Authority is required to adopt these statements in the fiscal year ending December 31, 2010.

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. Pursuant to temporary IRS regulations, the Authority has acquired and is holding \$52,320,000 of its own bonds as investments. These investments are included in the disclosures below under State & political subdivision obligations.

As of December 31, 2009, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2008
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 94,345	\$ -	\$ -	\$ -	\$ 94,345	\$ 153,140
External investment pool	191,291	-	-	-	191,291	87,109
Repurchase agreement	-	-	-	4,088	4,088	4,469
U.S. Treasury	-	-	-	587	587	632
U.S. Government agencies	129	2,089	18,341	51,378	71,937	98,357
State & political subdivision obligations	-	2,568	-	59,099	61,667	157,263
Investment agreements - uncollateralized	-	-	-	139,175	139,175	202,217
Investment agreements - collateralized	-	-	-	14,366	14,366	20,211
Total	\$ 285,765	\$ 4,657	\$ 18,341	\$ 268,693	\$ 577,456	\$ 723,398



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

Interest Rate Risk – The Authority manages interest rate risk in the General Fund by generally limiting the maximum maturity date of an investment to seven years. Of the General Fund’s \$65,654,000 in investments, 97% have maturities of less than one year.

In the Single Family and Multi-Family/Business Funds, the Authority matches maturities to anticipated cash flows. Of the investments with a maturity of more than ten years, 77% 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	Aaa/AAAm
External investment pool	Aaa/AAAm
Repurchase agreement	Unrated
U.S. Government agencies	Aaa/AAA
State & political subdivision obligations	Baa1/AA- to Aaa/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. Ninety-seven percent of the investments in securities issued by state and political subdivisions are rated AAA. Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board’s investment policy.

As of December 31, 2009, 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
AIM Trust Treasury Portfolio	11.79%	4.14%	20.43%	
Federal National Mortgage Association			5.60%	8.99%
Colorado Housing and Finance Authority	9.06%			27.25%
Colotrust	33.13%	93.05%	40.72%	
Dreyfus Cash Management Fund				12.63%
Federal Home Loan Bank			5.19%	
Financial Guaranty Insurance Company				7.64%
Natixis Funding Corporation	9.40%			20.89%
Trinity Funding Company	8.89%		16.06%	
West LB AG				8.25%



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

Custodial Credit Risk - Cash Deposits – In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2009, the Authority's cash deposits had a carrying amount of \$35,900,000. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the State of Colorado's Division of Banking's Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$22,372,000 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 and Related Allowances

Loans receivable at December 31, 2009, and 2008, consist of the following:

	2009	2008
General Fund	\$ 284,584	\$ 341,252
Single Family Fund:		
Program Senior and Subordinate Mortgage	74,424	89,623
	1,784,591	1,926,597
Total Single Family Fund loans	1,859,015	2,016,220
Multi-Family/Business Fund:		
Insured Mortgage Revenue	82,548	86,298
Multi-Family/Project	770,592	801,728
Total Multi-Family/Business Fund loans	853,140	888,026
Less intercompany loans, included in Multi-Family/Project above	(18,372)	(19,050)
Total loans receivable	2,978,367	3,226,448
Payments in process	(2,700)	(3,554)
Deferred cash assistance expense	7,132	7,797
Deferred fee income	(9,534)	(10,639)
Allowance for loan losses	(20,759)	(12,000)
Total loans receivable, net	\$ 2,952,506	\$ 3,208,052

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



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

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 years ended December 31, 2008 and 2009 was as follows:

	<u>2009</u>	<u>2008</u>
Beginning Balance	\$ (12,000)	\$ (10,401)
Provision	(14,404)	(4,733)
Net Charge-offs	<u>5,645</u>	<u>3,134</u>
Ending Balance	<u>\$ (20,759)</u>	<u>\$ (12,000)</u>



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

Capital assets activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 4,785	\$ -	\$ -	\$ 4,785
Construction in progress	1,850	1,228	(2,882)	196
Total non-depreciable capital assets	6,635	1,228	(2,882)	4,981
Depreciable capital assets:				
Cost:				
Computer equipment/software	8,747	2,947	-	11,694
Furniture and equipment	1,054	37	-	1,091
Rental property - non-building related	1,458	629	-	2,087
Buildings and related improvements	27,388	251	(71)	27,568
Total depreciable capital assets	38,647	3,864	(71)	42,440
Less accumulated depreciation:				
Computer equipment/software	(3,686)	(1,681)	-	(5,367)
Furniture and equipment	(287)	(121)	-	(408)
Rental property - non-building related	(542)	(248)	-	(790)
Buildings and related improvements	(11,161)	(1,109)	-	(12,270)
Total accumulated depreciation	(15,676)	(3,159)	-	(18,835)
Total depreciable capital assets, net	22,971	705	(71)	23,605
Total capital assets, net	\$ 29,606	\$ 1,933	\$ (2,953)	\$ 28,586



Notes to Financial Statements
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As discussed in Note 1(c), the Authority's capital assets consist of two components, corporate capital assets and RAP capital assets. Summary capital assets activity for these two components for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Corporate activities:				
Cost	\$ 21,000	\$ 1,344	\$ -	\$ 22,344
Accumulated depreciation	(6,487)	(2,209)	-	(8,696)
Net	14,513	(865)	-	13,648
RAP activities:				
Cost	24,282	866	(71)	25,077
Accumulated depreciation	(9,189)	(950)	-	(10,139)
Net	15,093	(84)	(71)	14,938
Total capital assets, net	\$ 29,606	\$ (949)	\$ (71)	\$ 28,586

Summary financial information for the Authority's RAP activities as of December 31, 2009, and for the year then ended is provided below:

As of December 31, 2009	
Property, net of accumulated depreciation	\$ 14,938
Total assets	\$ 19,705
Total liabilities	\$ 15,092
Net assets	\$ 4,613

For the year ended December 31, 2009	
Rental income	\$ 7,406
Gains on sales of properties	(1)
Other revenues	5
General operating expenses	(4,023)
Depreciation expense	(950)
Interest expense	(1,104)
Operating income	\$ 1,333



(5) Short-term Debt

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for collateralized borrowings in an amount not to exceed the lending limit internally established by the FHLB. 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 1.75% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on September 30, 2010. The Authority pays an unused line fee at the rate of 0.25% per annum, payable in arrears on the first business day after each calendar quarter. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit.

Short-term debt activity for the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Beginning Balance	\$ 164,985	\$ 64,545
Additions	8,560,675	5,911,850
Reductions	<u>(8,652,410)</u>	<u>(5,811,410)</u>
Ending Balance	<u>\$ 73,250</u>	<u>\$ 164,985</u>

(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, 2009, and 2008, 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. Pursuant to temporary IRS regulations, the Authority has acquired and is holding \$52,320,000 of its own bonds as investments.



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

Description and due date	Interest rate (%)	2009	2008
Bonds payable:			
General Fund (all General Fund bonds carry the Authority's general obligation pledge):			
General Obligation Bonds:			
1992 Series A	2010-2030	9.125	\$ - \$ 3,090
1998 Series A	2010-2017	4.90 to 5.25	895 980
Total General Obligation Bonds			895 4,070
Single Family:			
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A*	2010 - 2020	6.914	431 1,144
2000 Series B*	2010 - 2020	6.675	150 165
2001 Series AP*	2010 - 2021	6.135	1,415 1,665
2001 Series AV*	2010 - 2021	6.625	61 67
2002 Series AP*	2010 - 2022	5.662	167 207
2004 Series A*	2010 - 2024	4.95	1,083 1,318
2004 Series B*	2010 - 2035	4.98	2,622 2,962
2004 Series CV*	2010 - 2035	5.14	1,618 1,966
2005 Series A *	2010 - 2035	5.17	6,881 8,003
2005 Series B*	2010 - 2036	5.32	5,954 7,258
2006 Series A*	2010 - 2036	5.92	8,312 8,979
2007 Series A*	2010 - 2037	5.50	6,722 7,622
Total Single Family			35,416 41,356
Multi-Family/Business Finance:			
ACCESS Program Bonds:			
1995 Series A	2010-2015	7.67	20 76
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
1999 Series A	2010-2024	5.71	565 619
2000 Series A	2010-2025	6.755	145 184
2003 Series A*	2010-2023	5.004	1,861 2,277
2004 Series A*	2010-2024	4.62	2,513 2,813
2004 Series B*	2010-2024	4.88	6,236 6,860
2005 Series A*	2010-2025	4.81	2,656 2,840
2006 Series A*	2010-2026	5.98	3,986 4,314
2007 Series A*	2010-2027	5.89	3,555 3,954
Total Guaranteed Loan Participation Purchase Bonds			21,517 23,861
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
2004 Series AP*	2010-2024	4.90	4,972 5,784
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A	2010-2020	6.152	3,993 4,379
2002 Series AV*	2010-2022	5.55	5,696 6,086
2003 Series AV*	2010-2024	5.19	3,525 3,739
2004 Series A*	2010-2024	4.90	11,844 12,664
Total Taxable Rental Project Revenue Bonds			25,058 26,868
Total Multi-Family/Business Finance			51,567 56,589
Total General Fund			87,878 102,015

Table continued on following page.



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

Description and due date	Interest rate (%)	2009	2008	
Single Family Fund:				
Single Family Program Senior and Subordinate Bonds:				
1995 Series D	2010 - 2026	5.63 - 7.38	-	105
1996 Series C	2010 - 2027	7.10 - 7.55	-	30
1997 Series A	2010 - 2028	4.00 - 7.25	250	500
1997 Series B	2010 - 2028	1.51 - 7.00	-	310
1997 Series C	2010 - 2028	4.80 - 6.88	400	760
1998 Series A	2010 - 2029	4.60 - 6.60	2,860	3,690
1998 Series B	2010 - 2029	4.50 - 6.55	3,226	3,826
1998 Series C	2010 - 2029	4.50 - 5.63	4,568	4,794
1998 Series D	2010 - 2029	4.25 - 6.35	4,435	4,880
1999 Series A	2010 - 2030	4.25 - 6.45	4,960	5,575
1999 Series B	2010 - 2030	4.87 - 6.85	2,425	3,090
1999 Series C	2010 - 2031	4.70 - 7.20	4,635	5,755
2000 Series A	2010 - 2031	5.40 - 7.54	2,230	2,470
2000 Series B	2010 - 2031	5.10 - 7.47	2,330	2,805
2000 Series C	2010 - 2031	5.10 - 8.40	1,815	2,400
2000 Series D	2010 - 2032	5.15 - 7.43	3,515	3,955
2000 Series E	2010 - 2032	5.15 - 7.10	2,485	3,030
2001 Series A	2010 - 2032	5.00 - 6.50	5,580	6,385
2001 Series B	2010 - 2033	4.12 - 6.85	6,795	8,080
2001 Series C	2010 - 2033	4.00 - 6.60	9,405	10,760
Total Single Family Program Senior and Subordinate Bonds			61,914	73,200
Single Family Mortgage Bonds:				
2001 Series AA	2010 - 2041	Variable & 5.25	118,340	131,840
2002 Series A	2010 - 2032	Variable & 4.55 - 5.65	50,565	60,820
2002 Series B	2010 - 2032	Variable & 1.60 - 5.40	65,820	87,355
2002 Series C	2010 - 2036	Variable & 1.55 - 4.95	83,125	111,255
2003 Series A	2010 - 2032	Variable & 1.20 - 5.15	41,630	49,305
2003 Series B	2010 - 2033	Variable & 1.00 - 5.00	127,120	148,085
2003 Series C	2010 - 2032	Variable & 1.13 - 5.00	68,270	85,170
2004 Series A	2010 - 2034	Variable & 1.75 - 5.25	81,110	96,720
2004 Series B	2010 - 2034	Variable & 1.99	68,625	80,415
2005 Series A	2010 - 2035	Variable & 2.50 - 5.25	70,560	85,690
2005 Series B	2010 - 2036	Variable & 2.75 - 5.22	148,090	158,220
2006 Series A	2010 - 2036	Variable & 3.43 - 5.00	87,185	106,985
2006 Series B	2010 - 2036	Variable & 3.85 - 5.10	162,645	183,800
2006 Series C	2010 - 2036	Variable & 4.63	140,810	158,680
2007 Series A	2010 - 2037	Variable & 4.80	158,840	164,000
2007 Series B	2010 - 2038	Variable	193,500	220,000
2008 Series A	2010 - 2038	Variable & 5.00 - 5.75	317,515	348,955
2009 Series A	2010 - 2029	2.40 - 5.50	90,000	-
Total Single Family Mortgage Bonds			2,073,750	2,277,295
Total Single Family Fund			2,135,664	2,350,495

Table continued on following page.



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

Description and due date	Interest rate (%)	2009	2008	
Multi-Family/Business Fund:				
Multi-Family Housing Insured - Mortgage Revenue Bonds:				
1997 Series A	2010-2038	4.00 - 7.13	1,580	4,880
1997 Series B	2010-2038	3.90 - 7.25	10,400	10,570
1997 Series C	2010-2039	4.10 - 6.75	21,000	21,025
1998 Series A	2010-2039	5.35 - 6.70	15,240	15,420
1998 Series B	2010-2040	5.45 - 7.00	6,780	7,080
1999 Series A	2010-2041	3.25 - 6.65	18,320	29,530
1999 Series B	2010-2041	5.25 - 5.85	5,190	5,245
1999 Series C	2010-2041	4.55 - 7.93	5,650	5,690
2002 Series AA	2010-2030	Variable	28,140	29,380
Total Multi-Family Housing Insured - Mortgage Revenue Bonds			112,300	128,820
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)				
2000 Series A	2010 - 2032	Variable & 6.15 - 7.28	29,480	30,500
2000 Series B*	2010 - 2042	Variable & 4.70 - 6.10	26,140	29,875
2001 Series A	2010 - 2043	0.31 - 5.65	25,005	25,440
2002 Series A	2010 - 2042	Variable & 0.30 - 5.79	23,015	23,435
2002 Series C	2010 - 2042	Variable & 2.55 - 5.30	113,985	131,470
2003 Series A	2010 - 2033	Variable	38,795	39,390
2004 Series A	2010 - 2045	Variable & 1.70 - 4.80	77,730	78,920
2005 Series A	2010 - 2040	Variable	66,690	68,025
2005 Series B	2010 - 2040	Variable	25,990	26,310
2006 Series A	2010 - 2041	Variable	53,305	103,140
2007 Series B	2010 - 2038	Variable	87,220	91,055
2008 Series A	2010 - 2043	Variable	32,340	32,610
2008 Series B	2010 - 2052	Variable	165,465	165,515
2008 Series C	2010 - 2038	Variable	35,215	41,560
2009 Series A	2010 - 2041	Variable & 1.30 - 5.40	46,845	-
Total Multi-Family/Project Bonds			847,220	887,245
Total Multi-Family/Business Fund			959,520	1,016,065
Total bonds payable			3,183,062	3,468,575
Deferred premiums			4,484	5,642
Deferred losses on refunding amounts			(5,457)	(5,515)
Net premium on swaps			42,816	47,527
Bonds payable, net			\$ 3,224,905	\$ 3,516,229
Notes payable			\$ 23,542	\$ 1,085



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

A breakdown of bonds payable as of December 31, 2009 and 2008 by fixed and variable interest rates follows in the table below. Certain of the Authority's variable rate debt has been converted to fixed rate debt by entering into pay fixed/receive variable rate interest rate swap agreements as further described in Note 8. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2009	2008
Fixed rate debt	\$ 684,082	\$ 654,060
Synthetic fixed rate debt	2,196,650	2,257,690
Unhedged variable rate debt	302,330	556,825
Total	\$ 3,183,062	\$ 3,468,575

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, 2009, and 2008, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2009	2008
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	\$ 6,053	\$ 2,366	\$ 2,241
1998 Series C - 2020-2029	5.625	10,294	4,568	4,794
			<u>\$ 6,934</u>	<u>\$ 7,035</u>

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, 2009, and 2008:

Description	2009	2008
Single Family Program Subordinate Bonds	\$ 770	\$ 1,095
Single Family Mortgage Bonds, Class III	77,240	89,170
Multi-Family/Project Bonds, Class I	274,760	285,305
Multi-Family/Project Bonds, Class II	22,860	23,000
Multi-Family/Project Bonds, Class III	2,085	16,915
Total	\$ 377,715	\$ 415,485



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

Long-term liability activity for the year ended December 31, 2009, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 3,468,575	\$ 137,435	\$ (422,948)	\$ 3,183,062	\$ 18,545
Unamortized premium/discount	5,642	-	(1,158)	4,484	26
Deferred losses on refunding	(5,515)	(736)	794	(5,457)	(31)
Net premium on swaps	47,527	-	(4,711)	42,816	4,282
Net bonds payable	3,516,229	136,699	(428,023)	3,224,905	22,822
Notes payable	1,085	22,530	(73)	23,542	74
Arbitrage rebate payable	3,014	873	(156)	3,731	-
Compensated absences	771	958	(765)	964	964
Deferred income	3,263	522	(382)	3,403	227
Other liabilities	6,248	767	(476)	6,539	10
Total other long-term liabilities	13,296	3,120	(1,779)	14,637	1,201
Total long-term liabilities	\$ 3,530,610	\$ 162,349	\$ (429,875)	\$ 3,263,084	\$ 24,097

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2009, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2010	\$ 90	\$ 4,689	\$ 9,035	\$ 26,920	\$ 9,420	\$ 13,639	\$ 74	\$ 1,262
2011	95	4,685	15,075	26,626	9,900	13,418	75	1,261
2012	105	4,680	28,595	26,278	10,420	13,175	76	1,261
2013	130	4,675	52,705	25,825	10,975	12,925	76	1,260
2014	208	4,667	49,100	25,342	12,140	12,688	15,235	808
2015-2019	2,151	23,070	365,820	116,256	73,395	60,572	248	319
2020-2024	42,648	19,868	233,056	96,037	100,550	53,937	69	311
2025-2029	10,342	9,730	261,956	73,495	114,750	45,145	-	309
2030-2034	-	8,740	449,800	33,835	198,010	34,332	-	-
2035-2039	32,109	2,526	643,435	9,188	214,990	17,443	1,781	253
2040-2044	-	-	36,500	273	38,750	3,872	3,408	163
2045-2049	-	-	-	-	755	2,483	-	-
2050-2052	-	-	-	-	165,465	1,282	2,500	-
Total	\$ 87,878	\$ 87,330	\$ 2,145,077	\$ 460,075	\$ 959,520	\$ 284,911	\$ 23,542	\$ 7,207

* Includes \$9.4 million of future accretion of principal value on capital appreciation bonds.

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



The New Issue Bond Program will provide financing for HFAs to issue new mortgage revenue bonds no later than December 31, 2010. Using authority under the Housing and Economic Recovery Act of 2008 (HERA), Treasury will purchase securities of Fannie Mae and Freddie Mac backed by these new mortgage revenue bonds.

The Temporary Credit and Liquidity Program will allow Fannie Mae and Freddie Mac to provide replacement credit and liquidity facilities available to HFAs. The Treasury will backstop the Government Sponsored Entity replacement credit and liquidity facilities for the HFAs by purchasing an interest in them using HERA authority. The liquidity program expires December 31, 2012.

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

Pursuant to the Temporary Credit and Liquidity Program, the Authority issued its Single Family Program Class I Bonds in the amount of \$275,210,000, with settlement on January 12, 2010. The bonds initially carry variable interest rates that approximate the investment interest rates earned from the investment of bond proceeds. The bonds are to be converted to fixed rate bonds by December 31, 2010 concurrent with the issuance of other bonds by the Authority or redeemed no later than February 1, 2011.

(7) Conduit Debt Obligation

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

As of December 31, 2009, there were 79 series of bonds outstanding, with an aggregate principal amount outstanding of \$433,925,000.

(8) Derivative Instruments

Swaps Transactions - The Authority has entered into pay-fixed, receive-variable interest rate swaps in order to (1) provide lower cost fixed rate financing for its production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings.

Summary of Swap Transactions - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2009, are shown in the table on the following page. The notional amounts of the swaps approximate the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

In the fourth quarter of 2008, due to a credit event affecting two of the Authority's counterparties, the Authority terminated 63 swaps with a notional amount of \$1,095,810,000. The Authority entered into 39 replacement swap agreements with other counterparties for a notional amount of \$926,935,000. Terminated swap agreements with a notional amount of \$168,875,000 were not replaced. In connection with the swap terminations and replacements, a termination payment of \$4.7 million was expensed in 2008 and a net premium of \$47.5 million was received. This premium is included in bonds payable, current and non-current, and is being amortized over the life of the new swap agreements.



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

Outstanding Swaps at December 31, 2009:

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 **
Single Family:										
Single-Family 2001-AA	\$ 30,000	12/01/09	11/01/38	4.4850%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right 7(3)	11/1/2019	all remaining	AA-/Aa3	\$ (2,882)
Single-Family 2001-AA2	46,840	12/04/08	05/01/31	4.6000%	T rigger, SIFMA + .05% or 68% LIBOR				AA-/Aa3	(8,091)
Single-Family 2001-AA1	15,340	12/02/08	05/01/18	5.5260%	T rigger, SIFMA + .05% or 68% LIBOR				AA-/Aa3	(2,885)
Single-Family 2002-A3	19,090	12/04/08	11/01/21	4.7490%	T rigger, SIFMA + .05% or 68% LIBOR				AA-/Aa3	(2,563)
Single-Family 2002-B3	40,000	12/04/08	11/01/21	4.5060%	T rigger, SIFMA + .05% or 68% LIBOR				AA-/Aa3	(4,991)
Single-Family 2002-C3	40,000	12/04/08	05/01/22	4.4220%	T rigger, SIFMA + .15% or 68% LIBOR				AA-/Aa3	(4,918)
Single-Family 2003-A2	20,000	12/02/08	11/01/21	4.1600%	T rigger, SIFMA + .05% or 68% LIBOR				AA-/Aa3	(2,136)
Single-Family 2003-B1	35,440	12/02/08	11/01/26	4.8510%	LIBOR + .05%	Par optional termination right	05/01/15	27,305	AA-/Aa3	(1,319)
Single-Family 2003-B-2	28,160	10/29/08	05/01/28	4.9380%	LIBOR + .05%	Par optional termination right	11/1/2018	all remaining	AA-/Aa3	(1,742)
Single-Family 2003-B3	60,000	12/02/08	11/01/26	4.3840%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	43,170	AA-/Aa3	(5,201)
Single-Family 2003-C1	17,430	12/03/03	05/01/12	4.0330%	LIBOR + .05%				AAA/Aaa	(653)
Single-Family 2003-C2	40,000	12/02/08	11/01/26	4.5950%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	AA-/Aa3	(3,930)
Single-Family 2004-A1	13,900	09/01/04	05/01/12	4.4596%	LIBOR + .05%				AAA/Aaa	(594)
Single-Family 2004-A2	50,000	07/28/04	11/01/26	4.3685%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	35,970	A-/A3	(4,293)
Single-Family 2004-B1	11,600	12/01/04	05/01/12	4.0520%	LIBOR + .05%				A-/Aa3	(424)
Single-Family 2004-B2	40,000	11/01/04	11/10/04	4.1220%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	A-/A3	(2,836)
Single-Family 2005-A1	17,200	05/01/05	05/01/13	4.3555%	LIBOR + .05%				A-/Aa3	(807)
Single-Family 2005-A2	40,000	03/16/05	11/01/27	4.0710%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	32,290	A-/A3	(2,865)
Single-Family 2005-B2	80,000	07/20/05	05/01/34	4.1693%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/15	48,650	A-/A3	(6,923)
Single-Family 2006-A1	10,185	03/01/06	11/01/13	5.1610%	LIBOR + .05%				AA-/Aa1	(653)
Single-Family 2006-A3	40,000	01/18/06	11/01/36	4.3129%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/19	37,810	A-/Aa3	(3,868)
Single-Family 2006-B1	40,820	11/01/06	11/01/14	5.6685%	LIBOR + .05%				AA-/Aa1	(3,319)
Single-Family 2006-B2	49,325	07/26/06	11/01/34	4.1951%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	05/01/19	16,700	A-/Aa3	(4,866)
Single-Family 2006-B3	62,945	07/26/06	11/01/36	4.5445%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	05/01/19	59,190	A-/Aa3	(7,545)
Single-Family 2006-C1	40,810	01/02/07	11/01/14	5.3143%	LIBOR + .05%				AA-/Aa1	(2,990)
Single-Family 2006-C2	14,140	12/20/06	05/01/16	4.2884%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	05/01/12	7,050	A-/Aa3	(1,186)
Single-Family 2006-C2	10,605	12/20/06	11/01/16	4.2884%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	11/01/12	5,300	A-/Aa3	(937)
Single-Family 2006-C2	10,605	12/20/06	11/01/17	4.2884%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	11/01/13	5,300	A-/Aa3	(1,004)
Single-Family 2006-C2	35,350	12/20/06	11/01/34	4.2884%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	11/01/19	21,210	A-/Aa3	(3,361)
Single-Family 2007A-1	53,655	6/1/2007	05/01/15	5.1911%	LIBOR + .05%				AA-/Aa1	(3,931)
Single-Family 2007A-2	70,000	5/9/2007	11/01/37	4.1530%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	5/1/2019	62,910	A-/Aa3	(5,681)
Single-Family 2007B-1	82,760	11/1/2007	11/01/26	5.5800%	Libor + 0.05%	Par optional termination right	11/1/2017	24,610	AA-/Aa1	(7,360)
Single-Family 2007B-2	50,000	10/18/2007	05/01/38	4.5075%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	5/1/2019	46,545	A-/Aa3	(5,805)
								Up to:		
							1) 11/1/2013	1) 12,500		
							2) 11/1/2015	2) 25,000		
Single-Family 2007B-3	50,000	12/02/08	05/01/38	4.4050%	T rigger, SIFMA + .15% or 68% LIBOR	Par optional termination right	3) 11/1/2017	3) 50,000	AA-/Aa3	(3,514)
								Up to:		
							1) 5/1/2014	1) 20,000		
							2) 5/1/2016	2) 40,000		
Single-Family 2008A-3	80,000	6/4/2008	5/1/2038	4.4140%	T rigger, SIFMA + .05% or 68% of LIBOR	Par optional termination right	3) 5/1/2018	3) 80,000	A-/A3	(6,119)
								Up to:		
								1) 14,260		
							1) 11/1/2011	2) 27,440		
							2) 11/1/2013	3) 38,340		
							3) 11/1/2016	4) all		
Single-Family 2008A-1	59,060	6/4/2008	05/01/38	5.4450%	LIBOR +.05%	Par optional termination right	4) 11/1/2018	remaining	AA-/Aa1	(2,025)
Single-Family 2008A-2	110,780	6/4/2008	11/1/2027	4.5960%	LIBOR +.05%	Par optional termination right	5/1/2018	all remaining	A-/A1	(4,867)
Total Single Family	1,516,040									(129,084)

Table continued on following page.



Notes to Financial Statements
(tabular dollar 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	Fair Value **
Multi-Family/Business:										
Multi-Family/Project 2000-A1	12,750	11/21/08	10/01/20	5.2350% SIFMA + .05					Aa3/AA-	(2,128)
Multi-Family/Project 2000-A2	10,030	11/21/08	04/01/15	5.8000% SIFMA + .05					Aa3/AA-	(1,146)
Multi-Family/Project 2000-B1	5,825	10/19/00	07/01/20	7.3900% LIBOR + .25%					Aaa/AA+	(1,176)
Multi-Family/Project 2002-A1	9,410	11/21/08	10/01/22	5.1000% SIFMA + .15					Aa3/AA-	(1,412)
Multi-Family/Hsg Ins 2002AA	28,140	11/21/08	10/01/23	6.0680% SIFMA + .05					Aa3/AA-	(5,998)
Multi-Family/Project 2002-C2	70,715	11/21/08	10/01/32	5.1240% T rigger, SIFMA + .15% or 68% LIBOR		Par optional termination right	04/01/18	59,340	Aa3/AA-	(10,746)
Multi-Family/Project 2002-C4	31,960	11/21/08	10/01/32	5.0440% T rigger, SIFMA + .05% or 68% LIBOR		Par optional termination right	04/01/18	26,785	Aa3/AA-	(4,619)
Multi-Family/Project 2003-A1	20,720	12/03/08	04/01/26	4.5550% LIBOR +.05%		Par optional termination right	10/01/09	16,576	Aa3/AA-	(33)
Multi-Family/Project 2004-A1	44,225	11/01/04	10/01/25	5.5281% LIBOR +.05%		Par optional termination right	10/01/14	all remaining	A3/A-	(3,124)
Multi-Family/Project 2004-A1	10,000	05/29/09	05/01/13	5.3640% LIBOR					Aaa/AA-	(1,033)
Multi-Family/Project 2004-A2	10,785	09/22/04	04/01/45	4.8840% SIFMA +.15%		Par optional termination right	10/01/19	all remaining	A3/A-	(926)
Multi-Family/Project 2005-A1 (A)	4,925	08/01/05	10/01/35	5.8200% LIBOR +.05%		Par optional termination right	04/01/15	all remaining	A3/A-	(322)
Multi-Family/Project 2005-A1 (B)	3,130	08/01/05	10/01/20	5.2050% LIBOR +.05%					A3/A-	(321)
Multi-Family/Project 2005-A1 (C)	10,305	08/01/05	10/01/25	5.7120% LIBOR +.05%		Par optional termination right	04/01/15	all remaining	A3/A-	(715)
Multi-Family/Project 2005-A1 (D)	4,010	08/01/05	10/01/25	5.5730% LIBOR +.05%		Par optional termination right	10/01/11	all remaining	A3/A-	(163)
Multi-Family/Project 2005-A2	19,430	07/01/05	04/01/36	4.2850% SIFMA +.05%		Par optional termination right	04/01/15	all remaining	A3/A-	(1,043)
Multi-Family/Project 2005-A3 (A)	6,500	04/13/05	04/01/40	4.6560% SIFMA +.15%		Par optional termination right	10/01/20	all remaining	A3/A-	(599)
Multi-Family/Project 2005-A3 (B)	6,435	10/01/05	04/01/32	4.4800% SIFMA +.15%		Par optional termination right	04/01/15	all remaining	A3/A-	(330)
Multi-Family/Project 2005-B1	14,025	03/01/06	04/01/36	5.2350% LIBOR +.05%		Par optional termination right	10/01/15	11,125	Aa3/A+	(778)
Multi-Family/Project 2005-B2 (A)	3,575	01/02/06	10/01/40	4.7350% SIFMA +.15%		Par optional termination right	10/01/15	3,305	Aa3/A+	(181)
Multi-Family/Project 2005-B2 (B)	6,030	09/01/06	10/01/38	4.5270% SIFMA +.15%		Par optional termination right	10/01/21	4,520	Aa3/A+	(479)
Multi Family/Project 2006A-1	35,635	12/03/08	04/01/27	5.7100% LIBOR +.05%		Par optional termination right	10/1/2016, 840(2)	12,305	Aa3/AA-	(4,423)
Multi Family/Project 2006A-1	11,640	12/01/06	10/01/36	5.3420% LIBOR +.05%		Par optional termination right	04/01/21	8,040	Aa3/A+	(951)
Multi Family/Project 2007B-1	38,015	12/3/2008	04/01/38	5.6400% LIBOR +.05%		Par optional termination right	4/01/2022, 460(3)	16,925	Aa3/AA-	(4,322)
Multi Family/Project 2007B-1	7,675	10/01/07	10/01/22	5.2200% LIBOR +.05%		Par optional termination right	04/01/28	6,190	Aa3/A+	(561)
Multi Family/Project 2007B-2	2,815	12/03/08	10/01/36	4.2870% SIFMA +.15%		Par optional termination right	10/1/2017	2,040	Aa3/AA-	(161)
Multi Family/Project 2007B-2	2,120	12/03/08	04/01/38	4.5350% SIFMA +.15%		Par optional termination right	10/2/2017	1,780	Aa3/AA-	(119)
Multi Family/Project 2007B-2	4,860	12/03/08	04/01/38	4.4695% SIFMA +.15%		Par optional termination right	10/2/2017	4,395	Aa3/AA-	(294)
Multi Family/Project 2007B-2	4,850	12/03/08	04/01/28	4.6510% SIFMA +.15%		Par optional termination right	4/1/2023	3,835	Aa3/AA-	(516)
Multi Family/Project 2007B-3	2,585	12/03/08	10/01/37	4.2970% SIFMA +.15%		Par optional termination right	10/1/2017	2,065	Aa3/AA-	(119)
Multi Family/Project 2007B-3	4,850	12/03/08	10/01/19	4.0967% SIFMA +.05%		Par optional termination right	10/1/2014	4,430	Aa3/AA-	(255)
Multi Family/Project 2007B-3	2,305	12/03/08	04/01/38	4.8805% SIFMA +.05%		Par optional termination right	10/1/2017	2,205	Aa3/AA-	(192)
Multi Family/Project 2008A1	16,210	12/03/08	04/01/29	5.1300% LIBOR +.05%		Par optional termination right	18(2) 4/1/2019(1)	all remaining	Aa3/AA-	(1,577)
Multi Family/Project 2008A2	7,920	12/03/08	04/01/43	4.5400% SIFMA +.15%		Par optional termination right	04/01/19	6,340	Aa3/AA-	(446)
Multi Family/Project 2008B (a)	118,600	12/03/08	10/01/44	5.17215% LIBOR					Aaa/AA-	(14,319)
Multi Family/Project 2008B (b)	46,815	12/03/08	03/01/47	5.2071% LIBOR					Aaa/AA-	(6,206)
Multi Family/Project 2008C3	7,935	12/03/08	10/01/38	4.3400% SIFMA +.05%		Par optional termination right	4/1/2019	6,500	Aa3/AA-	(454)
Multi Family/Project 2009A1	32,855	06/24/09	10/01/41	4.7900% SIFMA +.05%		Par optional termination right	14(2) 4/1/2024(1)	all remaining	Aa3/AA-	(3,223)
Total Multi-Family/Business	680,610									(75,410)
Total	\$ 2,196,650									\$ (204,494)

(*) SIFMA is the Securities Industry Financial Markets 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.



Risk Disclosure

Credit Risk: All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the table on pages 34 and 35. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2009, the Authority was exposed to no credit risk to any of its counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the Aa/AA or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P) respectively at the time the contract is executed.

At December 31, 2009, the Authority had executed 75 swap transactions with 9 counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in the following table:

Swap Count	Notional Amount	Concentration	Counterparty Rating
1	\$ 110,780	5.0%	A+/A1
14	399,745	18.2%	A3/A-
6	287,290	13.1%	AA-/Aa1
16	414,715	18.9%	Aa3/A+
31	743,390	33.8%	Aa3/AA-
4	203,575	9.3%	Aaa/AA-
2	31,330	1.4%	Aaa/AAA
1	5,825	0.3%	Aaa/AAAt
75	\$ 2,196,650	100.0%	

Basis Risk: The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations (VRDO's) is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated.

The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) rate (plus a trading spread). Certain tax-exempt swaps, as indicated in the table below, contain a trigger feature in which the Authority receives a rate indexed on SIFMA should LIBOR be less than a predetermined level (the trigger level), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority would be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and SIFMA converge.

The Authority's taxable variable-rate bond interest payments are substantially equivalent to LIBOR (plus a trading spread). The Authority is receiving LIBOR (plus a trading spread) or LIBOR flat for all of its taxable swaps and therefore is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with LIBOR.

Termination Risk: The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Authority or the counterparty may terminate



each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

There are certain termination provisions relevant to the Authority's counterparties operating as special purpose vehicles (SPV) with a terminating structure. In the case of certain events, including the credit downgrade of the SPV or the failure of the parent company to maintain certain collateral levels, the SPV would be required to wind up its business and terminate all of its outstanding transactions with all clients, including the Authority. All such terminations would be at mid-market pricing. In the event of such termination, the Authority would be exposed to the risk of market re-entry and the cost differential between the mid-market termination and the offered price upon re-entry.

Rollover Risk: The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2009, 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.



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

Swap Payments and Associated Debt - Using interest rates as of December 31, 2009, 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
2010	\$ 107,915	\$ 8,519	\$ 96,701	\$ 213,135
2011	107,035	8,100	91,737	206,872
2012	104,985	7,676	86,763	199,424
2013	114,345	7,234	81,722	203,301
2014	108,635	6,795	76,562	191,992
2015-2019	498,295	27,512	311,969	837,776
2020-2024	352,480	18,494	217,626	588,600
2025-2029	293,880	11,219	143,592	448,691
2030-2034	278,395	6,317	84,086	368,798
2035-2039	164,590	2,130	31,072	197,792
2040-2044	52,615	627	10,247	63,489
2045-2047	13,480	78	1,288	14,846
Total	\$2,196,650	\$ 104,701	\$ 1,233,365	\$ 3,534,716

Forward Sales Contracts - The Authority has entered into forward sales contracts for the delivery of Ginnie Mae securities in order to lock in the sales price for the securitization of certain taxable single family loans. The contracts hedge changes in interest rates between the time of the loan reservations and the securitization of such loans into Ginnie Mae securities. The outstanding forward contracts, summarized by counterparty as of December 31, 2009, are shown in the table below.

Counterparty				Original Sales	Fair Market	Net
Rating	Count	Par	Exposure	Price	Value	Difference
A/NR	22	\$ 31,000	28.0%	\$ 32,067	\$ 31,986	\$ (81)
A/A3	1	2,000	1.8%	2,085	2,094	9
N/R	24	30,500	27.6%	31,712	31,620	(92)
N/R	3	5,500	5.0%	5,771	5,745	(26)
A+/Aa2	12	27,500	24.9%	28,801	28,644	(157)
AA-/Aa3	5	14,000	12.7%	14,666	14,555	(111)
	67	\$ 110,500	100.0%	\$ 115,102	\$ 114,644	\$ (458)



(9) Debt Refundings

On June 24, 2009, the Authority issued its Multi-Family/Project Bonds 2009 Series A, in the aggregate principal amount of \$47,435,000. Proceeds of the bonds were used to refund a portion of its outstanding Multi-Family/Project Bonds 2006 Series A in the amount of \$44,380,000. The refunding resulted in a decrease in the aggregate debt service requirement of approximately \$15,754,000, based on the change in variable interest rates at the time of refunding, and an approximate economic gain to the Authority of \$8,669,000. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, \$736,000 was deferred and is being amortized over the estimated life of the old debt.

Economic gain or loss is calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements less related upfront costs of issuance, bond call premiums and bond insurance premiums, discounted at the effective interest rate.

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On December 31, 2009, \$58.9 million of bonds outstanding are considered defeased.

(10) Restricted Net Assets

The amounts restricted for the Single Family Fund and the Multi-Family/Business Fund are for the payment of principal, redemption premium, if any, or interest on all outstanding single family and multi-family/business bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance if (1) updated cash flow projections indicate that adequate resources will exist after any withdrawal to service the outstanding debt, subject to approval by the bond trustee; (2) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (3) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

Assets of the Single Family and Multi-Family/Business Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the Single Family and Multi-Family/Business Funds and are held in cash or investments. At December 31, 2009, 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, 2009, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.



General Fund Unrestricted Net Assets as December 31, 2009:

Appropriations for loan programs:	
Housing Opportunity loans	\$ 31,665
Housing loans	359
Business finance loans	14,335
Total appropriations	46,359
Designations:	
General operating and working capital	24,903
Unrealized appreciation of investments	362
General Obligation Bonds	39,499
Single and multi-family bonds	40,000
Total designations	104,764
Total General Fund unrestricted net assets	\$ 151,123

(11) Interfund Receivables, Payables and Transfers

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

The Authority makes transfers between funds primarily for the purpose of (1) making initial contributions from the General Fund to new bond series to cover bond issuance costs and (2) transferring amounts to the General Fund that are no longer restricted by bond resolutions or indentures.

The balances of interfund receivables, payables and transfers as of December 31, 2009, are as follows:

Fund	Due From	Due To	Transfers In	Transfers Out
General	\$ 36,626	\$ 5	\$ 5,486	\$ 1,408
Single Family	-	31,506	967	4,410
Multi-Family/Business	5	5,120	99	734
Total	\$ 36,631	\$ 36,631	\$ 6,552	\$ 6,552



(12) Retirement Plans

The Authority contributes to the Local Government Division Trust fund (Trust) a cost-sharing multiple-employer public defined benefit plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement and disability, 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.

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:

	2009	2008	2007
Contribution rate of covered salary:			
Members	8.00%	8.00%	8.00%
Authority:			
Trust	11.78%	10.88%	9.98%
Health Fund	1.02%	1.02%	1.02%
Total contribution rate	12.80%	11.90%	11.00%

Contributions by the Authority:

Trust	\$ 1,400	\$ 1,178	\$ 1,010
Health Fund	121	110	103
Total contributions	\$ 1,521	\$ 1,288	\$ 1,113

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, 2009, and 2008 were \$360,000 and



\$325,000, respectively. Contributions by participating employees for the years ended December 31, 2009, and 2008 were \$821,000 and \$829,000, respectively.

Included in bonds and notes payable are bonds payable to PERA of \$29,938,000 at December 31, 2009, that carry the Authority's general obligation pledge.

(13) Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, property losses, business automobile liability, 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.

(14) Related Party Transactions

During 2009, the Authority entered into a transaction with the Housing Authority of the City of Loveland, Colorado, the Executive Director of which is a member of the Authority's Board. Using funds granted under the Tax Credit Exchange Program of the American Recovery and Reinvestment Act of 2009, the Authority made a \$2.6 million loan to the Loveland Housing Authority. This transaction was made in the normal course of business under terms and conditions similar to other transactions with unrelated parties.

(15) Commitments and Contingencies

The Authority had outstanding commitments to make or acquire single family and multi-family/business loans of \$59,307,000 and \$31,751,000 respectively, as of December 31, 2009.

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.

The Authority participates in the Government National Mortgage Association (Ginnie Mae) Mortgage-Backed Securities (MBS) Programs. Through the MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority and backed by pools of mortgage loans. If a borrower fails to make a timely payment on a mortgage loan, the Authority must use its own funds to ensure that the security holders receive timely payment. All loans pooled under the Ginnie Mae MBS program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration. The Authority assesses the overall risk of loss on loans that it may be required to repurchase and establishes reserves for them. At December 31, 2009, a reserve for potential losses on repurchased loans was established. This reserve is reflected in the allowance for loan losses (Note 3).

APPENDIX D

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.

The Depository Trust Company ("**DTC**"), New York, New York, 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," the world's largest securities depository, within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has 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 and 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 and 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's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede'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, interest and redemption 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 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.

THE AUTHORITY, THE TRUSTEE AND THE PAYING 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 PAYING 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 and the Trustee. 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 only transfers through DTC (or a successor securities 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 E

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 the 2011AA Indenture and the 2009AA-1 Supplemental 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, repayment plan, payment moratorium, HAMP (Home Affordable Modification Plan), or a deed in lieu of foreclosure. Utilization of certain alternatives to foreclosure may result in quicker receipt of the FHA insurance claim because the time required to complete a foreclosure is eliminated. Attempts to utilize alternatives to foreclosure which are unsuccessful may delay receipt of the FHA insurance claim due to a delay in commencement of foreclosure proceedings.

The FHA insurance claim for a Mortgage Loan will be paid in an amount equal to the outstanding principal balance plus allowable interest and, in most cases, approximately seventy-five percent (75%) of the permitted costs and expenses of acquiring title to the Eligible Property. Interest is allowed (except for two months which is disallowed) at the HUD debenture rate which may be less than the Mortgage Loan interest rate.

Payment for insurance claims may include reimbursement to the Mortgagee for tax, insurance, and similar advances made by the Mortgagee, as well as deductions for amounts received or retained by the Mortgagee after default. Under most FHA insurance programs for single-family residences, the Federal Housing Commissioner has the option of paying insurance claims in cash or in debentures. The HUD debenture rate may be less than the interest rate on the Mortgage Loans, and any debentures would mature 20 years after the date of issue, pay interest semiannually and may be redeemable at par at the option of HUD. Current FHA policy, which is subject to change at any time, is to pay insurance claims in cash.

Except in limited circumstances as approved by HUD properties conveyed to HUD upon completion of the foreclosure process or other acquisition of title must be conveyed vacant. In some circumstances it may be necessary to evict a tenant or Mortgagor upon the completion of the foreclosure

proceedings before the Eligible Property can be conveyed to HUD and the FHA insurance claim can be filed.

FHA insurance claims may be denied or curtailed in limited circumstances. An FHA insurance claim may be denied if there was fraud in the origination of the Mortgage Loan or if the Mortgagee is unable to deliver marketable title to HUD. Claims may be curtailed if the Authority, as servicer of the Mortgage Loans, fails to process the foreclosure in accordance with the FHA requirements or fails to adequately protect the Eligible Property. The Authority relies on the warranties and representations of the originating Mortgage Lenders with respect to proper origination of the Mortgage Loans. If an insurance claim is denied or curtailed due to an error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "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, repayment plan, pre-foreclosure sales and deeds in lieu of foreclosure. If the Mortgagee proposes a method of liquidation other than foreclosure, then the Mortgagee must obtain RHS's approval of such method.

Payment of loss is made within 60 days after the Mortgagee files a claim. A claim must be filed within 30 days after liquidation of the Mortgage Loan. Loss is determined by the difference between the unpaid principal balance of the mortgage loan, unpaid interest and advances approved by RHS and net proceeds from the Eligible Property. Normal costs of liquidation are also included in the loss payment. If the Mortgagee acquires title to the Eligible Property through the foreclosure process, the Mortgagee must submit a disposition plan to RHS for RHS concurrence. The Mortgagee has six months from the date of acquisition to sell the Eligible Property. If the Eligible Property is sold in accordance with the plan, the actual net proceeds from the sale of the Eligible Property will be used to calculate the loss payment. If the Eligible Property is not sold within 6 months from the acquisition date (which period may be extended for 30 days with RHS approval to permit the closing on an offer received near the end of the 6 month period) RHS will obtain a liquidation value appraisal of the Eligible Property which will be used to determine net proceeds for calculation of the loss payment.

If a third party acquires title to the Eligible Property from the foreclosure sale or as a result of a sale by the Mortgagor to cure or avoid a default, the actual net proceeds from the sale will be used to calculate the loss payment. In some circumstances, the Mortgagee may be required to enforce a deficiency judgment against the Mortgagor before the loss payment will be paid. This may substantially delay payment. Any recovery on the mortgage loan by the Mortgagee after receipt of a loss payment must be shared with RHS in proportion to the loss borne by RHS and the Mortgagee.

RHS claims may be denied or curtailed in limited circumstances. A claim may be denied if there was fraud or misrepresentation that the Mortgagee knew about, participated in or condoned. Claims may be curtailed as a result of violation of usury laws, negligent servicing or failure to obtain required collateral.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If a guaranty claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage

Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Private Mortgage Insurance and Uninsured Mortgage Loans

Private Mortgage Insurance

Under each Series Indenture, the Authority is authorized in certain circumstances to purchase PMI Mortgage Loans which are insured by a private mortgage insurance company approved by the Authority, which is qualified to do business in the State and qualified to provide insurance on mortgages purchased by Freddie Mac or Fannie Mae and which is rated, at the time each PMI Mortgage Loan is made or originated, by the agency then rating the Bonds at certain ratings designated in the Series Indenture.

The amount of private mortgage insurance plus the Eligible Borrower's down payment must at least equal the amount by which the PMI Mortgage Loan exceeds 80% of the appraised value (at the time of origination) or purchase price, whichever is less, of the mortgaged property securing such PMI Mortgage Loan. The private mortgage insurance may either be Borrower Paid Mortgage Insurance (BPMI) where mortgage insurance is paid by the mortgagor; or Lender Paid Mortgage Insurance (LPMI) where mortgage insurance is paid by a person other than the mortgagor. LPMI cannot be cancelled by the mortgagor and is not automatically terminated under federal law. LPMI may result in a mortgage with a higher interest rate and terminates only when the mortgage is refinanced, paid off, or otherwise terminated. Federal law requires BPMI to be cancelled at the mortgagor's request on or after either of the following dates: (1) the date the principal balance of the loan is first scheduled to reach eighty percent (80%) of the original value of the property; or (2) the date the principal balance actually reaches eighty percent (80%) of the original value of the property. BPMI will only be canceled on these dates if the mortgagor submits a written request for cancellation; has a good payment history; is current on the mortgage loan; and the Authority receives evidence that the value of the property has not declined below its original value and certification that there are not subordinate liens on the property. Federal law also requires BPMI to automatically terminate on the date that the principal balance of the loan is first scheduled to reach seventy eight percent (78%) of the original value of the property if the mortgagor is current on loan payments. In any event, BPMI will terminate on the first day of the month immediately following the date that is the midpoint of the amortization period for the loan, if the mortgagor is current on that date.

Generally, delinquencies must be reported to the Private Insurer at day 45 of the delinquency and then on a monthly basis thereafter, and proceedings to recover title are required to commence within four months of default. It is also required that prior to presenting a claim under the PMI, title to the mortgaged property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor, must be acquired and tendered to the Private Insurer. Private mortgage insurance policies may provide that the Private Insurer, upon taking title to the mortgaged property securing a PMI Mortgage Loan, must pay the mortgagee the unrecovered balance of its loss but may permit mortgagee to retain such title and pay a claim equal to the difference between the original principal amount of such Mortgage Loan and 75% of the appraised value (at the time of origination) or purchase price of such mortgaged property, whichever is less. The amount of the claim payable also generally consists of usual and customary attorneys' fees, real estate taxes, hazard and private mortgage insurance premiums necessarily advanced by the insured, expenses incurred in preservation and maintenance of the mortgaged property, and other costs and expenses incurred to acquire the mortgaged property. Private Insurers may require or permit the mortgagee to forbear from foreclosing a defaulted Mortgage Loan, offer a

preforeclosure sale or deed in lieu of foreclosure, or enter into an agreement modifying the terms of a Mortgage Loan in certain circumstances.

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If an insurance claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

Uninsured Mortgage Loans

Each Series Indenture also permits the Authority in certain circumstances to make or purchase Uninsured Mortgage Loans which are neither governmentally-guaranteed or insured nor insured by a private mortgage insurance company, as long as the outstanding principal balance of each such Uninsured Mortgage Loan is less than or equal to 80% of the appraised value (at the time of origination of such Mortgage Loan) or the purchase price, whichever is less, of the mortgaged property securing such Uninsured Mortgage Loan.

Colorado Foreclosure Law and Procedure

The Mortgage Loans are evidenced by promissory notes and secured by deeds of trust encumbering the mortgaged property. The Colorado form of deed of trust is a unique three-party instrument that involves a public official known as a public trustee rather than a private trustee. The parties to a deed of trust are the borrower (i.e., the mortgagor), the public trustee of the county in which the mortgaged property is located and the Mortgage Lender (generally referred to in a deed of trust as the beneficiary and herein as the mortgagee). A deed of trust creates a lien in favor of the mortgagee to secure repayment of the debt.

The public trustee's duties are generally limited to foreclosure of deeds of trust, issuance of certificates of purchase and deeds following foreclosure, releases of deeds of trust, and related matters. The public trustee will rarely have notice of a deed of trust until the mortgagee elects to have the public trustee foreclose the deed of trust. Public trustees do not have discretionary or decision-making authority like judges. Rather, they perform the ministerial and procedural acts necessary to complete foreclosures in accordance with Colorado law.

A mortgagor's failure to perform a material covenant of the deed of trust (like failure to pay taxes or failure to pay the debt) generally constitutes a default entitling the mortgagee to accelerate the debt and foreclose. To start foreclosure proceedings, the mortgagee must present to the public trustee (i) the original or, for certain qualified holders, a copy of the promissory note or evidence of debt (or, except as provided in the following sentence, a lost instruments bond if the note or evidence of debt has been lost), (ii) any modifications to the original evidence of debt and the original endorsements or assignments to the current holder of the original evidence of debt, (iii) the original or copy of the recorded deed of trust together with any modifications or partial releases (and if copies are provided, in some cases they must be certified by the Clerk and Recorder or in other cases accompanied by the certificate of the holder that such holder is a "qualified holder"), (iv) an originally executed Notice of Election and Demand for Sale, and (v) the so-called Combined Notice and other required notices, certificates and affidavits and mailing list for the notices. Certain types of mortgagees, which include the Authority, may commence foreclosure by presenting a copy of the original evidence of debt instead of the original instrument or a bond. If the mortgagee presents a copy of the evidence of debt, the mortgagee is liable to a person incurring a loss if the original evidence of debt is subsequently presented for payment. The public trustee must record the

Notice of Election and Demand for Sale in the appropriate clerk and recorder's office within ten business days after receipt of a complete filing. If the property is a residence occupied by a borrower personally obligated on the debt and meeting certain additional requirements, the foreclosing mortgagee is required to post the property with notice of the foreclosure and the owner is eligible for foreclosure counseling and possible deferral of the foreclosure sale by up to approximately 90 days.

The public trustee also causes the Combined Notice to be published and posted. The Combined Notice must be published once per week for five successive weeks in a newspaper of general circulation in the county where the mortgaged property is located. Within 20 days after the recording of the Notice of Election and Demand, copies of the Combined Notice must be sent to the borrower, Grantor of the Deed of Trust, Guarantors, and "occupants" as designated by statute and who are listed on a mailing list provided by the mortgagee's attorney. No more than sixty (60) nor fewer than forty-five (45) days prior to the first scheduled date of sale, the public trustee is required to again send the Combined Notice to the persons identified in the preceding sentence as well as to the owner of the property as of the date of recording of the Notice of Election and Demand and each person who appears to have an interest in the property prior to the date of the recording of the Notice of Election and Demand (if such person's interest in the property may be extinguished by the foreclosure).

The mortgagee may elect to preserve certain junior interests (like easements or leases) that would otherwise be extinguished by the foreclosure by recording a Notice to Affirm.

A right to redeem inures to certain holders of recorded junior interests that were recorded prior to the recording of the Notice of Election and Demand for Sale. A right to cure inures to the owner of the mortgaged property as of the recording of the Notice of Election and Demand and certain transferees, parties liable on the debt, sureties and guarantors of the debt and holders of an interest junior to the lien being foreclosed that was recorded prior to the recording of the Notice of Election and Demand for Sale.

A public trustee foreclosure sale is scheduled by the public trustee to occur no fewer than 110 days and no more than 125 days after the date of recording the Notice of Election and Demand for Sale for non-agricultural property. (The sale of certain residential property may be held on an expedited basis, 45-65 days after the recording of the Notice of Election and Demand if the mortgagee secures an order of the Rule 120 or other court finding, based on clear and convincing evidence, that the property has been abandoned). For agricultural property the sale is to be scheduled 215 to 230 days after the recording of the Notice of Election and Demand. If it is not evident from the legal description in the deed of trust, the public trustee will determine if the property is agricultural based on certain evidence such as the property being part of a subdivision plat, a written statement of an official that the property was within incorporated city limits, or a written statement from the assessor that the property is assessed as other than agricultural property. The sale date may be extended by the mortgagee from time to time and by the public trustee for other reasons provided by statute.

Prior to the foreclosure sale, the mortgagee must obtain an Order Authorizing Sale in an appropriate Colorado District Court pursuant to Rule 120 of the Colorado Rules of Civil Procedure. Notice of a Rule 120 hearing must be provided to the persons designated by Rule 120, and in the case of residential property, notice of the hearing must be posted in a conspicuous place on the property at least 15 days prior to the hearing. The hearing must be held no later than 16 days prior to the date of the foreclosure sale or the mortgagee must continue the sale to a later date. An order authorizing the public trustee foreclosure sale will be issued if the court determines there is a reasonable probability that a default has occurred entitling the mortgagee to foreclose and no interested party is entitled to protection of the Servicemembers' Civil Relief Act of 1940, as amended (the "**Relief Act**"). The scope of the Rule 120 hearing is limited to determining the reasonable probability that a default has occurred, determining

whether under the deed of trust foreclosure is authorized, and determination of issues related to the Relief Act.

Mortgagors called to active duty after obtaining a Mortgage Loan are entitled to the benefit of the Relief Act. Under the Relief Act a mortgagor may be granted certain relief from the mortgage obligations during active military service and for nine months after the end of the period of military service. Such relief includes: (i) reduction of the Mortgage Loan interest rate to six percent (6%); and (ii) a stay of foreclosure proceedings. Such relief may reduce revenues received by the Authority during such period.

When foreclosure is initiated due to the nonpayment of sums due under the promissory note or deed of trust (such as principal, interest or real estate taxes), parties entitled by statute to cure who wish to exercise such cure rights must preserve the right to cure by filing a Notice of Intent to Cure with the public trustee at least fifteen days prior to the date of the foreclosure sale. The Public Trustee is then required to promptly request the amount required to cure the default from the mortgagee. The mortgagee must file with the public trustee a statement of the amount needed to cure the foreclosure no later than the earlier of 10 business days after receipt of the request or the eighth business day prior to the foreclosure sale. If these deadlines are not met, the foreclosure will be postponed thereafter from week to week. The party wishing to cure the default must pay the public trustee all delinquent principal, interest and other amounts due plus the costs and expense of the foreclosure, including attorneys' fees, on or before noon of the day prior to the foreclosure sale to effectuate the cure. After the default is cured the mortgagee must terminate the foreclosure proceedings. The mortgagee may, but is not obligated to, accept a cure and terminate the foreclosure proceedings even if the statutory requirements are not met.

If the Mortgage Loan is not cured, the public trustee will sell the mortgaged property at the foreclosure sale to the highest bidder. Anyone may bid at the sale. There is no obligation for the mortgagee to bid any amount in excess of the outstanding debt. Any bid by the mortgagee which is less than the outstanding debt must be at least the mortgagee's good faith estimate of the fair market value of the mortgaged property (less unpaid taxes, the amount of senior liens and estimated reasonable costs and expenses, net of income, of holding, marketing and selling such property). The failure of the mortgagee to bid a good faith estimate of the fair market value of the mortgaged property will not affect the validity of the foreclosure sale but may be raised as a defense by a person sued on a deficiency. The public trustee will issue a Certificate of Purchase to the successful bidder. Title to the property vests in the holder of the Certificate of Purchase upon the close of business, eight days after the sale date if no notice of intent to redeem was filed. If a notice of intent to redeem was filed, the title vests upon the expiration of all redemption periods.

Certain holders of recorded junior interests have redemption rights if they timely filed a Notice of Intent to Redeem. The most senior junior lienholder may redeem between 15 and 19 business days after the sale date and each subsequent junior lienholder has (in order of priority of the liens) five business days to redeem. To preserve the right to redeem, a junior lienholder must file a notice of intent to redeem and other documents with the public trustee within eight business days after the foreclosure sale. Title to the property will vest in the holder of the Certificate of Purchase upon the close of business eight days after the sale date if no notice of intent to redeem was filed. If a notice of intent to redeem was filed, and no redemption has occurred, the title vests in the holder of the Certificate of Purchase upon the expiration of all redemption periods. The public trustee will issue a deed to, the holder of the Certificate of Purchase. The public trustee deed will convey the mortgaged property free of all junior interests except junior interests the mortgagee elected to affirm or which were not sent proper notices of the foreclosure as required by statute. Special rules apply with respect to junior liens which are held by the IRS or other federal agencies. The public trustee's deed will be junior to the lien for real property taxes and assessments and to all liens and interests, if any, which were senior to the deed of trust foreclosed.

Judicial foreclosure may be required or advisable in certain circumstances including where there are defects in title, where there is a need to reform the Mortgage Loan documents to correct an error, or where there is a dispute about the priority of the deed of trust. Generally a judicial foreclosure will take substantially longer and be significantly more expensive than a public trustee foreclosure.

In addition to the statutory requirements with respect to a foreclosure in Colorado, other restrictions may be imposed by the Mortgage Loan documents or by the VA, FHA, Rural Housing Service, FNMA/FHLMC, or a Private Insurer. FNMA/FHLMC, VA, and FHA encourage Mortgage Lenders to avoid foreclosure wherever possible. VA, FHA and Rural Housing Service also have special programs for certain borrowers whose defaults are caused by circumstances outside of their control, as described in "VA Guaranty," "Rural Housing Service Guarantee" and "FHA Insurance" under this caption. Certain loan documents for the Mortgage Loans may incorporate restrictions from the FNMA/FHLMC Colorado Uniform Security Instrument which require the mortgagee to give the Mortgagor 30 days' notice prior to accelerating the Mortgage Loan unless the default is violation of the due-on-sale clause.

In the event a Mortgagor files a bankruptcy petition, the foreclosure proceedings are automatically stayed until the mortgagee is granted relief from stay or the bankruptcy action is dismissed. The mortgagee may not be granted relief from stay in certain cases. If a bankruptcy petition is filed after all publications of the Combined Notice as required by Colorado law have been completed, the Mortgagee may continue the sale for as long as the automatic stay is in effect. Upon obtaining relief from stay or upon dismissal of the bankruptcy, the sale can be held at the next available sale date. If a bankruptcy petition is filed prior to completion of the publication of all of the Combined Notices as required by Colorado law, the remaining notices must be cancelled. If the mortgagee obtains relief from stay or the bankruptcy is dismissed, the mortgagee must re-record the Notice of Election and Demand for Sale and all required notices must be given before a foreclosure sale may be held.

APPENDIX F

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 Program Bonds, Series ____ (the "Series Bonds"). The Series Bonds are being issued pursuant to a Master Indenture of Trust dated as of December 1, 2009, as supplemented and amended (the "**Master Indenture**") and pursuant to a Series _____ Indenture dated as of _____ 1, _____ (the "**Series Indenture**" and, together with the Master Indenture, the "**Indenture**") between the Authority and Zions First National Bank, Denver, Colorado, as trustee. The Authority may issue additional series of bonds under the Master Indenture upon satisfaction of the conditions set forth in the Master Indenture. All bonds issued under the Master Indenture, including the Series Bonds, are referred to herein as the "Bonds." Capitalized terms used but not defined herein shall have meanings ascribed thereto in the Indenture. The Authority covenants and agrees as follows:

BACKGROUND

1. The Series Bonds are being issued 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," and (ii) the section of the final Official Statement captioned "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

(b) "**Audited Financial Statements**" means the annual financial statements for the Authority, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "**EMMA**" means the MSRB's Electronic Municipal Market Access System, with a portal at <http://emma.msrb.org>.

(d) "**Events**" means any of the events listed in Section 2(d) hereof.

(e) "**MSRB**" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.

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

(g) "**Rule 15c2-12**" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR § 240.15c2-12), as the same may be amended from time to time.

(h) "**SEC**" means the Securities and Exchange Commission.

(i) "**Senior Manager**" means _____.

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 to EMMA (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 or repositories as required by Rule 15c2-12; provided, however, that if the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference.

(d) (1) At any time the Series Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Authority shall provide to EMMA notice of the occurrence of any of the following Events with respect to the Series Bonds:

- (A) principal and interest payment delinquencies;
- (B) unscheduled draws on debt service reserves reflecting financial difficulties;
- (C) unscheduled draws on credit enhancements reflecting financial difficulties;
- (D) substitution of credit or liquidity providers, or their failure to perform;
- (E) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (F) defeasances;
- (G) rating changes;
- (H) tender offers; and
- (I) bankruptcy, insolvency, receivership, or similar event of the Obligated Person.

For the purposes of the event identified in paragraph (2)(d)(1)(I) hereof, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(2) At any time the Series Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Authority shall provide to EMMA notice of the occurrence of any of the following Events with respect to the Bonds, if material:

- (A) non-payment related defaults;
- (B) modifications to the rights of the beneficial owners of the Bonds;
- (C) bond calls;
- (D) release, substitution or sale of property securing repayment of the Bonds;
- (E) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry

into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

- (F) appointment of a successor or additional trustee or a change in the name of a trustee.

(e) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to EMMA, with a copy to the 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, and include such identifying information, as is requested or recommended by the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds is authorized to take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or to any other owners or beneficial owners of the Series Bonds; provided, that any owner or beneficial owner of Series Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of the Authority hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include in any future annual filing or Event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture; (ii) the date that the Authority shall no longer constitute an "obligated person" with respect to the Series Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Authority, including by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial

owners of the Series Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Authority shall provide notice of such amendment or waiver to EMMA as required by Rule 15c2-12 and the 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 _____, 20____.

COLORADO HOUSING AND FINANCE
AUTHORITY

By: _____
Executive Director

EXHIBIT A

The Authority's Annual Financial Information shall contain or include by reference tables setting forth the following information, as of the end of the Authority's fiscal year (December 31):

(i) For each maturity of each series of Bonds outstanding under the Master Indenture: (i) the maturity date of such Bonds, Bond type (serial or term), the interest rate on such Bonds, principal redemptions, original aggregate principal amount of such Bonds and the principal amount of such Bonds remaining Outstanding; and (ii) a list of unscheduled redemptions including the date of call, amount and type of call.

(ii) 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 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.

APPENDIX G

THE CERTIFICATES

APPENDIX G-1

GNMA Mortgage-Backed Certificates Program

*The summary of the GNMA Program, Ginnie Mae Certificates and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage-Backed Securities Guide (the "**GNMA Guide**") (copies of which may be obtained from GNMA at the Office of Mortgage-Backed Securities, 451 Seventh Street, S.W., Washington, D.C. 20410, or at <http://www.ginniemae.gov>) and to the Ginnie Mae Certificates and other documents for full and complete statements of their provisions.*

General. Ginnie Mae is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("**HUD**") with its principal office located in Washington, D.C.

Ginnie Mae is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "**National Housing Act**"), to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by trusts or pools composed of Mortgage Loans insured or guaranteed under the National Housing Act, Title V of the Housing Act of 1949, the Servicemen's Readjustment Act of 1944, as amended, Chapter 37 of Title 38 of the United States Code or Section 184 of the Housing and Community Development Act of 1992 or guaranteed by the United States Department of Agriculture under the Rural Development Program. Section 306(g) further provides that "[t]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated December 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under Section 306(g) of mortgage-backed certificates are authorized to be made by Ginnie Mae and "would constitute general obligations of the United States backed by its full faith and credit."

There are two GNMA Mortgage-Backed Securities programs, GNMA I MBS and GNMA II MBS.

Any Ginnie Mae Certificates acquired by the Authority will be a "fully modified pass-through" security (guaranteed by Ginnie Mae pursuant to its GNMA I or GNMA II mortgage-backed securities program) which will require the servicer to pass through to the holder the regular monthly payments on the underlying mortgage loans (less the service fees), whether or not the servicer receives such payments from the Mortgagors on the underlying Mortgage Loans, plus any prepayments or other unscheduled recoveries of principal of the mortgage loans received by the servicer during the previous month. Upon issuance of each Ginnie Certificate, Ginnie Mae will guarantee to the holder of the GNMA Security the timely payment of principal of and interest on the Ginnie Mae Certificate. In order to meet its obligations under such guaranty, Ginnie Mae, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department (the "**Treasury**") in an amount outstanding at any one time sufficient to enable Ginnie Mae, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the Ginnie Mae Certificate. The Treasury is authorized to purchase any obligations so issued by Ginnie Mae and has indicated in a letter dated February 13, 1970, from the

Secretary of the Treasury to the Secretary of HUD, that the Treasury will make loans to Ginnie Mae, if needed, to implement the aforementioned guaranty.

Under the terms of its guaranty, Ginnie Mae also warrants to the holder of the Ginnie Mae Certificate that, in the event Ginnie Mae is called upon at any time to make payment on its guaranty of the principal of and interest on the Ginnie Mae Certificate, it will, if necessary, in accordance with Section 306(d) of Title III of the National Housing Act, apply to the Treasury for a loan or loans in amounts sufficient to make such payments of principal and interest.

Ginnie Mae will have no responsibility to determine whether or not the Program complies with the requirements of the Code or whether or not interest on the Bonds is exempt from federal income taxation. The payments due to the Trustee, as holder, pursuant to the terms of the Ginnie Mae Certificates will not change in the event the interest on the 2011AA Bonds for any reason is determined to be subject to federal income taxation.

Servicing of the Mortgages. Under contractual agreements entered into by and between the Servicer and Ginnie Mae, the Servicer is responsible for servicing and otherwise administering the mortgages underlying the Ginnie Mae Certificates in accordance with generally-accepted practices of the mortgage lending industry and the GNMA Guide.

The monthly remuneration of the servicer, for its servicing and administrative functions, and the guaranty fee charged by Ginnie Mae based on the unpaid principal amount of the Ginnie Mae Certificates outstanding. The Ginnie Mae I Certificates carry an interest rate that is fixed at .50% below the interest rate on the underlying mortgage loans; the service fees (equal on a monthly basis to 1/12 of .50% of the outstanding principal balance of the mortgage loans) are deducted from interest payments on the mortgage loans before payments are passed through to the owner of the Ginnie Mae Certificate.

It is expected that interest and principal payments on the mortgage loans underlying the Ginnie Mae Certificates received by the servicer will be the source of payments on the Ginnie Mae Certificates. If such payments are less than what is due, the servicer is obligated to advance its own funds to ensure timely payment of all amounts coming due on the Ginnie Mae Certificates. Ginnie Mae guarantees such timely payment in the event of the failure of the servicer to pay an amount equal to the scheduled payments (whether or not made by the Mortgagors on the underlying Mortgages).

The servicer is required to advise Ginnie Mae in advance of any impending default on scheduled payments so that Ginnie Mae, as guarantor, will be able to continue such payments as scheduled on the applicable payment date. If, however, such payments are not received as scheduled, the holder has recourse directly to Ginnie Mae.

Default by Servicer. In the event of a default by the servicer, Ginnie Mae will have the right, by letter to the servicer, to effect and complete the extinguishment of the servicer's interest in the mortgage loans underlying the Ginnie Mae Certificates, and such mortgage loans will thereupon become the absolute property of Ginnie Mae, subject only to the unsatisfied rights of the owner of the Ginnie Mae Certificate. In such event, Ginnie Mae will be the successor in all respects to the servicer with respect to the transaction and the agreements set forth or arranged for in the GNMA Guide.

Payment of Principal and Interest on the Ginnie Mae Certificates. Under the GNMA I MBS Program, the servicer makes separate payments, by the fifteenth day of each month (or, if the fifteenth day is not a business day, then the next business day), directly to each owner of Ginnie Mae Certificates for each of the Ginnie Mae Certificates held.

Payment of principal of each Ginnie Mae Certificate is expected to commence on the fifteenth day of the month following issuance of the Ginnie Mae Certificate.

Each installment on a Ginnie Mae Certificate is required to be applied first to interest and then in reduction of the principal balance then outstanding on the Ginnie Mae Certificate. Interest is to be paid at the specified rate on the unpaid portion of the principal of the Ginnie Mae Certificate. The amount of principal due on the Ginnie Mae Certificate will be in an amount at least equal to the scheduled principal amortization currently due on the mortgage loans based on reporting from the issuer. However, payment of principal and interest is to be adjustable as set forth below.

Each of the monthly installments on a Ginnie Mae Certificate is subject to adjustment by reason of any prepayments or other unscheduled recoveries of principal on the underlying mortgage loans. In any event, the servicer will pay to the holder of the Ginnie Mae Certificate monthly installments of not less than the interest due on the Ginnie Mae Certificate at the rate specified in the Ginnie Mae Certificate, together with any scheduled installments of principal, whether or not such interest or principal is collected from the Mortgagors, and any prepayments or early recovery of principal. Final payment will be made only upon surrender of the outstanding Ginnie Mae Certificate.

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APPENDIX G-2

Fannie Mae Mortgage Backed Certificates Program

The summary of Fannie Mae Certificates Program, the Fannie Mae Certificates Securities and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Selling Guide and the Fannie Mae Servicing Guide (collectively, the "Fannie Mae Guides") and the Fannie Mae Certificates and other documents for full and complete statements of their provisions. Copies of the Fannie Mae Guides, the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statement are available from Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, DC 20016, (800-237-8627), or at <http://www.fanniemae.com>.

General. Federal National Mortgage Association ("**Fannie Mae**") is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. Section 1716 *et seq.*). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968. Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

Although the Secretary of the Treasury has certain discretionary authority to purchase obligations of Fannie Mae, neither the United States nor any agency thereof is obligated to finance Fannie Mae's obligations or to assist Fannie Mae in any manner.

The Federal Housing Finance Regulatory Reform Act of 2008 (the "**Reform Act**") established the Federal Housing Finance Agency ("**FHFA**"), which assumed the regulatory and oversight duties of Fannie Mae of the Office of Federal Housing Enterprise Oversight and the Department of Housing and Urban Development. In addition, on September 6, 2008, the Director of FHFA placed Fannie Mae into conservatorship, appointing FHFA as conservator. This conservatorship does not have a specified termination date.

Fannie Mae Mortgage-Backed Securities Program. Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "**Fannie Mae Certificates Program**"). The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

The terms of the Fannie Mae Certificates Program are governed by the Fannie Mae Guides, as modified by a pool purchase contract, and, in the case of mortgage loans such as the Mortgage Loans, a 2009 Single-Family Master Trust Agreement dated as of January 1, 2009, as amended from time to time and a supplement thereto to be issued by Fannie Mae in connection with each pool. The Fannie Mae Certificates Program is further described in a prospectus issued by Fannie Mae (the "**Fannie Mae Prospectus**"). The Fannie Mae Prospectus is updated from time to time. No Fannie Mae Prospectus Supplement will be available as to any Fannie Mae Certificates acquired pursuant to the Program.

Fannie Mae Certificates. Any Fannie Mae Certificate acquired by the Authority will represent a fractional undivided interest in a specified pool of conventional mortgage loans purchased by Fannie Mae

from the servicer and identified in records maintained by Fannie Mae. The conventional mortgage loans backing each Fannie Mae Certificate will bear interest at a specified rate per annum, and each Fannie Mae Certificate will bear interest at a lower rate per annum (the "**pass-through rate**"). The difference between the interest rate on the conventional mortgage loans and the pass-through rate on the Fannie Mae Certificate will be collected by the servicer and used to pay the servicer's servicing fee and Fannie Mae's guaranty fee. Fannie Mae will guarantee to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the conventional mortgage loans in the pools represented by such Fannie Mae Certificates, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not such principal balance is actually received.

THE OBLIGATIONS OF FANNIE MAE UNDER SUCH GUARANTEES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND ARE NOT BACKED BY, NOR ENTITLED TO, THE FAITH AND CREDIT OF THE UNITED STATES. IF FANNIE MAE WERE UNABLE TO SATISFY SUCH OBLIGATIONS, DISTRIBUTIONS TO THE REGISTERED HOLDER OF FANNIE MAE CERTIFICATES WOULD CONSIST SOLELY OF PAYMENTS AND OTHER RECOVERIES ON THE UNDERLYING MORTGAGE LOANS AND, ACCORDINGLY, MONTHLY DISTRIBUTIONS TO THE HOLDER OF FANNIE MAE CERTIFICATES WOULD BE AFFECTED BY DELINQUENT PAYMENTS AND DEFAULTS ON SUCH MORTGAGE LOANS.

Payments on Mortgage Loans; Distributions on Fannie Mae Certificates. Payments on a Fannie Mae Certificate are made to the owner thereof on the twenty-fifth day of each month (beginning with the month following the month such Fannie Mae Certificate is issued) or, if such twenty-fifth day is not a business day, on the first business day next succeeding such twenty-fifth day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the beneficial owner an amount equal to the total of (a) the principal due on the mortgage loans in the related pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (b) the stated principal balance of any mortgage loan that was prepaid in full during the calendar month immediately preceding the month of such distribution (including as prepaid for this purpose any mortgage loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the mortgage loan after it is delinquent, in whole or in part with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase such mortgage loan under certain other circumstances as permitted by the Fannie Mae Trust Indenture), (c) the amount of any partial prepayment of a mortgage loan received during the calendar month immediately preceding the month of distribution (during the second preceding calendar month, for pools of loans formed from the Fannie Mae portfolio that are serviced on a basis that requires remittance of actual payments to Fannie Mae instead of scheduled payments) and (d) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Certificate as reported to the holder thereof in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Certificate on its issue date).

For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such mortgage loan has been received, whether or not such full amount is equal to the stated principal balance of the mortgage loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution, but is under no obligation to do so.

Reduced Guaranty Fees. If Fannie Mae reduces its guaranty fee to an amount that is less than that used in structuring the cash flows for the Bonds, the difference will become part of the Issuer's Fee and will not secure the 2011AA Bonds.

APPENDIX G-3

Freddie Mae Mortgage Backed Certificates Program

*The summary of the Freddie Mac Guarantor Program (as defined below), the Freddie Mac Certificates and other documents referred to herein do not purport to be complete and is qualified in its entirety by reference to Freddie Mac's Single-Family Seller/Service Guide (the "**Freddie Mac Guide**"), Freddie Mac's Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, Freddie Mac's most recent annual and quarterly reports and proxy statements and any other documents made available by Freddie Mac. Copies of these documents can be obtained by writing or calling Freddie Mac's Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (800 336 FMPC), or at <http://www.freddiemac.com>.*

General. Freddie Mac is a shareholder owned government sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Program Operator Act, Title III of the Emergency Home Finance Act of 1970, as amended (the "**Freddie Mac Act**"). Freddie Mac's statutory mission is (a) to provide stability in the secondary market for residential mortgages, (b) to respond appropriately to the private capital market, (c) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate- income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing and (d) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac.

The Federal Housing Finance Regulatory Reform Act of 2008 (the "**Reform Act**") established the Federal Housing Finance Agency ("**FHFA**"), which assumed the regulatory and oversight duties of Freddie Mac of the Office of Federal Housing Enterprise Oversight and the United States Department of Housing and Urban Development ("**HUD**"), with respect to safety, soundness and mission. HUD remains the regulator of Freddie Mac with respect to fair lending matters. In addition, on September 6, 2008, the Director of FHFA placed Freddie Mac into conservatorship, appointing FHFA as conservator. This conservatorship does not have a specified termination date.

Freddie Mac Guarantor Program. Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a group of mortgages from a single seller in exchange for a Freddie Mac Certificate representing an undivided interest in a pool consisting of the same mortgages (the "**Guarantor Program**"). Each Freddie Mac Certificate is guaranteed by Freddie Mac as to the timely payment of interest and the full and final payment of principal. The obligations of Freddie Mac under its guarantees of the Freddie Mac Certificates are obligations of Freddie Mac only. The Freddie Mac Certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac.

The Authority does not and will not participate in the preparation of Freddie Mac's Mortgage Participation Certificate Offering Circular, annual reports, quarterly reports or proxy statements.

Freddie Mac supervises the servicing of Mortgages according to the policies in the Freddie Mac Guide, and in accordance with the PC Master Trust Agreement, dated September 25, 2009, as amended from time to time.

Freddie Mac Certificates. Freddie Mac Certificates will be mortgage participation certificates issued under Freddie Mac's Guarantor Program. Under the Guarantor Program, the annual pass through rate on a Freddie Mac Certificate is established based upon the lowest interest rate on the underlying mortgage loans, minus a minimum servicing fee and the amount of Freddie Mac's management and guarantee fee as agreed upon between the Servicer and Freddie Mac. The lowest interest rate on a mortgage loan in a Certificate Pool will be greater than or equal to the annual pass through rate on the related Freddie Mac Certificate plus a minimum servicing fee and Freddie Mac's management and guarantee fee, and the highest interest rate will not exceed two and one half percentage points above the pass through rate.

Freddie Mac will guarantee to the registered holder of each Freddie Mac Certificate the timely payment of interest by each mortgagor to the extent of the applicable certificate rate on the registered holder's pro rata share of the unpaid principal balance outstanding on the mortgage loans underlying such Freddie Mac Certificate. Freddie Mac also will guarantee to the Trustee or its nominee as the registered holder of such Freddie Mac Certificate full and final payment of principal. Pursuant to its guarantee, Freddie Mac will indemnify the holder of such Freddie Mac Certificate against any diminution in principal by reason of charges for property repairs, maintenance and foreclosure. Freddie Mac may remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage loan, but not later than (a) 30 days following foreclosure sale, (b) 30 days following payment of the claim by any mortgage issuer, or (c) 30 days following the expiration of any right of redemption, whichever occurs last, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal.

THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEES OF THE FREDDIE MAC CERTIFICATES ARE OBLIGATIONS OF FREDDIE MAC ONLY. THE FREDDIE MAC CERTIFICATES, INCLUDING THE INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC. IF FREDDIE MAC WERE UNABLE TO SATISFY SUCH OBLIGATIONS, DISTRIBUTIONS ON THE FREDDIE MAC CERTIFICATES WOULD CONSIST SOLELY OF PAYMENTS AND OTHER RECOVERIES ON THE UNDERLYING MORTGAGE LOANS AND, ACCORDINGLY, DELINQUENCIES AND DEFAULTS WOULD AFFECT MONTHLY DISTRIBUTIONS ON SUCH FREDDIE MAC CERTIFICATES AND COULD ADVERSELY AFFECT THE PAYMENTS ON THE BONDS.

Holders of Freddie Mac Certificates are entitled to receive their pro rata share of all principal payments on the underlying mortgage loans received by Freddie Mac, including any scheduled principal payments, full and partial repayments of principal and principal received by Freddie Mac by virtue of condemnation, insurance, liquidation or foreclosure, including repayments of principal resulting from acquisition by Freddie Mac of the real property securing the mortgage. Freddie Mac is required to remit each registered Freddie Mac Certificate holder's pro rata share of principal payments on the underlying mortgage loans, interest at the certificate rate and any other sums within 60 days of the date on which such payments are received by Freddie Mac.

Reduced Guaranty Fees. If Freddie Mac reduces its guaranty fee to an amount that is less than that used in structuring the cash flows for the 2011AA Bonds, the difference will become part of the Authority's Fee and will not secure the 2011AA Bonds.