

**SUPPLEMENT  
TO  
OFFICIAL STATEMENT DATED JUNE 24, 2005  
related to**

**\$80,000,000  
COLORADO HOUSING AND FINANCE AUTHORITY  
Single Family Mortgage Bonds  
Class I Adjustable Rate Bonds  
2005 Series B-2  
(non-AMT)  
CUSIP: 196479 RG6\***

The Colorado Housing and Finance Authority Single Family Mortgage Class I Adjustable Rate Bonds, 2005 Series B-2 as shown above (referred to herein as the "**2005B Remarketed Bonds**") are being remarketed as variable rate bonds bearing interest at Weekly Rates determined on each Tuesday by Barclays Capital Inc. in its capacity as Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday, commencing on September 2, 2009. The interest rates on the 2005B Remarketed Bonds or any portion thereof may be adjusted at the election of the Authority to a Commercial Paper Rate, Daily Rate, Term Rate, Fixed Rate or Select Auction Variable Rate Securities Rate, as described in the Official Statement dated June 24, 2005 relating to the 2005B Remarketed Bonds (the "**Official Statement**"). Interest on the 2005B Remarketed Bonds will be payable on each May 1 and November 1, commencing on November 1, 2009, on any redemption date, on any mandatory tender date and at maturity.

While any of the 2005B Remarketed Bonds are in a Weekly Mode Period, owners of any such 2005B Remarketed Bonds will have the right to tender their Bonds for purchase and will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Following September 2, 2009, payment of the purchase price for the 2005B Remarketed Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a Standby Bond Purchase Agreement (referred to herein as the "**2005B Liquidity Facility**") among the Authority, Barclays Bank PLC (the "**2005B Liquidity Facility Provider**") and Zions First National Bank, as Tender Agent. Coverage under the 2005B Liquidity Facility, unless extended or earlier terminated, is stated to expire on September 2, 2010. **Under certain circumstances described herein, the obligation of the 2005B Liquidity Facility Provider to purchase 2005B Remarketed Bonds tendered for purchase under the 2005B Liquidity Facility or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or suspension of such obligation will be immediate and without notice to such owners. In such event, sufficient funds may not be available to purchase such 2005B Remarketed Bonds. Neither the Authority nor the 2005B Remarketing Agent is obligated to purchase 2005B Remarketed Bonds tendered by the owners of such 2005B Remarketed Bonds or subject to mandatory purchase if remarketing proceeds and payments under the 2005B Liquidity Facility are insufficient to pay the purchase price of the 2005B Remarketed Bonds.**

This Supplement and the Official Statement provide information about the 2005B Remarketed Bonds only when they bear interest at a Weekly Rate or Term Rate and are subject to the 2005B Liquidity Facility.

*This cover page contains certain information for quick reference only. It is not a summary of the 2005B Remarketed Bonds. Investors must read the entire Supplement and the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The 2005B Remarketed Bonds are being remarketed by the 2005B Remarketing Agent, subject to certain other conditions. Certain legal matters will be passed on for the 2005B Liquidity Facility Provider by Global General Counsel to Barclays Capital Inc. and McDermott, Will & Emery LLP, New York, New York. The 2005B Remarketing Agent is being represented in connection with its remarketing of the 2005B Remarketed Bonds by its counsel, Bookhardt & O'Toole, Denver, Colorado. The 2005B Remarketing Agent intends, but is not obligated, to make a market in the 2005B Remarketed Bonds. It is expected that the 2005B Remarketed Bonds will be available through the facilities of DTC, New York, New York, on September 2, 2009.

**BARCLAYS CAPITAL<sup>†</sup>**

This Supplement is dated August 26, 2009.

<sup>†</sup> 2005B Remarketing Agent for the 2005B Remarketed Bonds.

\* Neither the Authority nor the 2005B Remarketing Agent assumes any responsibility for the accuracy of the CUSIP number, which is being provided solely for the convenience of the owners of the 2005B Remarketed Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the 2005B Remarketing Agent to give any information or to make any representations, other than those contained in this Supplement, 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 Supplement is subject to change without notice, and neither the delivery of this Supplement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, since the date hereof. This Supplement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005B Remarketed 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 herein has been furnished by the Authority and obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the 2005B Remarketing Agent. In connection with this offering of the 2005B Remarketed Bonds, the 2005B Remarketing Agent may overallocate or effect transactions which stabilize or maintain the market prices of the 2005B Remarketed Bonds at levels above which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**\$80,000,000  
COLORADO HOUSING AND FINANCE AUTHORITY  
Single Family Mortgage Bonds  
Class I Adjustable Rate Bonds  
2005 Series B-2  
(non-AMT)**

Investors must read the Official Statement dated June 24, 2005 (the "**Official Statement**") in conjunction with this Supplement which includes the Appendices hereto (this "**Supplement**"). This Supplement to the Official Statement contains certain additional information with respect to the \$80,000,000 Colorado Housing and Finance Authority (the "**Authority**") Single Family Mortgage Class I Adjustable Rate Bonds, 2005 Series B-2 shown above (being referred to in this Supplement as the "**2005B Remarketed Bonds**"). The 2005B Remarketed Bonds were issued pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended (the "**Master Indenture**"), and the 2005 Series B Indenture dated as of July 1, 2005, as previously amended and as amended by the Supplemental Series Indenture (September 2009) dated as of September 2, 2009 (the "**2005 Series B Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Zions First National Bank, Denver, Colorado, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" in **Appendix A** to the Official Statement.

The information contained herein on the cover and under the headings "INTRODUCTION," "COLORADO HOUSING AND FINANCE AUTHORITY," "TERMS OF THE 2005 SERIES B BONDS," "CERTAIN PROGRAM ASSUMPTIONS – Insurance Limitations and Requirements," and "– Investments," "REMARKETING AGENTS," "CERTAIN BONDOWNERS' RISKS – Risks Related to the Liquidity Providers and the Liquidity Facilities" and "– Risks Related to Interest Rate Contracts," "THE SINGLE FAMILY MORTGAGE PROGRAM," "RATINGS," "CERTAIN RELATIONSHIPS OF PARTIES" and "INDEPENDENT AUDITORS" supplements, respectively, the information contained on the cover and under the headings "Part I – INTRODUCTION," "Part II – COLORADO HOUSING AND FINANCE AUTHORITY," "Part I – TERMS OF THE 2005 SERIES B BONDS," "Part I – CERTAIN PROGRAM ASSUMPTIONS – Insurance Limitations and Requirements" and "– Investments," "Part I – 2005B REMARKETING AGENT," "Part II – CERTAIN BONDOWNERS' RISKS," "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM," "Part I – RATINGS" and "Part II – INDEPENDENT AUDITORS" in the Official Statement. Appendices B-1, B-2, C, D, F and I to this Supplement are hereby substituted for Appendices B-1, B-2, C, D, F and I, respectively, to the Official Statement. The information contained herein supercedes any contradictory or inconsistent information contained in the Official Statement. Capitalized terms contained in this Supplement and not otherwise defined shall have the meanings ascribed thereto in the Official Statement, except that certain capitalized terms used in Appendix C and not defined herein shall have the meanings ascribed thereto in the 2005B Liquidity Facility.

The 2005B Remarketed Bonds have been tendered as a result of expiration of the initial standby bond purchase agreement entered between the Authority and Dexia Credit Local, acting through its New York Branch ("**Dexia**"), relating to the 2005B Remarketed Bonds. The Authority has purchased from Dexia and now owns all of the 2005B Remarketed Bonds. On September 2, 2009, the Authority expects

to enter into a Standby Bond Purchase Agreement to establish a new liquidity facility for the 2005B Remarketed Bonds (the "**2005B Liquidity Facility**") with Barclays Bank PLC, as the standby bond purchaser (referred to herein as the "**2005B Liquidity Facility Provider**"). See **Appendix C – "CERTAIN TERMS OF THE 2005B LIQUIDITY FACILITY"** and **Appendix D – "2005B LIQUIDITY FACILITY PROVIDER."** Following September 2, 2009, payment of the purchase price for the 2005B Remarketed Bonds tendered for purchase and not remarketed will be supported by the 2005B Liquidity Facility. Coverage under the 2005B Liquidity Facility, unless extended or earlier terminated, is stated to expire on September 2, 2010.

The Authority may replace the 2005B Liquidity Facility with a new Liquidity Facility (an "**Alternate Liquidity Facility**") in accordance with the procedures set forth in the Indenture. UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2005B LIQUIDITY FACILITY PROVIDER TO PURCHASE THE 2005B REMARKETED BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE TERMINATION OR SUSPENSION OF SUCH OBLIGATION WILL BE IMMEDIATE AND WITHOUT NOTICE TO SUCH OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE 2005B REMARKETED BONDS TENDERED BY THE OWNERS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE 2005B LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2005B REMARKETED BONDS. **Neither the Authority nor the 2005B Remarketing Agent is obligated to purchase 2005B Remarketed Bonds so tendered or subject to mandatory purchase if remarketing proceeds or payments under the 2005B Liquidity Facility are insufficient to pay the purchase price of such 2005B Remarketed Bonds.**

## **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 2005B Remarketed Bonds, except as described in "Part II - SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS" of the Official Statement. See also "INDEPENDENT AUDITORS" in this Supplement for information about where to obtain the audited financial statements of the Authority.

## Board of Directors and Staff Officers

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

### Present Board of Directors of the Authority\*

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Joel S. Rosenstein, Esq., Chair (1)	Attorney, Senn, Lewis & Visciano; Denver, Colorado	July 1, 2013
Roxanne M. Huber Chair, <u>pro tem</u> (2)	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Sam Betters	Executive Director; Housing Authority of the City of Loveland; Loveland, Colorado	July 1, 2011
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2013
Betty Boyd	State Senator; Denver, Colorado	End of legislative biennium 2009-2010
James Hahn	Principal, JMH Consulting, LLC; Denver, Colorado	July 1, 2013
Kevin Marchman	Executive Director, National Organization of African Americans in Housing; Denver, Colorado	July 1, 2011
David Myler, Esq.	Partner, The Myler Law Firm, P.C.; Basalt, Colorado	July 1, 2013
Mark O'Connor	Senior Vice President, First Bank Holding Company; Lakewood, Colorado	July 1, 2011
Anita Padilla-Fitzgerald	President and CEO, MegaStar Financial Corp.; Denver, Colorado	July 1, 2013
Sally W. Symanski	Colorado State Auditor; Denver, Colorado	Standing

(1) This Board member was elected as Chair of the Board effective March 26, 2009.

(2) This Board member has previously served as Secretary/Treasurer of the Board, and pursuant to the Authority's bylaws, succeeded to the position of Chair, pro tem, effective July 1, 2009 upon the expiration of the term on that date of the prior Chair, pro tem.

\* Effective as of August 1, 2009. The position of Secretary/Treasurer of the Board is vacant at this time, but an appointment is expected to be made at the Board meeting on August 27, 2009.

The principal staff officers of the Authority are as follows:

*Milroy A. Alexander*, **Executive Director**, joined the staff in October 1988. Mr. Alexander is a graduate of Metropolitan State College, Denver, Colorado, with a Bachelor's Degree in Accounting. Prior to assuming the responsibilities of Executive Director on January 1, 2001, Mr. Alexander served as the Authority's Director of Finance. Mr. Alexander was previously a financial manager with a major Colorado manufacturer and a senior manager with Touche Ross, a big eight international accounting and consulting firm. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Alexander has announced his retirement from the Authority, expected to occur in November 2009. A search committee of the Board has been formed to consider his replacement.

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

*Thomas Hemmings*, **Chief Financial Officer**, joined the staff in October 2006. Prior to joining the Authority, Mr. Hemmings served as chief financial officer for a \$650 million commercial bank located in Alabama. Mr. Hemmings has over seventeen years experience in banking and financial services, with over 10 of those years at the chief financial officer level. Mr. Hemmings is a graduate of the University of Colorado and is a Certified Public Accountant.

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

*John Dolton*, **Director of Corporate Debt and Investment Management**, joined the staff in August 1990. Prior to assuming his current position, Mr. Dolton served as Director of Finance/CFO (January 2001 – July 2006) and as the Manager of Treasury Operations (September 1994 – December 2000). Before joining the Authority, Mr. Dolton was an analyst for a financial planning and investment management firm. Mr. Dolton has a Bachelor's Degree in Finance from the University of Colorado and holds the Chartered Financial Analyst designation.

*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.

*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.

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

*D. Brian Miller* was appointed as **Director of Asset Management** in October 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 August 1998. Mr. Miller has over fifteen years experience in financial services and asset management. Mr. Miller is a graduate of the University of Northern Colorado with a Bachelor's Degree in Finance.

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

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

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

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

## **Employees and Pension Information**

As of December 31, 2008, the Authority had approximately 175 full-time employees, all of whom were members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 11.90% of each participating employee's gross salary to PERA in 2008. In 2008, the Authority's PERA contribution totaled approximately \$1,288,000, compared to an Authority contribution in 2007 of \$1,113,000. See footnote (11) of the audited 2008 financial statements for further information.

## **Insurance Coverage**

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

## **Selected Financial Information**

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

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## Colorado Housing and Finance Authority

### Statement of Net Assets

December 31, 2008

(with summarized financial information for December 31, 2007)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2008	2007
<b>Assets</b>						
Current assets:						
Cash	\$ 28,872	\$ -	\$ 483	\$ -	\$ 29,355	\$ 30,955
Investments	103,808	240,731	134,784	-	479,323	501,063
Loans receivable	10,923	67,256	29,391	(635)	106,935	96,167
Accrued interest receivable	3,829	15,629	6,753	(196)	26,015	24,052
Deferred debt financing costs, net	17	654	193	-	864	931
Other assets	4,000	535	130	-	4,665	4,454
Due (to) from other funds	(51,468)	31,051	20,417	-	-	-
<b>Total current assets</b>	<b>99,981</b>	<b>355,856</b>	<b>192,151</b>	<b>(831)</b>	<b>647,157</b>	<b>657,622</b>
Noncurrent assets:						
Investments	4,484	175,764	63,827	-	244,075	81,313
Loans receivable, net	316,769	1,950,412	852,351	(18,415)	3,101,117	2,788,844
Capital assets - non-depreciable	6,635	-	-	-	6,635	7,016
Capital assets - depreciable, net	22,971	-	-	-	22,971	25,707
Other real estate owned, net	36	1,620	723	-	2,379	2,097
Deferred debt financing costs, net	314	11,773	3,471	-	15,558	16,767
Other assets	19,867	-	-	-	19,867	17,619
<b>Total noncurrent assets</b>	<b>371,076</b>	<b>2,139,569</b>	<b>920,372</b>	<b>(18,415)</b>	<b>3,412,602</b>	<b>2,939,363</b>
<b>Total assets</b>	<b>\$ 471,057</b>	<b>\$ 2,495,425</b>	<b>\$ 1,112,523</b>	<b>\$ (19,246)</b>	<b>\$ 4,059,759</b>	<b>\$ 3,596,985</b>
<b>Liabilities</b>						
Current liabilities:						
Short-term debt	\$ 164,985	\$ -	\$ -	\$ -	\$ 164,985	\$ 64,545
Bonds payable, current portion	182	6,908	11,304	-	18,394	13,515
Notes payable, current portion	73	-	-	-	73	3,956
Accrued interest payable	944	30,481	15,035	(196)	46,264	32,086
Federally assisted program advances	110	-	-	-	110	708
Accounts payable and other liabilities	21,929	747	436	-	23,112	22,241
<b>Total current liabilities</b>	<b>188,223</b>	<b>38,136</b>	<b>26,775</b>	<b>(196)</b>	<b>252,938</b>	<b>137,051</b>
Noncurrent liabilities:						
Bonds payable, net	102,402	2,378,020	1,017,413	-	3,497,835	3,164,023
Notes payable	20,062	-	-	(19,050)	1,012	1,086
Other liabilities	8,919	2,181	1,207	-	12,307	12,461
<b>Total noncurrent liabilities</b>	<b>131,383</b>	<b>2,380,201</b>	<b>1,018,620</b>	<b>(19,050)</b>	<b>3,511,154</b>	<b>3,177,570</b>
<b>Total liabilities</b>	<b>319,606</b>	<b>2,418,337</b>	<b>1,045,395</b>	<b>(19,246)</b>	<b>3,764,092</b>	<b>3,314,621</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	10,556	-	-	19,050	29,606	32,723
Restricted by bond indentures	-	77,088	67,128	-	144,216	124,948
Unrestricted	140,895	-	-	(19,050)	121,845	124,693
<b>Total net assets</b>	<b>151,451</b>	<b>77,088</b>	<b>67,128</b>	<b>-</b>	<b>295,667</b>	<b>282,364</b>
<b>Total liabilities and net assets</b>	<b>\$ 471,057</b>	<b>\$ 2,495,425</b>	<b>\$ 1,112,523</b>	<b>\$ (19,246)</b>	<b>\$ 4,059,759</b>	<b>\$ 3,596,985</b>

The accompanying notes are an integral part of these statements

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

For the year ended December 31, 2008

(with summarized financial information for the year ended December 31, 2007)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2008	2007
<b>Operating revenues:</b>						
Interest on loans receivable	\$ 15,635	\$ 106,005	\$ 51,813	\$ (1,500)	\$ 171,953	\$ 147,573
Investment income	1,807	15,937	8,737	-	26,481	27,727
Net increase (decrease) in the fair value of investments	41	5,317	3,352	-	8,710	2,245
Rental income	8,424	-	-	-	8,424	10,882
Loan servicing income	11,306	-	-	-	11,306	9,547
Section 8 administration fees	4,255	-	-	-	4,255	4,561
Other revenues	2,080	3,870	-	-	5,950	3,517
<b>Total operating revenues</b>	<b>43,548</b>	<b>131,129</b>	<b>63,902</b>	<b>(1,500)</b>	<b>237,079</b>	<b>206,052</b>
<b>Operating expenses:</b>						
Interest on debt	8,990	118,313	65,784	(1,500)	191,587	155,406
Salaries and related benefits	14,936	-	-	-	14,936	14,341
General operating	14,160	519	278	-	14,957	16,835
Other interest expense	1,187	-	-	-	1,187	1,588
Depreciation	2,684	-	-	-	2,684	2,722
Provision for losses	2,985	5,372	(3,840)	-	4,517	500
<b>Total operating expenses</b>	<b>44,942</b>	<b>124,204</b>	<b>62,222</b>	<b>(1,500)</b>	<b>229,868</b>	<b>191,392</b>
<b>Total operating income (loss)</b>	<b>(1,394)</b>	<b>6,925</b>	<b>1,680</b>	<b>-</b>	<b>7,211</b>	<b>14,660</b>
<b>Nonoperating revenues and expenses:</b>						
Federal grant receipts	101,882	-	-	-	101,882	97,100
Federal grant payments	(101,882)	-	-	-	(101,882)	(97,100)
Gains on sales of capital assets	6,092	-	-	-	6,092	6,659
<b>Total nonoperating revenues, net</b>	<b>6,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,092</b>	<b>6,659</b>
<b>Income before transfers</b>	<b>4,698</b>	<b>6,925</b>	<b>1,680</b>	<b>-</b>	<b>13,303</b>	<b>21,319</b>
<b>Transfers from (to) other funds</b>	<b>(10,663)</b>	<b>(4,508)</b>	<b>15,171</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(5,965)</b>	<b>2,417</b>	<b>16,851</b>	<b>-</b>	<b>13,303</b>	<b>21,319</b>
<b>Net assets:</b>						
Beginning of year	157,416	74,671	50,277	-	282,364	261,045
End of year	\$ 151,451	\$ 77,088	\$ 67,128	\$ -	\$ 295,667	\$ 282,364

The accompanying notes are an integral part of these statements

## The General Fund

### *Generally*

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

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

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

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*Financial Information for the General Fund*

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2008 as provided by the Authority.

<b>Colorado Housing and Finance Authority</b>					
<b>General Fund</b>					
<b>Selected Financial Information</b>					
<b>Years Ended December 31</b>					
<b>(in thousands of dollars)</b>					
	<u>FY</u> <u>2008</u>	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2004</u>
Interest and investment revenue:					
Loans receivable	\$15,635	\$12,900	\$12,449	\$11,241	\$10,454
Investments	1,807	3,420	3,061	2,016	1,744
Net increase (decrease) fair value of long-term investments	<u>41</u>	<u>(66)</u>	<u>(137)</u>	<u>441</u>	<u>(392)</u>
Total interest and investment revenue	17,483	16,254	15,373	13,698	11,806
Interest expense - bonds and notes payable	<u>8,990</u>	<u>9,719</u>	<u>9,663</u>	<u>7,681</u>	<u>5,799</u>
Net interest and investment revenue	8,493	6,535	5,710	6,017	6,007
Other revenue (expense):					
Rental operations	8,424	10,882	11,638	10,902	10,279
Fees and miscellaneous income	17,641	17,556	15,449	14,097	12,771
Gain on sales of capital assets	<u>6,092</u>	<u>6,659</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other revenue	<u>32,157</u>	<u>35,097</u>	<u>27,087</u>	<u>24,999</u>	<u>23,050</u>
Net revenue	40,650	41,632	32,797	34,952	29,057
Other expenses:					
Salaries and related benefits	14,936	14,341	12,721	11,322	10,668
General operating	14,160	15,635	14,732	14,724	13,462
Provision for losses	2,985	(300)	(1,050)	870	(816)
Other interest expense	1,187	1,588	1,845	1,848	1,326
Transfers	10,663	(3,645)	(6,179)	(13,192)	(3,432)
Depreciation	<u>2,684</u>	<u>2,722</u>	<u>2,651</u>	<u>2,679</u>	<u>2,574</u>
Total other expense	<u>46,615</u>	<u>30,341</u>	<u>24,720</u>	<u>18,251</u>	<u>23,782</u>
Change in net assets	<u>\$ (5,965)</u>	<u>\$ 11,291</u>	<u>\$ 8,077</u>	<u>\$ 12,765</u>	<u>\$ 5,275</u>
Net Assets, end of year	<u>\$151,451</u>	<u>\$157,416</u>	<u>\$146,125</u> <sup>(1)</sup>	<u>\$149,244</u>	<u>\$136,479</u>
Bonds and Notes Payable	<u>\$287,704</u>	<u>\$203,030</u>	<u>\$152,455</u>	<u>\$253,738</u>	<u>\$212,798</u>
Total Assets	<u>\$471,057</u>	<u>\$392,944</u>	<u>\$327,534</u>	<u>\$428,627</u>	<u>\$359,139</u>

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

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2004-2008.

## Authority Policy Regarding Derivatives

The Master Indenture permits the Authority to enter into "Auxiliary Agreements," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products which qualify as "Interest Rate Contracts" under the Indenture. Under the master indenture relating to its Multi-Family/Project Bonds, the Authority is also permitted to, and has entered into, certain derivative obligations which are described in footnote (7) of the audited 2008 financial statements of the Authority. The Board of the Authority has adopted a Bond Issuance Policy which it amends from time to time and, among other things, establishes parameters for swap agreements authorized from time to time by resolution of the Board in connection with the issuance of bonds by the Authority (including Bonds under the Master Indenture). On an annual basis, the Authority staff is to provide a report to the Board regarding all outstanding swap agreements. The Board may change its Bond Issuance Policy at any time and from time to time at its sole discretion, including an expansion of the Policy to permit derivative products other than swap agreements. Any changes to the Bond Issuance Policy may impact future derivative obligations including Interest Rate Contracts authorized in connection with Bonds under the Master Indenture. The Authority routinely engages a consultant to evaluate the terms of any proposed swap agreement and determine whether the base price for such a swap agreement with those terms is fair in the current market environment.

## Programs to Date

The following is a brief summary of the programs currently operated by the Authority. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority and its programs. **Except as otherwise described herein, the loans referred to below are not pledged in any way as security for the Bonds. See "PART II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS" to the Official Statement.** 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 "THE SINGLE FAMILY MORTGAGE PROGRAM" in this Supplement. 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 2008 financial statements of the Authority.

### *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 2008 financial statements of the Authority.

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

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

Under its *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2008 financial statements of the Authority. 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 these four properties in the foreseeable future. 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 the eleven 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 QIC, QAL and B&I II secondary market programs described below. Under these programs, the Authority purchases the guaranteed portion of a business loan (the "**participation interest**"), and is thereby able to provide the borrower with the safety and predictability of a fixed-rate throughout the term of the loan at an attractive interest rate. Additionally, each of these secondary market programs is a source of profit and liquidity for originating lenders.

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

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

The *Business & Industry II ("B&I II") Program* creates a secondary market for the purchase of the United States Rural Business Service ("**RBS**") guaranteed portion of qualified loans with funds provided by the Authority. Participating lenders originate loans according to their own credit criteria and RBS requirements. The Program provides fixed-rate financing on the guaranteed portion of RBS loans made to borrowers located in a rural community serviced by RBS guaranteed lenders. The originating lender acts as servicer of the loans for a fee not to exceed one percent (1%) per annum of the outstanding principal balance of the guaranteed portion purchased. Proceeds of the loans may be used to finance real estate, equipment, and machinery. The participation interest is 100% guaranteed by the RBS.

## **Obligations of the Authority**

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2008 financial statements of the Authority.

### *Commercial Loan Programs*

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of August 1, 2009 in an aggregate principal amount of \$116,110,000) 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 August 1, 2009 in an aggregate principal amount of \$878,445,000. 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 2008 financial statements of the Authority for more information regarding these outstanding bonds and notes. The Authority has also acted as a conduit issuer of bonds supported by letters of credit or other credit facilities. These conduit bonds are payable only with amounts received from the conduit borrower, and are therefore not reported as obligations of the Authority on its financial statements.

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

#### *Single Family Mortgage Programs*

In connection with its Single Family Mortgage Programs, the Authority has previously issued numerous series of its Single-Family Program Bonds as senior and subordinate bonds, payable from the revenues of pledged mortgage loans and outstanding as of August 1, 2009 in the aggregate principal amount of \$65,691,163. The Authority has also issued its Single Family Mortgage Bonds (referred to as "**Bonds**" in the Official Statement and in this Supplement) under the Master Indenture, payable from the revenues of mortgage loans held thereunder, outstanding as of August 1, 2009 in the aggregate principal amount of \$2,314,190,000. See **Appendix B-1** to this Supplement for further detail about the Bonds. Subordinate bonds issued as part of the Single-Family Program Bonds and Class III Single Family Mortgage Bonds outstanding under the Master Indenture are also general obligations of the Authority, as described in "General Obligations – Single-Family Bonds – Subordinate Bonds and Class III Bonds" under this caption. For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see [www.chfainfo.com](http://www.chfainfo.com) and footnote (6) of the audited 2008 financial statements of the Authority. 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.

The Authority has recently 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 GNMA (the "**GNMA Securities**") to finance first mortgage loans as part of the Non-Qualified Single Family Mortgage Programs. Proceeds of Bonds under the Master Indenture are expected to be used to finance Second Mortgage Loans relating to such first mortgage loans financed by and securing the GNMA Securities. See "THE SINGLE FAMILY MORTGAGE PROGRAM – Special Program Features – Second Mortgage Loans" in this Supplement.

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

#### *General Obligations*

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

Multi-Family/Project Bonds. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of August 1, 2009 in an aggregate principal amount of \$281,625,000) in order to finance business loans which are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class II Multi-Family/Project Bonds (outstanding as of August 1, 2009 in the aggregate principal amount of \$22,860,000) and Class III Multi-Family/Project Bonds (outstanding as of August 1, 2009 in an aggregate principal amount of \$2,110,000) 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 August 1, 2009 was \$785,000. 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 \$82,505,000 as of August 1, 2009, are payable from mortgage loan revenues under the Master Indenture and are also general obligations of the Authority. See **Appendix B-1** to this Supplement for more information about these Class III Bonds.

General Obligation Bonds. The Authority has financed an uninsured rental loan in connection with a housing project in the City and County of Denver using proceeds of its publicly-offered general obligation housing bonds. As of August 1, 2009, such bonds, secured by a general obligation pledge of the Authority and loan revenues, were outstanding in an aggregate principal amount of \$3,070,000. In connection with its Special Projects financing program, the Authority has financed a business loan to the Colorado Municipal League through the public offering of general obligation bonds. As of August 1, 2009, such bonds were outstanding in the aggregate principal amount of \$980,000.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of August 1, 2009, such privately placed bonds were outstanding in an aggregate principal amount of \$26,204,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of August 1, 2009 in the aggregate principal amount of \$28,114,000. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of August 1, 2009, such privately placed bonds were outstanding in an aggregate principal amount of \$38,201,246.

Loans Backed by Authority General Obligation. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of, and pledged to the repayment of, its Multi-Family/Project Bonds, outstanding as of August 1, 2009 in the aggregate principal amount of \$338,802,594. The Authority has pledged its full faith and credit to the payment of a substantial portion of such loans. The Authority has also assumed, as a general obligation, 50% risk of loss in the mortgage loans acquired by the Authority and insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of August 1, 2009, such 542(c) mortgage loans were outstanding in the amount of approximately \$270 million (\$40 million held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds and \$230 million 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 \$8.4 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 and for the Fox Run Apartments project in the approximate aggregate principal amount of \$3.45 million have also defaulted. The Authority has filed insurance claims and received insurance proceeds from HUD with respect to these loans. It is likely that the Authority will incur a risk-sharing liability with respect to these loans, for which the Authority believes it is adequately reserved.

Interest Rate Contracts; Derivative Products. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Interest Rate Contracts relating to the Bonds under the Master Indenture and under the derivative products relating to the Multi-Family/Project Bonds under the Multi-Family/Project Master Indenture. See **Appendix B-1 – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations"** to this Supplement. See also "Authority Policy Regarding Derivatives" under this caption and footnote (7) to the audited 2008 financial statements of the Authority.

Other Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for borrowings from time to time. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of August 1, 2009, \$141,500,000 in borrowings were outstanding under those agreements. See footnote (5) to the audited 2008 financial statements of the Authority. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of August 1, 2009 in the aggregate principal amount of \$1,055,795), which have been used to finance project or working capital loans or participations therein for small businesses in rural areas. The Authority has pledged its full faith and credit to the payment of such notes.

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

*Summary of Certain Authority Obligations*

The following is a table which lists certain obligations of the Authority and sets forth the respective outstanding amount for such obligations as of August 1, 2009. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority" in this Supplement.

**Summary of Certain Authority Obligations as of August 1, 2009**

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (August 1, 2009)</u>
Multifamily Housing Insured Mortgage Revenue Bonds	\$116,110,000
Multi-Family/Project Bonds	878,445,000
Single Family Program Senior/Subordinate Bonds	65,691,163
Single Family Mortgage Bonds (1)	2,314,190,000
General Obligation Bonds:	
Rental Finance (Denver Dry Project)	3,070,000
Business Finance (Colorado Municipal League Project)	980,000
Privately Placed Bonds:	
Rental Finance	26,204,000
Business Finance	28,114,000
Single Family	38,201,246

(1) These are the Bonds issued and outstanding under the Master Indenture. See **Appendix B-1** to this Supplement for more information about the Bonds.

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The following table identifies the specific components of the Authority Obligations listed on the preceding table which are general obligations of the Authority as well as other general obligations of the Authority as of August 1, 2009. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority" in this Supplement.

**General Obligations of the Authority as of August 1, 2009**

<b>General Obligations</b>	<b>Outstanding Amount (August 1, 2009)</b>
Multi-Family/Project Bonds:	
Class I	\$281,625,000
Class II	22,860,000
Class III	2,110,000
Single-Family Program Subordinate Bonds	785,000
Single Family Mortgage Bonds, Class III	82,505,000
General Obligation Bonds:	
Rental Finance (Denver Dry Project)	3,070,000
Business Finance (Colorado Municipal League Project)	980,000
Privately Placed Bonds:	
Rental Finance	26,204,000
Business Finance	28,114,000
Single Family	38,201,246
Other Borrowings:	
Line of Credit	141,500,000
Rural Business Cooperative Service Notes	1,055,795

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## **TERMS OF THE 2005 SERIES B BONDS**

### **Adjustable 2005 Series B-2 Bonds**

#### *Generally*

No 2005B Remarketed Bonds will bear interest at an interest rate higher than the Maximum Rate. "Maximum Rate" is defined by the 2005 Series B Indenture to mean, with respect to the 2005B Remarketed Bonds, the greatest of (a) 12% per annum, (b) 150% of Three-Month LIBOR and (c) 150% of the yield on actively traded 30-year United States Treasury Bonds (as published in the Wall Street Journal or, if no longer published in the Wall Street Journal, such other publication designated by the 2005B Liquidity Facility Provider), but in any case not greater than the maximum rate of interest permitted by applicable law. "Three-Month LIBOR" means the rate for deposit in U.S. Dollars for a period of three months which appears on the Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on the day that is two London Banking Days preceding any date of determination. The term "London Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England.

#### *Determination of Interest Rate*

References in the Official Statement to "BMA Municipal SWAP Index" shall be replaced by a reference to the "SIFMA Index" which is defined by the 2005 Series B Indenture to mean, with respect to any 2005B Remarketed Bond in the Weekly Mode for which a rate is not set pursuant to the 2005 Series B Indenture, the rate per annum determined on the basis of the seven-day high grade market index published weekly based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by the Indexing Agent which meet specific criteria established by the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association and the Public Securities Association).

References to "Lehman Brothers Commercial Paper Index" shall be replaced by a reference to the "Barclays Capital Tax Exempt Commercial Paper Index" which is defined by the 2005 Series B Indenture to mean the index representing the average rate of Barclays Capital Inc.'s portfolio of all tax-exempt commercial paper with maturities between 25 and 36 days underwritten during the seven days prior to and including each Tuesday, the day upon which the index is calculated.

### **Prior Redemption**

#### *Selection of 2005 Series B Bonds Within a Maturity*

If less than all the 2005 Series B Bonds of like Class, series and maturity are to be redeemed on any one date, the particular 2005 Series B Bonds or the respective portions thereof to be redeemed are to be selected (a) with respect to the Taxable 2005 Series B-1 Bonds, pro rata among the Participants (for pro rata distribution by the Participants to the beneficial owners of Taxable 2005 Series B-1 Bonds) based on the principal amounts of such Taxable 2005 Series B-1 Bonds shown on the records of the Securities Depository for such respective Participants, and not by lot, and (b) with respect to 2005 Series B Bonds other than the Taxable 2005 Series B-1 Bonds, by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate; provided, in any case, that 2005 Series B Bonds bearing interest at the Weekly Rate, the Daily Rate or the Commercial Paper Rate shall be selected for

redemption so as to assure that after such redemption no Owner shall retain 2005 Series B Bonds in an aggregate amount less than \$100,000. Notwithstanding the provisions of the Indenture described above, in the event of any redemption under the 2005 Series B Indenture, Bank Bonds are to be redeemed prior to any other 2005 Series B Class I Bonds.

## **CERTAIN PROGRAM ASSUMPTIONS**

### **Insurance Limitations and Requirements**

The 2005 Series B Indenture requires that 2005 Series B Mortgage Loans (i) be insured by the FHA, (ii) be guaranteed by the VA, HUD or the Rural Housing Service (formerly the RHCDS, a successor agency to the FmHA), (iii) be Private Mortgage Insurance Mortgage Loans, (iv) be a Mortgage Loan which is not insured or guaranteed but (except for any second mortgage) has an original principal amount less than 80% of the appraised value (at the time of origination of such Mortgage Loan) or purchase price, whichever is less, of the property securing such Mortgage Loan (an "**Uninsured Mortgage Loan**") or (v) otherwise be a type of Mortgage Loan the acquisition of which (as confirmed by each Rating Agency) will not adversely affect such Rating Agency's then current rating on any Bonds. Furthermore, the Authority may use amounts in the Acquisition Account to acquire First and Second Mortgage Loans originated under the HUD Section 184 Indian Housing Guarantee Program, which provides a 100% loan guarantee to the Authority. See "THE SINGLE FAMILY MORTGAGE PROGRAM" in this Supplement and **Appendix I** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE" to this Supplement.

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

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As of August 1, 2009, the following Private Insurers were providing insurance for the respective percentages of First Mortgage Loans (based on outstanding principal balance):

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

<u>Name of Private Insurer (3)</u>	<u>Percentage of Trust Estate (1)</u>	<u>Percentage of Private Mortgage Insurance Mortgage Loans (2)</u>
Mortgage Guaranty Ins.	6.83%	37.25%
Genworth	5.10	27.79
RMIC	2.27	12.36
United Guaranty Corp.	2.07	11.30
PMI Mortgage Insurance	1.12	6.13
Triad Guaranty Insurance	0.56	3.04
Radian Guaranty Inc.	<u>0.39</u>	<u>2.12</u>
<b>Total Percentage</b>	<b>18.34%</b>	<b>100.00%</b>

- (1) Aggregate principal balance of First Mortgage Loans in the Trust Estate as of August 1, 2009 was approximately \$1.87 billion.
- (2) Aggregate principal balance of First Mortgage Loans as of August 1, 2009 which were Private Mortgage Insurance Mortgage Loans was approximately \$343.5 million.
- (3) The ratings of several of these Private Insurers have been downgraded since the time that the Private Mortgage Insurance Mortgage Loans in the Trust Estate which are insured by such Private Insurers were originated, and such ratings are in most cases below the rating levels which were required for such Private Insurers by the applicable series indentures at the time of such originations.

As of August 1, 2009, 18.34% of the \$1.87 billion aggregate principal amount of First Mortgage Loans in the Trust Estate were Private Mortgage Insurance Mortgage Loans. Due to the downgrade in the ratings of most Private Insurers, there has been a significant reduction of Private Mortgage Insurance Mortgage Loans being purchased by the Authority and an increase in the number of government insured or guaranteed Mortgage Loans being purchased by the Authority during the past two years. The Authority currently does not accept reservations for mortgage loans which are Private Mortgage Insurance Mortgage Loans except in very limited circumstances.

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## Investments

In connection with the prior issuance of Bonds outstanding under the Master Indenture, the Authority has invested certain amounts in Series subaccounts of Funds related to such Bonds in investment agreements with the investment providers and at the rates currently in effect as set forth in the following table:

### Outstanding Investment Agreements

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Provider(1)</u>	<u>Rate</u>	<u>Termination Dates</u>
2001AA	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5.30%/3 month LIBOR	5/1/36
2001AA	Debt Service Reserve Fund	Trinity Funding Company, LLC	5.30%	5/1/36
2002A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	5.10%	11/1/32
2002A	Debt Service Reserve Fund	Trinity Funding Company, LLC	5.60%	11/1/32
2002B	Revenue Fund, Redemption Fund	IXIS Funding Corp. (2)	4.85%	11/1/32
2003B	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	4.13%	11/1/32
2004B	Revenue Fund, Redemption Fund	IXIS Funding Corp. (2)	4.85%	11/1/34
2006A	Revenue Fund, Redemption Fund	IXIS Funding Corp. (2)	4.85%	11/1/36
2006A	Debt Service Reserve Fund	Rabobank International	4.71%	11/1/36
2006B	Debt Service Reserve Fund	Royal Bank of Canada	5.56%	11/1/36
2008A	Revenue Fund, Redemption Fund	Natixis Funding Corp. (3)	4.271%	11/1/38

- (1) Neither the Authority nor the 2005B Remarketing Agent makes any representation about the financial condition or creditworthiness of the Investment Providers. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS" in the Official Statement.
- (2) Following the downgrade of IXIS Funding Corp. (now known as Natixis Funding Corp.) by S&P from "AA-/A-1+" to "A+/A-1" on October 28, 2008, Natixis Funding Corp. opted, pursuant to its rights under the applicable investment agreement, to post collateral to secure the applicable investment agreement until December 1, 2009, at which time Natixis Funding Corp. may either post collateral for another period, assign the investment agreement to another qualified investment agreement provider, or obtain a replacement guarantor to enhance its capital position. If Natixis does not take any of such actions on December 1, 2009, and their ratings as issued by Moody's and S&P are at that time below "Aa3/P1" by Moody's or "AA-/A-1+" by S&P, the Trustee may request the return of the moneys invested under the applicable investment agreement.
- (3) The downgrade of Natixis Funding Corp. on October 28, 2008 described in footnote 2 above did not cause a "ratings event" under these investment agreements which provide for such a "ratings event" upon a downgrade by S&P below "A+/A1" or by Moody's below "A1/P1." Consequently, these investment agreements are not secured by collateral at this time.

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

The assumptions made by the Authority as to projected cashflows under the Indenture include the assumption that the investment rates provided by the Investment Agreements shown on the preceding table will be available as described. However, in the event that the Investment Agreement shown on the preceding table is terminated as a result of default by the respective investment provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the 2005B Remarketing Agent makes any representation about the financial condition or creditworthiness of any of the investment providers shown on the preceding table. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of all such investment providers shown on the preceding table.*

## **REMARKETING AGENTS**

### **2005B Remarketing Agent**

Barclays Capital Inc. is serving as Remarketing Agent for the 2005B Remarketed Bonds (the "**2005B Remarketing Agent**") pursuant to an Amendment dated September 2, 2009 to the original Remarketing Agreement dated as of July 1, 2005 between the Authority and Barclays Capital Inc., as successor to Lehman Brothers Inc. (the "**Remarketing Agreement**"). If 2005B Remarketed Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2005 SERIES B BONDS – Adjustable 2005 Series B-2 Bonds – Optional Tender and Purchase" and "– Mandatory Purchase" in the Official Statement, the 2005B Remarketing Agent is required to use its best efforts to remarket such 2005B Remarketed Bonds in accordance with the terms of the Indenture and the Remarketing Agreement at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the applicable purchase date. The 2005B Remarketing Agent is also responsible for determining the rates of interest for such 2005B Remarketed Bonds in accordance with the 2005 Series B Indenture. The 2005B Remarketing Agent is to transfer any proceeds of remarketing of the 2005B Remarketed Bonds it receives to the Paying Agent for deposit in accordance with the 2005 Series B Indenture.

The 2005B Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement upon providing the Authority, the Trustee, the Paying Agent and the 2005B Liquidity Facility Provider with thirty (30) days' prior written notice except that such resignation shall not take effect until the appointment of a successor remarketing agent. The 2005B Remarketing Agent may be removed at any time, at the direction of the Authority, except that the Authority shall not remove the 2005B Remarketing Agent until the appointment of a successor remarketing agent under the 2005 Series B Indenture. The appointment of any successor remarketing agent shall be subject to the prior written consent of the 2005B Liquidity Facility Provider. Upon the resignation or removal of the 2005B Remarketing Agent, the Authority is to promptly cause the Tender Agent to give notice thereof by mail to all Owners and to any rating agency which has assigned a rating to the 2005B Remarketed Bonds. The 2005B Remarketing Agent shall pay over, deliver and assign any monies and 2005B Remarketed Bonds held by it in such capacity to its successor.

### **Remarketing Agents for Adjustable Rate Bonds**

Barclays Capital Inc. is currently serving as the remarketing agent for all of the Adjustable Rate Bonds outstanding under the Master Indenture pursuant to certain remarketing agreements with the Authority. The Authority has determined to remove Barclays Capital Inc. and appoint several other entities as successor remarketing agents for certain of the Series of Adjustable Rate Bonds. Upon

completion of such appointments and execution of remarketing agreements between the Authority and such successor entities, Barclays Capital Inc. and such successor entities shall be referred to as the "Remarketing Agents" for purposes of this Supplement. Prior to such time, the references in this Supplement to "Remarketing Agents" shall refer solely to Barclays Capital Inc.

### **The Remarketing Agents are Paid by the Authority**

The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing the Adjustable Rate Bonds that are optionally tendered by the owners thereof, all as further described in this Supplement and the Official Statement with respect to the 2005B Remarketing Agent. The Remarketing Agents are appointed by the Authority and are paid by the Authority for their services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of Adjustable Rate Bonds.

### **The Remarketing Agents Routinely Purchase Bonds for their Own Account**

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

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

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

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

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

## **CERTAIN BONDOWNERS' RISKS**

### **Risks Related to the Liquidity Providers and the Liquidity Facilities**

#### *Creditworthiness of the Liquidity Providers*

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

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

#### *Inability to Obtain Substitute Liquidity Facility*

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

### *Increased Costs Associated with Bank Bonds*

Pursuant to the Liquidity Facilities, certain unpaid fees will bear interest at the "Default Rate" and Bank Bonds will bear interest at a rate as set forth in the related Liquidity Facilities. Those interest rates can be substantially higher than the variable rate that otherwise would apply to the calculation of interest on the Adjustable Rate Bonds; any increase in those interest rates increases the amount of interest payable by the Trust Estate under the Master Indenture and may affect its sufficiency to pay the Bonds. As of the date hereof, certain Adjustable Rate Bonds have been tendered and, since they have not been successfully remarketed, such Adjustable Rate Bonds have become Bank Bonds. These outstanding Bank Bonds bear interest at rates substantially higher than the variable rate that would otherwise apply and, in connection with several Series, principal and interest on such Bank Bonds will be payable under the accelerated amortization provisions of the related Liquidity Facility. Payment of such interest on Bank Bonds is on parity with the lien of the related Adjustable Rate Bonds which have been purchased, except that payments due on the Bank Bonds following any acceleration by the Liquidity Facility Provider will be Class III Obligations and constitute general obligations of the Authority. See "Inability to Obtain Substitute Liquidity Facility" under this caption.

### **Risks Related to Interest Rate Contracts**

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

The payment obligations of the Authority under the Interest Rate Contracts do not remove the obligations of the Authority to pay interest on the related Series of Bonds from the Trust Estate. A negative change to the financial position of any of the Counterparties (including bankruptcy or insolvency) at any time may negatively impact payments to the Authority pursuant to the applicable Interest Rate Contract to an extent that cannot be determined. In addition, each Interest Rate Contract is subject to termination upon the occurrence of certain events, and no assurance can be given that the Interest Rate Contracts, or any of them, will continue to be in effect. None of the Interest Rate Contracts provide a source of credit or security for the Bonds. The Owners of the Bonds do not have any rights under any Interest Rate Contract or against any Counterparty. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Interest Rate Contracts" in the Official Statement. See also **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Outstanding Interest Rate Contracts" to this Supplement. See footnote (7) to the audited 2008 financial statements of the Authority for a description of certain further risks associated with the Interest Rate Contracts.

## **THE SINGLE FAMILY MORTGAGE PROGRAM**

The following sections describe requirements for the Mortgage Loans which are based on requirements in the Act or derive from general policies and limits established by the Authority for qualification of Mortgage Lenders, Servicers, Borrowers and Eligible Properties as well as basic requirements for Mortgage Loans (with noted exceptions). As indicated, certain requirements described below relate only to Mortgage Loans made as a part of the Authority's Qualified Single Family Mortgage Program. A number of the procedures described below may not apply to the Zero Interest First Mortgage Loans. *It is expected that there will be variations in particular cases and that the policies and procedures of the Authority will be modified from time to time consistent with the Act, the Indenture and any procedures applicable to the Mortgage Loans.*

### **Communication of Program Information**

The Authority communicates information on its website ([www.chfainfo.com](http://www.chfainfo.com)) and through subscription Internet services regarding the 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. The Seller's Guide describes each Program parameters, mortgage purchase prices, discounts, income limits and other parameters and information necessary for Mortgage Lenders to determine the eligibility of Applicants, residences and Mortgage Loans under the Program. The Seller's Guide is incorporated by reference into the Mortgage Purchase Agreement entered into between the Authority and each respective participating Mortgage Lender for eligible Mortgage Loans. See "Mortgage Purchase Agreements" under this caption.

### **Reservation, Delivery and Acquisition of Mortgage Loans**

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

In connection with any First Mortgage Loan (with the exception of Zero Interest Loans) 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 does not have to be from the Borrower's own funds although it must be from a source acceptable to the First Mortgage Loan insurer or guarantor. The Authority or the Trustee will acquire First Mortgage Loans from the Mortgage Lenders with available funds of the Authority at a price sufficient, in some cases, to pay additional lender fees and reimburse Mortgage Lenders for any upfront mortgage insurance premiums paid on behalf of the Authority. The Authority or the Trustee will also use available funds to reimburse Mortgage Lenders for any related Second Mortgage Loans originated by such Mortgage Lenders on behalf of the Authority in connection with such First Mortgage Loans.

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

## **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 or Eligible Veterans will not be subject to this requirement. Each Applicant must also intend to occupy the Eligible Property as his or her principal place of residence.

### *Purchase Price Limitations*

In the case of Mortgage Loans made in the Qualified Single Family Mortgage Program, the Purchase Price of an Eligible Property financed in connection with such a Mortgage Loan may not exceed certain Purchase Price limits as established by the Authority. The Authority has established Purchase Price limits for Eligible Properties, with no differentiation between new and existing residences, based on the county in which such Eligible Property is located. These limits range from \$236,800 to \$324,300. 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 2009-18. 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 7, 2008, an issuer of qualified mortgage bonds or mortgage credit certificates may use the revised FHA loan limit for the statistical area to compute a revised average area purchase price safe harbor for that statistical area, provided that the issuer maintains records evidencing the revised FHA loan limit. The revised average area purchase price safe harbor for that statistical area is computed by dividing the revised FHA loan limit by 0.94. When new FHA loan limits pursuant to the American Recovery and Reinvestment Act of 2009, P.L. 111-5 ("ARRA"), are published, those numbers are to be divided by 1.03 to compute a revised average area purchase price safe harbor for a statistical area. FHA issued new loan limits under ARRA on February 24, 2009, in Mortgagee Letter 2009-07. In accordance with the Tax Code, the average area purchase price may be determined by the Authority, in lieu of the safe harbor limitations described above, if the Authority uses more accurate and comprehensive data.

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

<u>Area</u>	<u>Average Purchase Price Safe Harbor</u>
Eagle County	\$663,309
Lake County	663,309
Pitkin County	663,309
Routt County	663,309
San Miguel County	663,309
Summit County	663,309
Hinsdale County	448,780
Ouray County	445,122
Garfield County	439,024
Boulder County	426,829
La Plata County	402,439
Adams County	390,244
Arapahoe County	390,244
Broomfield County	390,244
Clear Creek County	390,244
Denver County	390,244
Douglas County	390,244
Elbert County	390,244
Gilpin County	390,244
Jefferson County	390,244
Park County	390,244
Gunnison County	379,268
Grand County	328,049
Archuleta County	302,439
Chaffee County	291,463
All Other Areas	287,434

Source: Internal Revenue Service Revised Revenue Procedure 2009-18, IRB 2009-9, dated March 16, 2009.

### *Condominium Projects*

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

### *Income Limits*

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

### *Homebuyer Education Requirement*

Applicants for Mortgage Loans originated under the Qualified Single Family Mortgage Program will be required by the Authority (at the Authority's expense) to attend homebuyer education classes. Homebuyer education classes are intended to give Applicants a clearer understanding, among other

things, of their debt obligations. Applicants obtaining financing under the Authority's HomeAccess 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. The Authority requires an online financial management class in connection with all refinancing programs. See "Special Program Features – Refinancing Programs" under this caption.

### **Mortgage Purchase Agreement**

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

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 I** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE – FHA Insurance" to this Supplement) 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 1.

### **Hazard Insurance**

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

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

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

### **Special Program Features**

#### *Zero Interest First Mortgage Loans*

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

#### *JumpStart Tax Credit Program*

The Authority may use amounts in the Acquisition Account to acquire Mortgage Loans originated under the Authority's JumpStart Tax Credit Program. In order to give borrowers access to the First Time Homebuyer Tax Credit made available under the American Recovery and Reinvestment Act of 2009, the Authority created the JumpStart Tax Credit Program, a statewide First and Second Mortgage Loan program available to first time homebuyers. Under the JumpStart Tax Credit Program, the Authority may make First and Second Mortgage Loans to eligible borrowers that meet certain income limit requirements to purchase eligible property not exceeding certain purchase price limits, and subject to certain other restrictions. A JumpStart Tax Credit First Mortgage Loan is payable on a monthly basis over a thirty year term. Second Mortgage Loans available under the JumpStart Tax Credit Program may be used for down payments and/or closing costs. Eligible Borrowers may receive a Second Mortgage Loan in an amount of up to three and one-half percent (3.5%) of the First Mortgage Loan amount or \$6,000, whichever is less. Such a Second Mortgage Loan is only available in conjunction with a JumpStart Tax Credit First Mortgage Loan. Interest on a Second Mortgage Loan under the JumpStart Tax Credit Program is payable at a zero percent (0%) interest rate only until June 30, 2010, after which interest must be paid on a monthly basis over a ten year term at an annual interest rate of eight percent (8%).

#### *Second Mortgage Loans*

Proceeds of certain Bonds have in the past been used by the Authority to acquire Second Mortgage Loans made to Borrowers of First Mortgage Loans. The Authority expects in the future to offer Second Mortgage Loans under the Single Family Mortgage Programs and to fund such Second Mortgage Loans with Bond proceeds, including such Second Mortgage Loans made to Borrowers of First Mortgage Loans as well as Second Mortgage Loans originated under the Master Indenture in connection with first mortgage loans purchased and pledged to repay certain GNMA Securities expected to be issued by the

Authority. Under most programs, Second Mortgage Loans have been and will be originated for three percent (3%) of the first mortgage loan amount at a zero percent (0%) interest rate or on an interest-bearing basis, with a term of thirty (30) or forty (40) years. See **Appendix B-2** to this Supplement for information regarding the outstanding Second Mortgage Loans under the Master Indenture. Generally, Second Mortgage Loans are due in full upon the sale of the property, the refinance of the related First Mortgage Loan, payment in full of the related First Mortgage Loan, default of the related First Mortgage Loan, transfer of title, or if the property is no longer the Borrower's principal residence. Repayment of the entire balance of the Second Mortgage Loan is due in month three-hundred sixty (360) or four-hundred eighty (480) (after repayment of the thirty (30) or forty (40) year first mortgage loan). The Second Mortgage Loan can be prepaid in full or in part at any time without penalty. The Second Mortgage Loan is assumable, subject to the assumptor's eligibility as it relates to the applicable Program Income Limits at the time of assumption, the assumptor's first-time homebuyer status (as applicable), and approval of the Authority.

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

#### *Refinancing Programs*

Proceeds of the Bonds (or amounts exchanged therefor) provide funding for the Authority's mortgage purchase activities under the 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 and expects to offer a new 30-year, FHA insured, cash out refinancing program to be used for borrowers who wish to combine existing first and second mortgage loans, the proceeds of which were used to acquire an Eligible Property. 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" in the Official Statement.

#### *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.

### **RATINGS**

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the 2005B Remarketed Bonds ratings of "Aaa/VMIG 1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the 2005B Liquidity Facility by the 2005B Liquidity Facility Provider. Such ratings reflect only the views of Moody's and S&P, respectively, at the time such ratings are given, and are not a recommendation to buy, sell or hold the 2005B Remarketed Bonds. The Authority makes no representation as to the appropriateness of such ratings. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if, in the judgment of the issuing rating agency, 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 2005B Remarketed Bonds. The Authority has no obligation to oppose, or to provide Owners of the 2005B Remarketed Bonds with notice of, any such revision or withdrawal of a rating.

### **CERTAIN RELATIONSHIPS OF PARTIES**

Barclays Capital Inc. is acting as the 2005B Remarketing Agent of the 2005B Remarketed Bonds. Barclays Bank PLC, an affiliate of Barclays Capital Inc., is also acting as the 2005B Liquidity Facility Provider as described in this Supplement. Barclays Bank PLC has also acted as a counterparty to the Authority under certain derivatives described in **Appendix B-1** to this Supplement.

## **INDEPENDENT AUDITORS**

The financial statements of the Authority as of and for the years ended December 31, 2008 and 2007, 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. These financial statements are available from the Authority's website, **[www.chfainfo.com](http://www.chfainfo.com)**.

### **COLORADO HOUSING AND FINANCE AUTHORITY**

By: /s/ Milroy A. Alexander  
Executive Director

## APPENDIX B-1

### The Outstanding Bonds and Auxiliary Obligations

#### The Outstanding Bonds

As of August 1, 2009, the Authority had issued the following Series of Bonds under the Master Indenture in the Classes as indicated:

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (August 1, 2009)</u>
<b>2001 Series AA:</b>		
Adjustable 2001 Series AA-1 (Class I)	\$50,000,000	\$50,000,000
Adjustable 2001 Series AA-2 (Class I)	46,840,000	46,840,000
Adjustable 2001 Series AA-3 (Class I)	25,000,000	25,000,000
2001 Series AA-4 (Class II)	10,000,000	10,000,000
<b>2002 Series A:</b>		
Adjustable 2002 Series A-1 (Class I)	\$41,000,000	\$19,455,000
Adjustable 2002 Series A-2 (Class I)	12,990,000	4,430,000
Adjustable 2002 Series A-3 (Class I)	23,075,000	20,380,000
2002 Series A-4 (Class I)	4,545,000	3,965,000
2002 Series A-5 (Class II)	12,455,000	12,455,000
<b>2002 Series B:</b>		
Adjustable 2002 Series B-1 (Class I)	\$15,000,000	\$12,195,000
Adjustable 2002 Series B-2 (Class I)	60,000,000	28,820,000
Adjustable 2002 Series B-3 (Class I)	40,000,000	40,000,000
2002 Series B-4 (Class II)	5,000,000	5,000,000
2002 Series B-5 (Class III)	15,000,000	140,000
2002 Series B-6 (Class I)	44,340,000	--
<b>2002 Series C:</b>		
Adjustable 2002 Series C-1 (Class I)	\$30,000,000	\$28,785,000
Adjustable 2002 Series C-2 (Class I)	75,000,000	29,460,000
Adjustable 2002 Series C-3 (Class I)	40,000,000	40,000,000
2002 Series C-4 (Class II)	10,000,000	10,000,000
2002 Series C-5 (Class III)	17,000,000	2,700,000
2002 Series C-6 (Class I)	51,000,000	--
<b>2003 Series A:</b>		
Adjustable 2003 Series A-1 (Class I)	\$42,000,000	\$16,990,000
Adjustable 2003 Series A-2 (Class I)	20,000,000	20,000,000
2003 Series A-3 (Class II)	7,000,000	7,000,000
2003 Series A-4 (Class III)	9,000,000	4,965,000
2003 Series A-5 (Class I)	28,000,000	--
<b>2003 Series B:</b>		
Adjustable 2003 Series B-1 (Class I)	\$40,000,000	\$37,840,000
Adjustable 2003 Series B-2 (Class I)	80,000,000	44,420,000
Adjustable 2003 Series B-3 (Class I)	60,000,000	60,000,000
2003 Series B-4 (Class III)	20,000,000	4,610,000
2003 Series B-5 (Class I)	54,000,000	--

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (August 1, 2009)</u>
<b>2003 Series C:</b>		
Adjustable 2003 Series C-1 (Class I)	\$70,000,000	\$38,470,000
Adjustable 2003 Series C-2 (Class I)	40,000,000	40,000,000
2003 Series C-3 (Class III)	13,000,000	5,700,000
2003 Series C-4 (Class I)	30,000,000	--
2003 Series C-5 (Class I)	70,275,000	--
<b>2004 Series A:</b>		
Adjustable 2004 Series A-1 (Class I)	\$60,000,000	\$40,575,000
Adjustable 2004 Series A-2 (Class I)	50,000,000	50,000,000
2004 Series A-3 (Class III)	13,000,000	5,340,000
2004 Series A-4 (Class I)	85,000,000	--
2004 Series A-5 (Class I)	104,000,000	--
<b>2004 Series B:</b>		
Adjustable 2004 Series B-1 (Class I)	\$50,000,000	\$33,670,000
Adjustable 2004 Series B-2 (Class I)	40,000,000	40,000,000
2004 Series B-3 (Class III)	11,000,000	5,810,000
2004 Series B-4 (Class I)	82,335,000	--
<b>2005 Series A:</b>		
Adjustable 2005 Series A-1 (Class I)	\$50,000,000	\$39,555,000
Adjustable 2005 Series A-2 (Class I)	40,000,000	40,000,000
2005 Series A-3 (Class III)	10,000,000	5,285,000
2005 Series A-4 (Class I)	11,300,000	--
2005 Series A-5 (Class I)	13,095,000	--
<b>2005 Series B:</b>		
2005 Series B-1A (Class I)	\$40,000,000	\$26,525,000
2005 Series B-1B (Class I)	40,000,000	26,525,000
Adjustable 2005 Series B-2 (Class I)	80,000,000	80,000,000 (1)
2005 Series B-3 (Class II)	20,000,000	20,000,000
2005 Series B-4 (Class I)	102,270,000	--
2005 Series B-5 (Class I)	36,230,000	--
<b>2006 Series A:</b>		
Adjustable 2006 Series A-1 (Class I)	\$30,000,000	\$14,235,000
Adjustable 2006 Series A-2 (Class I)	20,590,000	20,590,000
Adjustable 2006 Series A-3 (Class I)	40,000,000	40,000,000
2006 Series A-4 (Class II)	19,410,000	19,410,000
2006 Series A-5 (Class I)	70,700,000	--
<b>2006 Series B:</b>		
Adjustable 2006 Series B-1 (Class I)	\$60,000,000	\$46,000,000
Adjustable 2006 Series B-2 (Class I)	49,325,000	49,325,000
Adjustable 2006 Series B-3 (Class I)	62,945,000	62,945,000
2006 Series B-4 (Class II)	20,000,000	11,190,000
2006 Series B-5 (Class I)	87,000,000	--
<b>2006 Series C:</b>		
Adjustable 2006 Series C-1 (Class I)	\$60,000,000	\$45,995,000
Adjustable 2006 Series C-2 (Class I)	70,700,000	70,700,000
2006 Series C-3 (Class II)	29,300,000	29,300,000

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (August 1, 2009)</u>
<b>2007 Series A:</b>		
Adjustable 2007 Series A-1 (Class I)	\$70,000,000	\$68,640,000
Adjustable 2007 Series A-2 (Class I)	70,000,000	70,000,000
2007 Series A-3 (Class III)	35,000,000	24,000,000
<b>2007 Series B:</b>		
Adjustable 2007 Series B-1 (Class I)	\$120,000,000	\$120,000,000
Adjustable 2007 Series B-2 (Class I)	50,000,000	50,000,000
Adjustable 2007 Series B-3 (Class II)	50,000,000	50,000,000
<b>2008 Series A:</b>		
Adjustable 2008 Series A-1 (Class I)	\$ 60,000,000	\$ 60,000,000
Adjustable 2008 Series A-2 (Class I)	170,000,000	170,000,000
Adjustable 2008 Series A-3 (Class I)	80,000,000	80,000,000
2008 Series A-4 (Class II)	15,000,000	15,000,000
2008 Series A-5 (Class III)	23,955,000	23,955,000
<b>2009 Series A:</b>		
2009 Series A-1 (Class I)	<u>\$90,000,000</u>	<u>\$90,000,000</u>
Total Class I Bonds:	\$3,238,555,000	\$2,042,330,000
Total Class II Bonds:	198,165,000	189,355,000
Total Class III Bonds:	166,955,000	82,505,000
Total Class IV Bonds:	None	None

(1) These are the 2005B Remarketed Bonds.

## The Outstanding Auxiliary Obligations

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

### *Liquidity Facilities*

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

### Outstanding Liquidity Facilities and Providers

<u>Series of Adjustable Rate Bonds</u>	<u>Related Liquidity Facility Provider</u>	<u>Expiration Date of Liquidity Facility</u>
2001AA-1, AA-2, and AA-3	Landesbank Hessen-Thüringen Girozentrale	December 31, 2015 (1)
2002A-1, A-2, and A-3	Federal Home Loan Bank of Topeka	April 25, 2012
2002B-1, B-2, and B-3	Lloyds TSB Bank plc	May 2, 2010
2002C-1, C-2, and C-3	Lloyds TSB Bank plc	May 2, 2010
2003A-1 and A-2	Lloyds TSB Bank plc	May 2, 2010
2003B-2	JPMorgan Chase Bank	December 16, 2009
2003B-3	Federal Home Loan Bank of Topeka	December 16, 2013
2003C-1	JPMorgan Chase Bank	December 16, 2009
2003C-2	Dexia Credit Local	April 13, 2012
2004A-1 and A-2	Dexia Credit Local	April 13, 2012
2004B-1 and B-2	Dexia Credit Local	April 13, 2012
2005A-1 and A-2	Dexia Credit Local	April 13, 2012
2005B-2	Barclays Bank PLC (2)	September 2, 2010 (2)
2006A-1, A-2 and A-3	Federal Home Loan Bank of Topeka	May 6, 2014
2006B-1	DEPFA Bank plc	July 26, 2014
2006B-2 and B-3	Federal Home Loan Bank of Topeka	June 3, 2014
2006C-1	DEPFA Bank plc	December 20, 2014
2006C-2	Federal Home Loan Bank of Topeka	June 24, 2014
2007A-1	DEPFA Bank plc	May 1, 2015
2007A-2	Federal Home Loan Bank of Topeka	June 24, 2014
2007B-1 and B-3	KBC Bank N.V.	October 18, 2012
2007B-2	Dexia Credit Local	October 18, 2017
2008A-1	BNP Paribas	June 3, 2011
2008A-2 and A-3	Dexia Credit Local	June 4, 2011

(1) Notwithstanding this expiration date, the Liquidity Facility Provider has the option to terminate the Liquidity Facility on April 1, 2010.

(2) To be effective in connection with the remarketing of the 2005B Remarketed Bonds described in this Supplement expected to occur on September 2, 2009.

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

*Outstanding Interest Rate Contracts*

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

<b><u>Outstanding Interest Rate Contracts</u></b>	<b><u>Amount (1)</u></b>	<b><u>Counterparty</u></b>
<b>2001 Series AA Interest Rate Contracts:</b>		
Taxable Adjustable 2001 Series AA-2 (Class I)	\$46,840,000	Barclays Bank PLC (2)
Adjustable 2001 Series AA-3 (Class I)	15,340,000	Barclays Bank PLC (2)
<b>2002 Series A Interest Rate Contract:</b>		
Adjustable 2002 Series A-3 (Class I)	\$19,090,000	Barclays Bank PLC (2)
<b>2002 Series B Interest Rate Contract:</b>		
Adjustable 2002 Series B-3 (Class I)	\$40,000,000	Barclays Bank PLC (2)
<b>2002 Series C Interest Rate Contract:</b>		
Adjustable 2002 Series C-3 (Class I)	\$40,000,000	Barclays Bank PLC (2)
<b>2003 Series A Interest Rate Contract:</b>		
Adjustable 2003 Series A-2 (Class I)	\$20,000,000	Barclays Bank PLC (2)
<b>2003 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2003 Series B-1 (Class I)	\$36,065,000	Barclays Bank PLC (2)
Taxable Adjustable 2003 Series B-2 (Class I)	29,705,000	Royal Bank of Canada
Adjustable 2003 Series B-3 (Class I)	60,000,000	Barclays Bank PLC (2)
<b>2003 Series C Interest Rate Contracts:</b>		
Taxable Adjustable 2003 Series C-1 (Class I)	\$21,240,000	Bayerische Landesbank
Adjustable 2003 Series C-2 (Class I)	40,000,000	Barclays Bank PLC (2)
<b>2004 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2004 Series A-1 (Class I)	\$16,965,000	Bayerische Landesbank
Adjustable 2004 Series A-2 (Class I)	50,000,000	AIG Financial Products Corp.
<b>2004 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2004 Series B-1 (Class I)	\$14,300,000	UBS AG, Stamford Branch
Adjustable 2004 Series B-2 (Class I)	40,000,000	AIG Financial Products Corp.
<b>2005 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2005 Series A-1 (Class I)	\$20,370,000	UBS AG, Stamford Branch
Adjustable 2005 Series A-2 (Class I)	40,000,000	AIG Financial Products Corp.
<b>2005 Series B Interest Rate Contract:</b>		
Adjustable 2005 Series B-2 (Class I)	\$80,000,000	AIG Financial Products Corp. (3)
<b>2006 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series A-1 (Class I)	\$11,835,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series A-3 (Class I)	40,000,000	Bank of America, N.A.
<b>2006 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series B-1 (Class I)	\$46,000,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series B-2 (Class I)	49,325,000	Bank of America, N.A.
Adjustable 2006 Series B-3 (Class I)	62,945,000	Bank of America, N.A.
<b>2006 Series C Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series C-1 (Class I)	\$45,995,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series C-2 (Class I)	70,700,000	Bank of America, N.A.
<b>2007 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2007 Series A-1 (Class I)	\$59,430,000	JPMorgan Chase Bank, N.A.
Adjustable 2007 Series A-2 (Class I)	70,000,000	Bank of America, N.A.

**2007 Series B Interest Rate Contracts:**

Taxable Adjustable 2007 Series B-1 (Class I)	\$88,580,000	JPMorgan Chase Bank, N.A.
Adjustable 2007 Series B-2 (Class I)	50,000,000	Bank of America, N.A.
Adjustable 2007 Series B-3 (Class II)	50,000,000	Barclays Bank PLC (2)

**2008 Series A Interest Rate Contracts:**

Taxable Adjustable 2008 Series A-1 (Class I)	\$59,540,000	JPMorgan Chase Bank, N.A.
Taxable Adjustable 2008 Series A-2 (Class I)	118,280,000	Citi
Adjustable 2008 Series A-3 (Class I)	<u>80,000,000</u>	AIG Financial Products Corp.

**Total Outstanding Class I Interest Rate Contracts (1)**    \$1,482,545,000

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

(1) As of August 1, 2009.

(2) These Interest Rate Contracts have been entered in place of interest rate swap agreements previously existing between the Authority and certain affiliates of Lehman Brothers Inc. which have been terminated by the Authority.

(3) This Interest Rate Contract relates to the 2005B Remarketed Bonds.

Any payments or receipts received by the Authority under the Interest Rate Contracts are pledged under the Master Indenture as Revenues, as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Revenues" and "– Interest Rate Contracts" in the Official Statement. Other than in the case of the Interest Rate Contract relating to the Single Family Mortgage Adjustable Rate Class II Bonds, 2007 Series B-3, the Authority's obligation to make regular interest payments to the counterparties under each of the Interest Rate Contracts constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Interest Rate Contracts in the event of early termination is a general obligation of the Authority and not secured by the Trust Estate under the Master Indenture. See "CERTAIN BONDOWNERS' RISKS – Risks Related to Interest Rate Contracts" and "COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority" in this Supplement. See footnote (7) to the audited 2008 financial statements of the Authority.

**APPENDIX B-2**

**The Mortgage Loan Portfolio**

As of August 1, 2009, First Mortgage Loans with an outstanding aggregate principal balance of \$1,835,289,696 and Second Mortgage Loans with an outstanding aggregate principal balance of \$37,691,705 had been acquired in the Acquisition Account as a part of the Trust Estate. The following information with respect to such outstanding Mortgage Loans has been provided as of the dates so indicated:

<b>INFORMATION CONCERNING THE MORTGAGE LOANS AS OF AUGUST 1, 2009</b>								
Series of Bonds	Outstanding Aggregate Principal Balance of First Mortgage Loans	Aggregate Number of Outstanding First Mortgage Loans	Average Principal Balance per First Mortgage Loan	Average Coupon of First Mortgage Loans	Weighted Average Maturity of First Mortgage Loans	Outstanding Aggregate Principal Balance of Second Mortgage Loans	Aggregate Number of Outstanding Second Mortgage Loans	Average Principal Balance per Second Mortgage Loan
2001AA	\$90,411,761	910	\$99,354	6.45%	20.16	\$18,319,654	4,668	\$3,925
2002A	37,426,451	393	95,233	5.86	22.53			
2002B	55,022,025	518	106,220	5.97	23.68	578,754	156	3,710
2002C	75,269,641	675	111,511	5.84	23.89	765,975	205	3,736
2003A	35,908,493	321	111,864	5.56	23.80			
2003B	110,614,843	979	112,988	5.58	24.14	1,494,244	414	3,609
2003C	63,245,143	580	109,043	5.56	24.39			
2004A	74,718,206	644	116,022	5.48	24.97			
2004B	64,781,688	503	128,791	5.29	25.29			
2005A	66,360,838	526	115,692	5.49	25.58			
2005B	122,749,063	962	127,598	5.51	25.91			
2006A	81,259,354	652	124,631	5.54	26.31			
2006B	140,308,656	1,101	127,437	5.99	26.88	3,368,200	839	4,015
2006C	114,677,541	876	130,910	6.17	27.20	9,381,720	2,322	4,040
2007A	145,625,785	1,069	136,226	5.81	27.70	3,783,160	980	3,860
2007B	181,173,483	1,338	135,406	6.17	28.06			
2008A	292,741,618	2,064	141,832	6.32	28.60			
2009A	82,995,108	657	126,324	5.74	29.09			
Total	1,835,289,696	14,768				37,691,705	9,584	
Average for Portfolio	\$101,960,539	820	\$124,275	5.90%	26.24	\$5,384,529	1,369	\$3,933

**MORTGAGE INSURANCE INFORMATION FOR MORTGAGE LOANS  
AS OF AUGUST 1, 2009**

Series of Bonds	First Mortgage Loans					Second Mortgage Loans - Uninsured
	Private Mortgage Insurance	FHA – Insured	VA – Guaranteed	RHCDS-Guaranteed	Uninsured	
2001AA	7%	61%	5%	4%	6%	17%
2002A	2	85	6	3	3	0
2002B	4	81	6	3	5	1
2002C	6	81	7	3	2	1
2003A	2	86	9	1	2	0
2003B	3	83	5	3	4	1
2003C	3	86	5	3	4	0
2004A	5	72	10	4	8	0
2004B	4	79	13	2	1	0
2005A	5	78	10	2	5	0
2005B	6	76	11	3	5	0
2006A	10	67	14	2	6	0
2006B	23	54	8	3	9	2
2006C	25	57	5	2	4	8
2007A	41	42	7	2	7	3
2007B	41	45	6	1	6	0
2008A	31	60	5	1	3	0
2009A	1	84	4	2	9	0
Average for Portfolio	18%	65%	7%	2%	5%	2%

**INFORMATION CONCERNING PROPERTY TYPES FOR FIRST MORTGAGE LOANS  
AS OF AUGUST 1, 2009**

Series of Bonds	Single Family Detached	Condo/Townhome	Other
2001AA	80%	15%	6%
2002A	74	24	2
2002B	71	26	3
2002C	68	28	4
2003A	66	30	4
2003B	71	26	3
2003C	69	27	4
2004A	71	26	3
2004B	74	22	3
2005A	73	23	3
2005B	69	27	4
2006A	72	24	5
2006B	72	22	5
2006C	67	24	9
2007A	68	20	11
2007B	68	23	9
2008A	76	16	8
2009A	73	17	10
Average for Portfolio	72%	22%	6%

<b>FORECLOSURE AND DELINQUENCY STATISTICS  FOR FIRST AND SECOND MORTGAGES (1)  AS OF AUGUST 1, 2009</b>												
Series of Bonds	Number of Loans Financed	Number of Loans Prepaid in Full	Number of Loans Foreclosed to Date	Number of Real Estate Owned	Number of Mortgage Loans Outstanding	Number of Loan Delinquencies 60-90 Days	Value of Loans Delinquent 60-90 Days	Percentage of Total Loans Delinquent 60-90 Days*	Number of Loans in Foreclosure	Value of Loans in Foreclosure	Percentage of Loans in Foreclosure*	Percentage of All Loans Delinquent and Foreclosure*
2001AA	9,850	4,192	80	7	5,578	66	\$7,894,428	7.26%	24	\$2,962,050	2.72%	9.98%
2002A	1,188	726	69	3	393	41	4,174,484	11.15	10	804,368	2.15	13.30
2002B	1,695	921	100	4	674	40	4,420,290	7.95	14	1,279,361	2.30	10.25
2002C	2,029	1,066	83	2	880	47	5,387,341	7.09	25	2,631,421	3.46	10.55
2003A	662	298	43	2	321	24	2,673,017	7.44	11	1,280,980	3.57	11.01
2003B	2,487	1,007	87	2	1,393	76	8,522,106	7.60	22	2,549,058	2.27	9.88
2003C	934	304	50	0	580	33	3,473,105	5.49	11	1,316,549	2.08	7.57
2004A	896	203	49	1	644	52	5,757,238	7.71	27	3,214,785	4.30	12.01
2004B	683	144	36	2	503	28	3,390,031	5.23	17	1,918,622	2.96	8.19
2005A	693	131	36	0	526	44	5,307,778	8.00	14	1,580,839	2.38	10.38
2005B	1,223	211	50	5	962	66	8,401,266	6.84	33	4,529,811	3.69	10.53
2006A	769	97	20	1	652	46	5,877,823	7.23	17	1,850,834	2.28	9.51
2006B	2,213	242	31	6	1,940	93	11,430,030	7.96	32	4,099,483	2.85	10.81
2006C	3,429	213	18	2	3,198	75	8,630,860	6.96	28	3,811,673	3.07	10.03
2007A	2,123	62	12	1	2,049	68	8,958,538	6.00	16	2,225,107	1.49	7.49
2007B	1,428	81	9	1	1,338	99	13,600,564	7.51	35	4,790,062	2.64	10.15
2008A	2,143	76	3	2	2,064	167	24,352,090	8.32	32	4,867,246	1.66	9.98
2009A	662	5	0	0	657	16	2,233,020	2.69	0	0	0.00	2.69
Total	34,445	9,974	776	41	24,352	1,081	\$134,484,011	7.18%	368	\$45,712,249	2.44%	9.62%

(1) Estimated

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

As of August 1, 2009, the following balances were held in the respective subaccounts under the Master Indenture:

<u>Accounts</u>	<u>Amounts on Deposit (as of August 1, 2009) (1)(2)</u>
<u>2001AA Subaccount:</u>	
Loan Recycling Account	\$13,145,155
Loan Recycling Account (Non-Qualified)	6,492,409
<u>2002A Subaccount:</u>	
Loan Recycling Account	2,617,417
<u>2002B Subaccount:</u>	
Loan Recycling Account	3,297,526
Loan Recycling Account (Non-Qualified)	3,550,649
<u>2002C Subaccount:</u>	
Loan Recycling Account	1,220,000
Loan Recycling Account (Non-Qualified)	1,865,978
<u>2003A Subaccount:</u>	
Loan Recycling Account	2,480,950
<u>2003B Subaccount:</u>	
Loan Recycling Account	4,561,128
Loan Recycling Account (Non-Qualified)	790,000
<u>2003C Subaccount:</u>	
Loan Recycling Account	4,455,000
<u>2004A Subaccount:</u>	
Loan Recycling Account	3,639,985
<u>2004B Subaccount:</u>	
Loan Recycling Account	3,300,000
<u>2005A Subaccount:</u>	
Loan Recycling Account	3,433,844
<u>2005B Subaccount:</u>	
Loan Recycling Account	225,000
<u>2006A Subaccount:</u>	
Loan Recycling Account	1,650,000
<u>2006B Subaccount:</u>	
Loan Recycling Account	3,469,240
<u>2006C Subaccount:</u>	
Loan Recycling Account	3,385,000
<u>2007A Subaccount:</u>	
Loan Recycling Account	1,540,000
<u>2007B Subaccount:</u>	
Loan Recycling Account	1,540,000
<u>2008A Subaccount:</u>	
Acquisition Account	4,045,038
Acquisition Account (Non-Qualified)	1,537,008
<u>2009A Subaccount:</u>	
Acquisition Account	<u>1,138</u>
 Total	 <b>\$72,242,465</b>

- (1) As of August 1, 2009, mortgage loans were being held and warehoused by the Authority with a principal balance of approximately \$136 million, some of which may be designated for acquisition with amounts on deposit in the above-listed subaccounts.
- (2) Amounts on deposit in the above-listed subaccounts may also be used to acquire mortgage loans for which a reservation has been made but which have not yet been originated.

## APPENDIX C

### Certain Terms of the 2005B Liquidity Facility

The following summary of the 2005B Liquidity Facility does not purport to be comprehensive or definitive and is subject in all respects to all of the terms and provisions of the 2005B Liquidity Facility, to which reference is made hereby. Investors are urged to obtain and review a copy of the 2005B Liquidity Facility in order to understand all of its terms.

The 2005B Liquidity Facility secures only payment of the purchase price of the 2005B Remarketed Bonds bearing interest at the Weekly Rate, the Commercial Paper Rate and the Term Rate tendered for purchase as described in the Official Statement, and does not otherwise secure payment of the principal of or interest on the 2005B Remarketed Bonds. The 2005B Liquidity Facility is subject to termination as described below.

#### General

The 2005B Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Capitalized terms used in the following summary are defined in this Supplement or the 2005B Liquidity Facility and reference thereto is made for full understanding of their import.

On September 2, 2009, the Authority will enter into the 2005B Liquidity Facility with the 2005B Liquidity Facility Provider, the Paying Agent and the Trustee. The 2005B Liquidity Facility will be effective on September 2, 2009 in connection with the remarketing of the 2005B Remarketed Bonds and upon satisfaction of certain conditions set forth in the 2005B Liquidity Facility, or such other date on which the conditions set forth in the 2005B Liquidity Facility are satisfied (the "**2005B Liquidity Facility Effective Date**"). Upon compliance with the terms and conditions of the 2005B Liquidity Facility, and subject to the terms and conditions set forth therein, the 2005B Liquidity Facility requires the 2005B Liquidity Facility Provider to extend credit to the Authority by advancing funds to the Trustee to purchase Tendered Bonds on behalf of and for the account of the 2005B Liquidity Facility Provider from time to time during the Purchase Period at the Purchase Price (as defined in the 2005B Liquidity Facility). Tendered Bonds which are purchased and held by the 2005B Liquidity Facility Provider will bear interest at the Bank Rate in accordance with the 2005B Liquidity Facility.

The Purchase Period is the period from the 2005B Liquidity Facility Effective Date to and including the earliest of the close of business (New York time) on (i) September 2, 2010, as the same may be extended from time to time in accordance with the terms of the 2005B Liquidity Facility, (ii) the date on which no Eligible Bonds or Bank Bonds are Outstanding, or (iii) the date on which the Available Commitment and the 2005B Liquidity Facility Provider's obligation to purchase Eligible Bonds has been terminated in its entirety pursuant to the terms of the 2005B Liquidity Facility.

#### Commitment to Purchase Bonds

If, on any Purchase Date during the Purchase Period, the 2005B Liquidity Facility Provider receives a Notice of Bank Purchase from the Trustee in accordance with and at the location specified under the 2005B Liquidity Facility not later than 12:00 noon (New York time), the 2005B Liquidity Facility Provider shall, subject to the satisfaction of certain requirements set forth in the 2005B Liquidity Facility, transfer to the Trustee not later than 2:30 p.m. (New York time) on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds

tendered or deemed tendered for purchase on such date but not remarketed as specified in such Notice of Bank Purchase.

## **Events of Default**

The occurrence of any event set forth under the subheadings "Events of Default Not Resulting in Immediate Termination," "Events of Default Resulting in Immediate Termination" and "Events of Default Resulting in Immediate Suspension" shall constitute an Event of Default under the 2005B Liquidity Facility. Upon an Event of Default, the 2005B Liquidity Facility Provider may exercise those rights and remedies described in "Remedies" below.

### **Events of Default not Resulting in Immediate Termination**

(a) **Payments.** The Authority shall fail to pay when due any amounts owed by the Authority to the 2005B Liquidity Facility Provider pursuant to the 2005B Liquidity Facility or the Fee Letter.

(b) **Representations.** Any representation or warranty made by or on behalf of the Authority in the 2005B Liquidity Facility or in any other Related Document or in any certificate or statement delivered thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.

(c) **Covenants.** The Authority shall fail to perform certain specified covenants in the 2005B Liquidity Facility or the Authority shall fail to comply with the negative covenants in the 2005B Liquidity Facility.

(d) **Other Covenants.** The Authority shall fail to perform or observe any term, covenant or agreement (other than ones described in any other Event of Default) contained in the 2005B Liquidity Facility or in any other Related Document on its part to be performed or observed which failure continues for thirty (30) days or more.

(e) **Default.** Default by the Authority in the payment of any amount due in respect of any Debt owed to the 2005B Liquidity Facility Provider or default by the Authority in the payment of any amount due in respect of any other Debt in an aggregate amount in excess of five million Dollars (\$5,000,000), as and when the same shall become due, or default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Authority under any such mortgage, agreement or other instrument which results in such Debt becoming, or being capable of becoming, immediately due and payable (or, with respect to any Derivative Agreement, which results in such Derivative Agreement being terminated early or being capable of being terminated early).

(f) **Invalidity.** Any provision of the 2005B Liquidity Facility, the 2005B Remarketed Bonds or any other Related Document shall cease to be valid and binding, or the Authority shall contest any such provision, or the Authority or any agent or trustee on behalf of the Authority, shall deny that it has any further liability under any provision of the 2005B Liquidity Facility, the 2005B Remarketed Bonds or any other Related Document.

(g) **Other Documents.** The occurrence of any default under any Related Document other than the 2005B Liquidity Facility.

(h) **Downgrade.** The unenhanced rating of the 2005B Remarketed Bonds shall be (i) withdrawn, suspended or reduced below "A3" by Moody's or (ii) withdrawn, suspended or reduced below "A-" by S&P.

(i) **Financial Emergency.** There shall be appointed or designated with respect to the Authority, an entity such as an organization, board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it.

(j) **Change in Maximum Lawful Rate.** The Maximum Lawful Rate applicable to Bonds or Bank Bonds shall be reduced at any time.

(k) **Taxability.** A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the 2005B Remarketed Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

(l) **Material Debt Payment Default.** Any failure, wholly or partially, to make timely any payment or repayments required to be made on any Material Debt or any obligations of the Authority secured by the Trust Estate.

#### **Events of Default Resulting in Immediate Termination**

(a) **Event of Insolvency.** An Event of Insolvency shall have occurred with respect to the Authority.

(b) **Payment Default.** Any failure, wholly or partially, (i) to make timely any payment of principal of, interest on or redemption premium, if any, required to be made on the 2005B Remarketed Bonds or (ii) to make timely payments or repayments of any Parity Debt Payment.

(c) **Contest of Validity.** A senior officer of the Authority shall (i) claim that the Master Indenture or the 2005 Series B Indenture is not valid or binding on the Authority or (ii) repudiate its obligations under the 2005B Liquidity Facility, the 2005B Remarketed Bonds, the Master Indenture or the 2005 Series B Indenture or its obligation to pay or repay any Parity Debt Payment.

(d) **Invalidity.** Any court of competent jurisdiction or other governmental entity with jurisdiction to rule on the validity of the 2005B Liquidity Facility, the 2005B Remarketed Bonds, the Master Indenture or the 2005 Series B Indenture, shall find or rule that the 2005B Liquidity Facility, the 2005B Remarketed Bonds, the Master Indenture or the 2005 Series B Indenture is not valid or not binding on the Authority and such finding or ruling is final and non-appealable.

(e) **Downgrade.** The unenhanced rating of the 2005B Remarketed Bonds shall be (i) withdrawn, suspended or reduced below "Baa3" by Moody's and (ii) withdrawn, suspended or reduced below "BBB-" by S&P.

(f) **Judgments.** Entry or filing of any final and non-appealable judgment, writ or warrant of attachment or of any similar process in an amount in excess of five million Dollars (\$5,000,000) against the Authority or against any of its property and failure of the Authority to pay or satisfy such judgment within sixty (60) days or as otherwise required by such judgment, writ or warrant of attachment.

### **Events of Default Resulting in Immediate Suspension**

(a) **Involuntary Bankruptcy Proceeding.** (i) An involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, and (ii) such case has not be dismissed and (iii) fewer than sixty (60) days have elapsed since the commencement of such case or proceeding.

(b) **Initiation of Legal Proceedings.** The Authority shall initiate any legal proceedings to seek an adjudication that the 2005B Liquidity Facility, the 2005B Remarketed Bonds, the Master Indenture or the 2005 Series B Indenture or its obligation to pay or repay any Parity Debt Payment is not valid or not binding on the Authority.

### **Remedies**

Upon the occurrence of an Event of Default hereunder, the 2005B Liquidity Facility Provider may take one or more of the following actions:

(a) **Notice of Termination.** Upon the occurrence of an Event of Default described under subheading "Events of Default not Resulting in Immediate Termination" (each a "**Notice Termination Event**"), the 2005B Liquidity Facility Provider may give written notice of such Event of Default to the Authority and the Trustee stating that the 2005B Liquidity Facility shall terminate thirty (30) days after such notice is delivered by the 2005B Liquidity Facility Provider to the Trustee and directing that the 2005B Remarketed Bonds be called for Default Tender. The Available Commitment, the Purchase Period and the obligation of the 2005B Liquidity Facility Provider to purchase Eligible Bonds shall terminate thirty (30) days after such notice is delivered by the 2005B Liquidity Facility Provider to the Trustee, and on such date the Available Commitment shall terminate and the 2005B Liquidity Facility Provider shall be under no obligation under the 2005B Liquidity Facility to purchase Eligible Bonds.

(b) **Immediate Termination of Bank Obligation to Purchase.** Upon the occurrence of an Event of Default under subheading "Events of Default Resulting in Immediate Termination" (each an "**Immediate Termination Event**"), the Purchase Period and the obligation of the 2005B Liquidity Facility Provider to purchase Eligible Bonds shall immediately terminate without notice or demand, and thereafter the 2005B Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds. Upon an Immediate Termination Event, the 2005B Liquidity Facility Provider shall promptly give written notice of the same to the Trustee and the Authority; provided, that the 2005B Liquidity Facility Provider shall incur no liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Available Commitment and the 2005B Liquidity Facility Provider's obligation to purchase Eligible Bonds pursuant to the 2005B Liquidity Facility. The Trustee shall immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the 2005B Liquidity Facility Provider to purchase Eligible Bonds.

(c) ***Suspension of Bank Obligation to Purchase.*** Upon the occurrence of an Event of Default under subheading "Events of Default Resulting in Immediate Suspension" (each a "**Suspension Event**"), the obligation of the 2005B Liquidity Facility Provider to purchase Eligible Bonds shall immediately be suspended without notice or demand and thereafter the 2005B Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described in the 2005B Liquidity Facility. Promptly upon the 2005B Liquidity Facility Provider's obtaining knowledge of any such Suspension Event, the 2005B Liquidity Facility Provider shall give written notice of the same to the Authority and the Trustee of such suspension; provided, however, that the 2005B Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the 2005B Liquidity Facility Provider's obligations under the 2005B Liquidity Facility. In the event such Suspension Event is cured prior to becoming an Immediate Termination Event, the 2005B Liquidity Facility Provider's obligations shall be automatically reinstated and the terms of the 2005B Liquidity Facility will continue in full force and effect (unless the 2005B Liquidity Facility shall otherwise have terminated or have been suspended by its terms or in accordance with the 2005B Liquidity Facility).

(d) ***Authority Obligations and 2005B Liquidity Facility Provider Rights Following Event of Default.*** Upon the occurrence of an Event of Default, (i) all amounts owed to the 2005B Liquidity Facility Provider under the 2005B Liquidity Facility, under the Fee Letter and under any Bank Bonds shall bear interest at the Default Rate until paid, and (ii) the 2005B Liquidity Facility Provider shall have all remedies provided at law or equity, including, without limitation, the right of set-off and specific performance. Immediately upon the occurrence of an Immediate Termination Event, the 2005B Liquidity Facility Provider may by written notice to the Authority declare all amounts owed to the 2005B Liquidity Facility Provider under the 2005B Liquidity Facility, under the Fee Letter and with respect to the Bank Bonds to be immediately due and payable whereupon such amounts shall be immediately due and payable (provided, that the obligations of the Authority under the 2005B Liquidity Facility and under the Bank Bonds shall be and become automatically and immediately due and payable without such notice upon the occurrence of an Event of Insolvency). On or following a Notice Termination Event or Suspension Event, (i) the 2005B Liquidity Facility Provider may by written notice to the Authority declare all amounts payable to the 2005B Liquidity Facility Provider under the 2005B Liquidity Facility (other than amounts payable with respect to the Bank Bonds) and under the Fee Letter to be due and payable on the Notice Termination Date and (ii) all amounts payable with respect to the Bank Bonds shall automatically become due and payable in full on the Initial Mandatory Redemption Date or the Accelerated Redemption Date, as applicable, as set forth in the 2005B Liquidity Facility. The 2005B Liquidity Facility Provider shall promptly provide written notice to the Trustee and the Authority of any acceleration of the amounts due under the 2005B Liquidity Facility.

## APPENDIX D

### 2005B Liquidity Facility Provider

*The following information has been obtained from the 2005B Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the 2005B Remarketing Agent and is not to be construed as a representation by the Authority or the 2005B Remarketing Agent. Neither the Authority nor the 2005B Remarketing Agent has verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.*

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2008, the Group had total assets of £2,053,029 million (2007: £1,227,583 million), total net loans and advances<sup>1</sup> of £509,522 million (2007: £385,518 million), total deposits<sup>2</sup> of £450,443 million (2007: £386,395 million), and total shareholders' equity of £43,574 million (2007: £31,821 million) (including minority interests of £2,372 million (2007: £1,949 million)). The profit before tax of the Group for the year ended 31 December 2008 was £6,035 million (2007: £7,107 million) after impairment charges on loans and advances and other credit provisions of £5,419 million (2007: £2,795 million). The financial information in this paragraph is extracted from the audited Annual Report of the Group for the year ended 31 December 2008.

Based on the Group's unaudited financial information for the six months ended 30 June 2009, the Group had total assets of £1,545,528 million, total net loans and advances<sup>1</sup> of £464,748 million, total deposits<sup>2</sup> of £424,908 million, and total shareholders' equity of £48,846 million (including minority interests of £2,533 million). The profit before tax of the Group for the six months ended 30 June 2009 was £2,965 million after impairment charges and other credit provisions of £4,556 million. The financial information in this paragraph is extracted from the unaudited Interim Results Announcement of the Group for the six months ended 30 June 2009.

<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.

## APPENDIX F

### Class Asset Requirements for Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## APPENDIX I

### Insurance and Guarantee Programs; Foreclosure

*The Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. For a description of the requirements of a particular Series Indenture, see "CERTAIN PROGRAM ASSUMPTIONS" in this Supplement. 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 home affordable modification, a pre-foreclosure sale, or a deed in lieu of foreclosure. Utilization of certain alternatives to foreclosure may result in quicker receipt of the FHA insurance claim because the time required to complete a foreclosure is eliminated. Attempts to utilize alternatives to foreclosure which are unsuccessful may delay receipt of the FHA insurance claim due to a delay in commencement of foreclosure proceedings.

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

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

Except in limited circumstances as approved by HUD properties conveyed to HUD upon completion of the foreclosure process or other acquisition of title must be conveyed vacant. In some circumstances it may be necessary to evict a tenant or Mortgagor upon the completion of the foreclosure proceedings before the Eligible Property can be conveyed to HUD and the FHA insurance claim can be filed. Recent changes in Federal law require that bona fide tenants in a property under foreclosure who have a lease resulting from an arms length transaction and who meet other conditions are entitled to a minimum 90 day advance notice to vacate the property.

FHA insurance claims may be denied or curtailed in limited circumstances. An FHA insurance claim may be denied if there was fraud in the origination of the Mortgage Loan or if the Mortgagee is unable to deliver marketable title to HUD. Claims may be curtailed if the Authority, as servicer of the Mortgage Loans, fails to process the foreclosure in accordance with the FHA requirements or fails to adequately protect the Eligible Property. The Authority relies on the warranties and representations of the originating Mortgage Lenders with respect to proper origination of the Mortgage Loans. If an insurance claim is denied or curtailed due to an error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "THE SINGLE FAMILY MORTGAGE PROGRAM" in this Supplement. 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 "THE SINGLE FAMILY MORTGAGE PROGRAM" in this Supplement. The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

### **Rural Housing Service Guarantee**

Under the Rural Housing Service's Rural Housing Loan Guarantee Program, a Mortgagor may obtain a Mortgage Loan guaranteed by the Rural Housing Service ("**RHS**") covering mortgage financing of the purchase of an Eligible Property located in a RHS-designated rural area at interest rates permitted by the RHS. The RHS Rural Housing Loan Guarantee program will be limited to only certain rural areas of the State. Mortgagor and Mortgage Loan eligibility for such guarantees is subject to certain income, purchase price and other limitations in addition to the limitations applicable to all Mortgagors and Mortgage Loans.

The amount of the RHS loan guarantee is 90% of the principal amount of the mortgage loan. The maximum loss payment under the RHS guarantee will be the lesser of: (i) any loss of an amount equal to 90% of the principal amount actually advanced to the Mortgagor, or (ii) any loss sustained by the Mortgagee of an amount up to 35% of the principal amount actually advanced to the Mortgagor, plus any additional loss sustained by the Mortgagee of an amount up to 85% of the remaining 65% of the principal amount actually advanced to the Mortgagor. Loss includes only: (a) principal and interest evidenced by the promissory note; (b) any Mortgage Loan subsidy due and owing; and (c) any principal and interest indebtedness on RHS-approved protective advances for protection and preservation of the Eligible Property. Interest (including any subsidy) will be covered by the RHS guarantee to the date of the final loss settlement when the Mortgagee conducts liquidation of the Eligible Property in an expeditious manner in accordance with RHS regulations.

When a Mortgage Loan becomes three payments delinquent, the Mortgagee may proceed with foreclosure of the Mortgage Loan unless extenuating circumstances exist. The RHS requires Mortgagees to explore an acceptable alternative to foreclosure, although incentives are not paid to mortgagees to implement the alternatives. Acceptable foreclosure alternatives include forbearance, modifications, pre-foreclosure sales and deeds in lieu of foreclosure. If the Mortgagee proposes a method of liquidation other than foreclosure, then the Mortgagee must obtain RHS's approval of such method.

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

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

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

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

## **Private Mortgage Insurance and Uninsured Mortgage Loans**

### *Private Mortgage Insurance*

Under each Series Indenture, the Authority is authorized in certain circumstances to purchase PMI Mortgage Loans which are insured by a private mortgage insurance company approved by the Authority, which is qualified to do business in the State and qualified to provide insurance on mortgages purchased by Freddie Mac or Fannie Mae and which is rated, at the time each PMI Mortgage Loan is made or originated, by the agency then rating the Bonds at certain ratings designated in the Series Indenture. See "CERTAIN PROGRAM ASSUMPTIONS – Insurance Limitations and Requirements" in this Supplement for a description of the ratings requirements under the Series Indentures applicable to the Series of Bonds.

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

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

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If an insurance claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "THE SINGLE FAMILY MORTGAGE PROGRAM" in this Supplement. 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) the original or copy of the recorded deed of trust (which copy in some cases must be certified by the Clerk and Recorder or in other cases accompanied by the certificate of the holder that such holder is a "qualified holder") and (iii) an originally executed Notice of Election and Demand for Sale. Certain types of mortgagees, which include the Authority, may commence foreclosure by presenting a copy of the original evidence of debt instead of the original instrument or a bond. If the mortgagee presents a copy of the evidence of debt, the mortgagee is liable to a person incurring a loss if the original evidence of debt is subsequently presented for payment. The mortgagee or its attorneys must also prepare and submit to the public trustee the so-called Combined Notice and other required notices, certificates and affidavits and a mailing list for the notices. The public trustee must record the Notice of Election and Demand for Sale in the appropriate clerk and recorder's office within ten business days after receipt. The public trustee must mail a Combined Notice no more than 20 calendar days after recording the Notice of Election and Demand to those persons on the initial mailing list provided by the mortgagee's attorney.

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

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

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

A public trustee foreclosure sale is scheduled by the public trustee to occur no fewer than 110 days and no more than 125 days after the date of recording the Notice of Election and Demand for Sale for non-agricultural property. For agricultural property the sale is to be scheduled 215 to 230 days after the recording of the Notice of Election and Demand. If it is not evident from the legal description in the deed of trust the public trustee will determine if the property is agricultural based on certain evidence such as a subdivision plat, a written statement of an official that the property was within incorporated city limits, or a written statement from the assessor. The sale date may be extended by the mortgagee from time to time and by the public trustee for other reasons provided by statute.

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

Mortgagors called to active duty after obtaining a Mortgage Loan are entitled to benefit of the Relief Act. Under the Relief Act a mortgagor may be granted certain relief from the mortgage obligations during active military service and for one year 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. For requests to

cure filed 30 days or more before the sale date, the mortgagee must provide the amount required to cure by noon on the seventh calendar day prior to the sale. For requests for cure statement filed more than 30 days before the sale date, the mortgagee must provide the amount required for cure statement within 10 business days after the receipt of the request. If the request for cure statement is filed 30 or fewer days prior to the sale date, the amount required to cure must be provided to the public trustee by 12:00 Noon on the seventh (7<sup>th</sup>) calendar day prior to the date of sale. If these deadlines are not met, the foreclosure will be postponed thereafter from week to week. The party wishing to cure the default must pay the public trustee all delinquent principal, interest and other amounts due plus the costs and expense of the foreclosure, including attorneys' fees, on or before noon of the day prior to the foreclosure sale to effectuate the cure. After the default is cured the mortgagee must terminate the foreclosure proceedings. The mortgagee may, but is not obligated to, accept a cure and terminate the foreclosure proceedings even if the statutory requirements are not met.

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

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

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

In addition to the statutory requirements with respect to a foreclosure in Colorado, other restrictions may be imposed by the Mortgage Loan documents or by the VA, FHA, Rural Housing Service or a Private Insurer. VA and FHA encourage Mortgage Lenders to avoid foreclosure wherever possible. VA, FHA and Rural Housing Service also have special programs for certain borrowers whose defaults are caused by circumstances outside of their control, as described in "VA Guaranty," "Rural Housing Service Guarantee" and "FHA Insurance" under this caption. Certain loan documents for the

Mortgage Loans may incorporate restrictions from the FNMA/FHLMC Colorado Uniform Security Instrument which require the mortgagee to give the Mortgagor 30 days' notice prior to accelerating the Mortgage Loan unless the default is violation of the due-on-sale clause.

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

Effective for foreclosures filed on or after August 2, 2009, on certain owner occupied properties in which the original debt was \$500,000 or less, the mortgagor may be eligible for a foreclosure deferment for a period of 90 days to allow the holder of the debt and mortgagor to negotiate. On such properties, the mortgagee must provide a Notice to the Public Trustee that the property and mortgagor may be eligible for a foreclosure deferment; and must post a notice in a conspicuous place on the property that the mortgagor may be eligible for a deferment including the information concerning contacting a housing counselor within 20 days. If within 30 days, the housing counselor determines that the mortgagor is eligible for a 90 day deferment, the housing counselor must file a certification with the Public Trustee, who must cancel all publications and postpone the sale date from week to week. During the foreclosure deferment period, the holder and the mortgagor must negotiate the terms of the debt and the mortgagor must make reduced payments to the holder. The 90 day deferment may be terminated early upon the certification of the housing counselor. A certification may be made upon request of the holder, if the holder can demonstrate that the mortgagor has abandoned the property; failed to comply with the conditions of the foreclosure deferment; transferred or further encumbered the property; or has filed bankruptcy during the foreclosure deferment period. In addition, if foreclosure is initiated by a different party on another lien encumbering the property, the foreclosure deferment may terminate early. Once the foreclosure deferment has ended or been terminated, the Public Trustee will begin publication and must mail the Notice of Sale within 20 days.

The Colorado General Assembly recently enacted HB-09-1207 which makes some changes in the foreclosure process. Certain provisions will take effect for foreclosures filed on or after September 1, 2009 and others will take effect for foreclosures filed on or after January 1, 2010. Those changes are not reflected in the description of the foreclosure process in this Appendix I.