



**COLORADO HOUSING AND FINANCE AUTHORITY**  
**ANNUAL FINANCIAL INFORMATION REPORT AND**  
**AUDITED FINANCIAL STATEMENTS**  
**As of December 31, 2014**

**Federally Taxable**  
**Federally Insured Multi-Family Housing Loan Program**  
**Pass-Through Revenue Bonds, Series 2013-I**

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## **COLORADO HOUSING AND FINANCE AUTHORITY**

### **AUDITED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL INFORMATION REPORT**

**As of December 31, 2014**

#### **Federally Taxable Federally Insured Multi-Family Housing Loan Program Pass-Through Revenue Bonds, Series 2013-I**

### **INTRODUCTION**

The Colorado Housing and Finance Authority (the "**Authority**") is providing its Audited Financial Statements and the other information in this Annual Report as of December 31, 2014 (this "**Annual Report**") pursuant to Continuing Disclosure Undertakings entered into by the Authority with respect to the Federally Insured Multi-Family Housing Loan Program Pass-Through Revenue Bonds listed on the cover page of this Annual Report (the "**Bonds**") which are Outstanding under the Authority's Master Indenture of Trust dated as of June 1, 2013, (the "**Master Indenture**"). The information in this Annual Report is subject to change without notice, and the availability of this Annual Report does not under any circumstances create any implication that there has been no change in the affairs of the Authority, the Trust Estate with respect to the Bonds or otherwise since the date hereof. This Annual Report speaks only as of its date. Capitalized terms contained in this Annual Report and not otherwise defined herein shall have the meanings ascribed thereto in the related Official Statements with respect to the Bonds.

## **COLORADO HOUSING AND FINANCE AUTHORITY**

### **Selected Financial Information**

The Annual Report should be read in conjunction with the Audited Financial Statements found in Appendix A. The audited 2014 Financial Statements of the Authority attached hereto as **Appendix A** provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund

### **Employees and Pension Information**

As of December 31, 2014, the Authority had approximately 156 full-time and 3 part-time employees, all of whom were members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 13.7% of each participating employee's gross salary to PERA in 2014. In 2014, the Authority's PERA contribution totaled approximately \$1,627,000, compared to an Authority contribution in 2013 of \$1,618,000. See footnote (11) of the audited 2014 financial statements of the Authority attached as **Appendix A** of this Annual Report for further information.

### **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, 2014 as provided by the Authority.



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

	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Interest and investment revenue:					
Loans receivable	\$ 6,461	\$ 6,835	\$ 7,120	\$ 12,210	\$ 13,302
Investments	184	153	149	730	426
Net increase (decrease) in fair value					
of long-term investments	(46)	(157)	(13)	74	47
Total interest and investment revenue	6,599	6,831	7,256	13,014	13,775
Interest expense - bonds and notes payable	1,485	2,985	4,266	5,705	5,899
Net interest and investment revenue	5,114	3,846	2,990	7,309	7,876
Other revenue (expense):					
Rental operations	32	358	2,675	8,804	9,306
Fees and miscellaneous income	46,000	46,228	45,795	35,969	39,301
Hedging activity loss	(1,154)	992	445	(527)	(200)
Gains on sales of capital assets	(20)	5	39,154	(30)	128
Total other revenue	44,858	47,583	88,069	44,216	48,535
Net revenue	49,972	51,429	91,059	51,525	56,411
Operating expenses:					
Salaries and related benefits	16,977	16,505	17,836	18,210	17,808
General operating	23,060	15,714	17,989	39,511	50,277
Provision for losses	(1,180)	1,078	1,407	3,791	2,916
Other interest expense	-	-	173	1,038	1,068
Transfers	(1,851)	12,333	(4,073)	(7,005)	(2,236)
Depreciation	1,197	1,655	2,722	3,684	3,773
Total operating expenses	38,203	47,285	36,054	59,229	73,606
Change in net assets	11,769	4,144	55,005	(7,704)	(17,195)
Net Assets, end of year	\$ 207,356	\$ 195,587	\$ 191,443	\$ 136,438	\$ 144,142
Bonds, notes payable and short-term debt	\$ 87,105	\$ 78,430	\$ 141,973	\$ 140,773	\$ 190,178
Total Assets	\$ 349,560	\$ 319,057	\$ 379,295	\$ 347,414	\$ 403,905



## 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 its programs. See also footnote (6) to the audited financial statements of the Authority attached hereto as **Appendix A**.

### *Commercial Loan Programs*

Since 2000, the Authority has financed rental and business loans and certain guaranteed participation interests with proceeds of its Multi-Family/Project Bonds (referred to as "**Bonds**" in the applicable Official Statement and in this Annual Report), which were outstanding as of December 31, 2014 in an aggregate principal amount of \$555,203,000. 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. See footnote (6) of the audited financial statements of the Authority attached hereto as **Appendix A** 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 in the issuance of 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*

The Authority has previously issued under a Master Indenture dated as of December 1, 2009 (the "**NIBP Master Indenture**") and converted its 2009AA Program Bonds. The 2009AA Program Bonds were fully refunded with the proceeds of bonds issued by the Authority under the NIBP Master Indenture in 2013 with an outstanding principal balance of 39,945,000 as of 12/31/14. Single Family Class I Bonds, Series 2011AA have an outstanding principal of \$22,460,000 as of 12/31/14. The proceeds of the 2009AA Program Bonds and the 2011AA Bonds were used to finance Mortgage Loans through the purchase of mortgage-backed securities guaranteed by Ginnie Mae

The Authority has issued its Single Family Mortgage Bonds under the Master Indenture, payable from the revenues of mortgage loans held thereunder, outstanding as of December 31, 2014 in the



aggregate principal amount of \$1,037,270,000. Subordinate bonds issued as part of the Single-Family Program Bonds and Class III 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.

The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption. For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see [www.chfainfo.com](http://www.chfainfo.com) and footnote (6) of the audited financial statements of the Authority attached hereto as **Appendix A**. The Authority's financing activities in connection with its Single Family Mortgage Programs also include the sale of certain single family mortgage loans to Fannie Mae and the issuance and sale of Ginnie Mae Certificates in order to finance first mortgage loans as part of the Non-Qualified Single Family Mortgage Programs.

**Except for bonds specifically identified in Appendix B to this Annual Report 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 Bonds (outstanding as of December 31, 2014 in an aggregate principal amount of \$206,880,000) 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 Bonds (outstanding as of December 31, 2014 in the aggregate principal amount of \$17,710,000). These Class II Bonds are payable from loan revenues on a subordinate lien basis to the Class I Bonds and also as general obligations of the Authority.

Single Family Bonds –Class III Bonds. The Authority has issued Class III Bonds, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, with outstanding aggregate principal amount of \$41,985,000 as of December 31, 2014, are payable from mortgage loan revenues under the Master Indenture and are also general obligations of the Authority.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of December 31, 2014, such privately placed bonds were outstanding in an aggregate principal amount of \$14,025,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of December 31, 2014 in the aggregate principal amount of \$8,362,000.

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 December 31, 2014 in the aggregate principal amount of \$206,293,045. 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 December 31, 2014, such §542(c) mortgage loans were outstanding in the amount of approximately \$206.6 million (\$29.5 million held under the Federally Insured Multi-Family Housing Loan Program Pass-Through Revenue Bonds and \$177.1 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 \$3.4 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

Derivative Products: Interest Rate Contracts. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Derivative Products relating to the Multi-Family/Project Bonds under the related master indenture and under the interest rate contracts relating to the Single Family Mortgage Bonds under the related master indenture. There are no derivative contracts associated with the Master Indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS" to this Annual Report. See also footnote (8) to the audited financial statements of the Authority attached hereto as **Appendix A**.

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 December 31, 2014, \$61.8 million in borrowings were outstanding under those agreements. See footnote (5) to the audited financial statements of the Authority attached hereto as **Appendix A**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of December 31, 2014 in the aggregate principal amount of \$633,367), 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 "A2" 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 December 31, 2014. Further detail regarding these items is provided under the other sub captions of "Obligations of the Authority" in this Annual Report.

**Summary of Certain Authority Obligations as of December 31, 2014**

<b><u>Certain Authority Obligations</u></b>	<b><u>Outstanding Amount</u></b>
Single Family Mortgage Bonds (2001 Master Indenture)	\$1,037,270,000
Single Family Program Class I Bonds	22,460,000
Federally Taxable Single Family Program Class I Bonds	39,945,000
Multi-Family/Project Bonds (Master Indenture)	641,090,000
Federally Insured Multi-Family Loan Program Pass-Through	29,508,000
Privately Placed Bonds:	
Rental Finance	14,025,000
Business Finance	8,362,000
<b>Total</b>	<b><u><u>\$1,792,660,000</u></u></b>





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 December 31, 2014. Further detail regarding these items is provided under the other sub captions of "Obligations of the Authority" in this Annual Report.

**General Obligations of the Authority as of December 31, 2014**

***General Obligations***

MF Project Bonds:	
Class I (w/ GO Pledge)	206,880,000
Class II (w/ GO Pledge)	17,710,000
SF Mortgage Bonds, Class III	41,985,000
Privately Placed Bonds:	
Rental Finance	14,025,000
Business Finance	8,362,000
Other Borrowings:	
Line of Credit	0
Rural Business Cooperative Service Notes	633,367

**CERTAIN PROGRAM ASSUMPTIONS**

**Investments**

As of December 31, 2014, 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 as set forth in the following table.

**Investment Information**

<b>Issue</b>	<b>Investment Type</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
MF 2013-I DSR	FGLMC	56,616.24	3.50%	7/1/2044
MF 2013-I DSR	FGLMC	886,318.43	3.50%	6/1/2042
MF 2013-I DSR	MONEY MARKET	59,109.23	0.03%	Short Term
MF 2013-I REVENUE	MONEY MARKET	271,657.85	0.03%	Short Term
		<u>\$1,273,702.75</u>		





**APPENDIX A**

**Financial Statements for the  
Years ended December 31, 2014 with summarized Financial Information for 2013  
and Independent Accountants' Reports**



## APPENDIX B

### Outstanding Master Indenture Obligations

The Authority has issued and had Outstanding as of December 31, 2014 the following Series of Bonds under the Master Indenture:

Bond	Series	Tax Status	Maturity Date	CUSIP	Interest Rate Type	Interest Rate for 12/31/2013	Original Issue Amount	Outstanding Balance
MF13-I	MF2013-I	Taxable	2/1/2044	19647PBA0	Fixed	3.20000%	31,568,225	29,508,390

**APPENDIX C**  
**Certain Information Regarding 2013-I Loans**  
**As of December 31, 2014**

<b>Borrower</b>	<b>Original Loan Amount</b>	<b>Current Principal Balance</b>	<b>Note Date</b>	<b>Maturity Date</b>	<b>Remaining Term (Months)</b>	<b>Original Term to Maturity</b>	<b>Current Annual Interest Rate</b>	<b>Current Debt Service Coverage Ratio</b>	<b>Servicing Fee Rate</b>	<b>Principal and Interest Payment Amount</b>	<b>End of Lock-out Period</b>	<b>Section 42 Compliance Expiration Date</b>	<b>Section 8 HAP Contract Expiration Date</b>	<b>Location</b>
<b>Multi-Family Housing Insured General Bond Resolution:</b>														
Lakewood Homestead Ltd	\$4,217,406	\$ 4,042,020	1/6/1998	3/1/2040	303	343	6.95%	1.16x	0.50%	\$28,335	10/1/2007	12/31/2013	N/A	Lakewood
Montview Meadows Associates Ltd	1,483,000	Paid off	12/1/1998	1/1/2039			6.50	1.15			12/1/2008	12/31/2012	N/A	Longmont
Grand Valley Apartments	2,332,000	1,973,578	3/1/1999	4/1/2039	292	480	4.65	1.05	0.50	11,301	4/1/2008	12/31/2012 & 12/31/2013	N/A	Clifton
Mercy Housing Colorado	1,628,000	1,129,647	11/20/1998	12/1/2028	168	360	6.50	2. 2	0.50	10,290	10/1/2008	12/31/2014	8/31/2021 & 5/31/2016	Commerce City
Broomfield Senior Housing Limited Partnership	5,578,100	4,958,321	9/12/2001	9/1/2041	321	480	6.45	1.03	0.50	32,459	4/1/2009	12/31/2016	N/A	Broomfield
<b>Multi-Family/Project Master Indenture:</b>														
Centennial East Housing Partners LLC	7,475,000	6,849,213	2/28/2002	1/1/2043	337	502	5.07	1.48	0.37	38,152	2/1/2019	12/31/2018	N/A	Brighton
Aspen Meadows Associated	2,614,000	2,380,047	4/24/2003	5/1/2043	341	480	6.55	0.90	0.50	15,397	2/1/2019	12/31/2017	N/A	Longmont
Racquet Club Apartments Ltd	4,903,825	4,240,343	11/30/2004	1/1/2035	241	360	7.25	1.07	0.50	33,453	2/1/2015	N/A	1/20/2020	Grand Junction
Hampstead Southgate Partners	2,841,000	2,292,069	12/26/2002	1/1/2033	217	360	6.55	1.53	0.50	18,050	2/1/2018	12/31/2017	12/31/2022	Grand Junction
Park Hill Residence, Inc.	841,166	543,637	10/2/1996	11/1/2026	143	360	6.80	0.55	0.50	5,558	4/1/2006	N/A	N/A	Denver
HACM Brubaker LLC	1,075,000	<u>1,052,549</u>	3/1/2013	4/1/2043	340	360	6.00	1.09	0.50	6,445	3/1/2023	N/A	N/A	Cortez
		<u>\$29,461,425</u>												