

## REMARKETING - Book-Entry Only

The forms of approving opinions of Bond Counsel previously delivered in connection with the original issuance of each Series of the Remarketed Bonds are contained in **Appendix E** hereto. Bond Counsel has not undertaken to update its approving opinions delivered in connection with the original issuance of the Remarketed Bonds. However, in connection with the remarketing of the Remarketed Bonds, Bond Counsel will deliver its opinion to the effect that the delivery of the 2002B/C Liquidity Facilities is permitted under the Act and the Indenture and will not, in and of itself, adversely affect the exclusion from gross income of interest on the Remarketed Bonds for federal tax purposes; provided, that in such opinion Bond Counsel will not be opining on whether the interest on the Remarketed Bonds is excluded from gross income for federal income tax purposes. See "Part I – TAX MATTERS UPON REMARKETING."

### COLORADO HOUSING AND FINANCE AUTHORITY

#### Single Family Mortgage Class I Adjustable Rate Bonds



**\$23,240,000**

**2002 Series B-3**

**(non-AMT)**

**Due: November 1, 2021**

**CUSIP No. 196479 VF3\***

**\$35,630,000**

**2002 Series C-3**

**(AMT)**

**Due: May 1, 2022**

**CUSIP No. 196479 VH9\***

**Dated: Date of Delivery**

**Price: 100%**

The Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3 shown above were originally issued by the Colorado Housing and Finance Authority on July 18, 2002 pursuant to a Master Indenture of Trust and a 2002 Series B Indenture, each between the Authority and Zions First National Bank, Denver, Colorado, as trustee. The Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-3 shown above were originally issued by the Authority on October 24, 2002 pursuant to the Master Indenture and a 2002 Series C Indenture between the Authority and the Trustee. The 2002 Series B-3 Bonds and the 2002 Series C-3 Bonds are referred to herein as the "**Remarketed Bonds**." The Master Indenture, the 2002 Series B Indenture and the 2002 Series C Indenture, as amended, are referred to herein as the "**Indenture**." The proceeds of the Remarketed Bonds (and certain amounts exchanged therefor) were (i) deposited to certain funds established under the Indenture, (ii) used by the Trustee to purchase guaranteed, insured or uninsured mortgage loans made to finance single family residences in the State of Colorado and (iii) in the case of the 2002 Series B-3 Bonds, used to refund and redeem certain of the Authority's outstanding obligations.

The Remarketed Bonds are variable rate bonds bearing interest at a Weekly Rate determined on each Tuesday by Barclays Capital Inc. in its capacity as Remarketing Agent (the "**Remarketing Agent**"), to be effective from and including each Wednesday to and including the following Tuesday, commencing on December 19, 2012. The interest rate on the Remarketed Bonds or any portion thereof may be adjusted at the election of the Authority to a different interest rate mode, as described herein. Interest on the Remarketed Bonds is payable on each May 1 and November 1, on any redemption date, on any mandatory tender date and at maturity. No Remarketed Bond (other than Bank Bonds) shall bear interest at an interest rate higher than the Maximum Rate, which pursuant to the Indenture shall be 12% per annum.

The Remarketed Bonds are being remarketed in connection with a mandatory tender and replacement of the existing liquidity and credit facility relating to the Remarketed Bonds, as further described in this Remarketing Statement. While any of the Remarketed Bonds are in a Weekly Mode Period, owners of any such Remarketed Bonds have the right to tender their Remarketed Bonds for purchase and are also required to tender their Remarketed Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Following December 19, 2012, payment of the purchase price for each Series of the 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 (each referred to herein as a "**2002B/C Liquidity Facility**" or, collectively, the "**2002B/C Liquidity Facilities**") among the Authority, the Trustee, and Barclays Bank PLC (the "**2002B/C Liquidity Facility Provider**"). Subject to certain limitations and conditions described in this Remarketing Statement, an alternative liquidity facility may be substituted for a 2002B/C Liquidity Facility. Coverage under each 2002B/C Liquidity Facility, unless extended or earlier terminated, is stated to expire on December 18, 2015. **Under certain circumstances described herein, the obligation of the 2002B/C Liquidity Facility Provider under a 2002B/C Liquidity Facility to purchase Remarketed Bonds of the respective Series tendered for purchase 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 the owners of such Remarketed Bonds. In such event, sufficient funds may not be available to purchase such Remarketed Bonds. Neither the Authority nor the Remarketing Agent is obligated to purchase Remarketed Bonds tendered by the owners of such Remarketed Bonds or subject to mandatory purchase if remarketing proceeds and payments under the respective 2002B/C Liquidity Facility are insufficient or unavailable to pay the purchase price of such Remarketed Bonds.**

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

**The Remarketed Bonds of each Series are subject to special redemption, optional redemption and mandatory sinking fund redemption prior to maturity as described herein.**

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

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

The Remarketed Bonds are being remarketed by the Remarketing Agent, subject to certain other conditions. Certain legal matters will be passed on for the 2002B/C Liquidity Facility Provider by its counsel, McDermott Will & Emery LLP, New York, New York. Hogan Lovells US LLP, Denver, Colorado, is serving as Disclosure Counsel and CSG Advisors Incorporated is serving as financial advisor to the Authority in connection with the remarketing of the Remarketed Bonds. The Remarketing Agent intends, but is not obligated, to make a market in the Remarketed Bonds. It is expected that the Remarketed Bonds will be available through the facilities of DTC, New York, New York, on December 19, 2012.

**Barclays<sup>†</sup>**

This Remarketing Statement is dated December 13, 2012.

<sup>†</sup> Remarketing Agent for the Remarketed Bonds

\*Neither the Authority nor the Remarketing Agent takes any responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the Remarketed Bonds of each Series.

No dealer, broker, salesman or other person has been authorized by the Authority or by the Remarketing Agent to give any information or to make any representations, other than those contained in this Remarketing Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Remarketing Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 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 in this Remarketing Statement has been furnished by the Authority and obtained from other sources believed to be reliable. The Remarketing Agent has reviewed the information in this Remarketing Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information, and it is not to be construed as the promise or guarantee of the Remarketing Agent. This Remarketing Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

All information for investors regarding the Authority and the Remarketed Bonds is contained in this Remarketing Statement. While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Remarketed Bonds, the Mortgage Loans, the 2002B/C Liquidity Facility Provider or any other bonds or obligations of the Authority.

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

THIS REMARKETING STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("**ORIGINAL BOUND FORMAT**") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [HTTP://WWW.MERITOS.COM](http://www.meritos.com). THIS REMARKETING STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

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

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

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## REMARKETING STATEMENT

Relating to

### COLORADO HOUSING AND FINANCE AUTHORITY Single Family Mortgage Class I Adjustable Rate Bonds

**\$23,240,000**  
**2002 Series B-3**  
**(non-AMT)**

**\$35,630,000**  
**2002 Series C-3**  
**(AMT)**

## PART I

### INTRODUCTION

This Remarketing Statement, which includes the front cover, this Part I, Part II and the Appendices hereto, provides certain information in connection with the remarketing by the Colorado Housing and Finance Authority (the "**Authority**") of the above-captioned 2002 Series B-3 Bonds and 2002 Series C-3 Bonds (collectively, the "**Remarketed Bonds**"). The 2002 Series B-3 Bonds were originally issued by the Authority on July 18, 2002 pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended (the "**Master Indenture**"), and the 2002 Series B Indenture dated as of July 1, 2002, as amended (the "**2002 Series B Indenture**"), each between the Authority and Zions First National Bank, Denver, Colorado, as trustee (the "**Trustee**"). The 2002 Series C-3 Bonds were originally issued on October 24, 2002 pursuant to the Master Indenture and the 2002 Series C Indenture dated as of October 1, 2002, as amended (the "**2002 Series C Indenture**," and together with the 2002 Series B Indenture, the "**Series Indentures**," and each Series Indenture together with the Master Indenture, the "**Indenture**").

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**.

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

### **Colorado Housing and Finance Authority**

The Authority is a body corporate and political subdivision of the State of Colorado (the "**State**") established by the Colorado General Assembly for the purpose of increasing the supply of decent, safe and sanitary housing for low and moderate income families. In order to achieve its authorized purposes, the Authority currently operates numerous housing and commercial loan programs. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date." The Remarketed Bonds have been previously offered, among other things, to provide funds to purchase and originate Mortgage Loans under the Authority's Single Family Mortgage Program. See "Part II – THE SINGLE FAMILY

MORTGAGE PROGRAM." The Authority is governed by a Board of Directors and is authorized to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes. *For financial information concerning the Authority, see certain financial statements of the Authority attached as Appendix G.*

### **Authority for Issuance**

The Remarketed Bonds were authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act"). The Remarketed Bonds of each Series have been issued and are secured under the Master Indenture and the respective Series Indenture.

### **Purposes of the Remarketed Bonds**

Proceeds of the Remarketed Bonds (and certain amounts exchanged therefor) were (i) deposited to certain funds established under the Indenture, (ii) used by the Trustee to purchase guaranteed, insured or uninsured mortgage loans made to finance single family residences in the State of Colorado and (iii) in the case of the 2002 Series B-3 Bonds, used to refund and redeem certain of the Authority's outstanding obligations. The Remarketed Bonds are being remarketed in connection with a mandatory tender of, and replacement of the existing credit and liquidity facility relating to, the Remarketed Bonds as described in "Mandatory Tender; Remarketing" under this caption.

### **Mandatory Tender; Remarketing**

The Remarketed Bonds are currently subject to a standby irrevocable temporary credit and liquidity facility (the "**Credit and Liquidity Facility**") issued 50% each by Fannie Mae and Federal Home Loan Mortgage Corporation on a several and not joint basis. On December 19, 2012, the Remarketed Bonds will be subject to mandatory tender by the existing holders as a result of termination of the Credit and Liquidity Facility with respect to the Remarketed Bonds, and will be remarketed by Barclays Capital Inc., as the Remarketing Agent. In connection with the remarketing, the Authority expects to enter into a Standby Bond Purchase Agreement to establish a new liquidity facility for each Series of the Remarketed Bonds (each, a "**2002B/C Liquidity Facility**" and, together, the "**2002B/C Liquidity Facilities**") among the Authority, the Trustee and Barclays Bank PLC, as the standby bond purchaser (the "**2002B/C Liquidity Facility Provider**"). See "Security and Sources of Payment" under this caption, **Appendix C** – "CERTAIN TERMS OF THE 2002B/C LIQUIDITY FACILITIES" and **Appendix D** – "CERTAIN INFORMATION CONCERNING THE 2002B/C LIQUIDITY FACILITY PROVIDER."

### **Description of the Remarketed Bonds**

#### *Limited Description of Remarketed Bonds*

This Remarketing Statement describes the Remarketed Bonds only while bearing interest at a Weekly Rate and subject to The Depository Trust Company ("**DTC**") book-entry only system described in **Appendix H** – "BOOK-ENTRY SYSTEM." Existing Owners of the Remarketed Bonds should not rely on this Remarketing Statement for information in connection with any Remarketed Bonds converted to a Mode Period other than a Weekly Rate Mode.

### *Interest Rates and Payments*

The Remarketed Bonds are variable rate bonds and currently bear interest at Weekly Rates determined and adjusted weekly, with interest payable semiannually on May 1 and November 1 of each year, as described in "Part I – TERMS OF THE REMARKETED BONDS," and computed on the basis of a 365-day year or a 366-day year, as applicable, for the number of days actually elapsed. The Remarketed Bonds have been issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

### *Redemption and Tender*

The Remarketed Bonds are subject to special, optional and mandatory sinking fund redemption, and are also subject to optional and mandatory tender for purchase, prior to maturity as described under "Part I – TERMS OF THE REMARKETED BONDS." See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

**For a more complete description of the Remarketed Bonds and the Indenture pursuant to which such Remarketed Bonds have been issued, see "Part I – TERMS OF THE REMARKETED BONDS" and Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."**

### **Security and Sources of Payment**

All Bonds and Auxiliary Obligations outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) are secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues and the Mortgage Loans (collectively, the "**Trust Estate**"). See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS" and **Appendix B-2 – "THE MORTGAGE LOAN PORTFOLIO AND FUND BALANCES."** In accordance with the Master Indenture, any Bonds or Auxiliary Obligations may be outstanding as Class I, Class II, Class III or Class IV Obligations, and may also be designated as General Obligations of the Authority. As of November 1, 2012, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$1,312,735,000 for the Class I Bonds, \$96,265,000 for the Class II Bonds and \$47,200,000 for the Class III Bonds. No Class IV Bonds were outstanding under the Master Indenture as of such date. See "Part I – CERTAIN PROGRAM ASSUMPTIONS" and **Appendix B-1 – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS."** The Remarketed Bonds have been issued as Class I Obligations pursuant to the Indenture, payable and secured by the Trust Estate as described herein. The Remarketed Bonds are also secured by amounts deposited to the Debt Service Reserve Fund established under the Indenture.

**In no event shall the Remarketed Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof other than the general credit of the Authority, which general credit has not been pledged for payment of the Remarketed Bonds.**

Following December 19, 2012, payment of the purchase price for the respective Remarketed Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a 2002B/C Liquidity Facility, and the Credit and Liquidity Facility will be terminated with respect to the Remarketed Bonds. Coverage under each 2002B/C Liquidity Facility, unless extended or earlier terminated, is stated to expire on December 18, 2015. **Under certain circumstances described in Appendix C, the obligation of the 2002B/C Liquidity Facility Provider under a 2002B/C Liquidity**

**Facility to purchase Remarketed Bonds of the respective Series tendered for purchase 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 the owners of such Remarketed Bonds. In such event, sufficient funds may not be available to purchase such Remarketed Bonds. Neither the Authority nor the Remarketing Agent is obligated to purchase Remarketed Bonds so tendered or subject to mandatory purchase if remarketing proceeds or payments under the respective 2002B/C Liquidity Facility are insufficient or unavailable to pay the purchase price of such Remarketed Bonds. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to the Liquidity Facility Providers and the Liquidity Facilities." See **Appendix C** – "CERTAIN TERMS OF THE 2002B/C LIQUIDITY FACILITIES" and **Appendix D** – "CERTAIN INFORMATION CONCERNING THE 2002B/C LIQUIDITY FACILITY PROVIDER."**

### **Professionals Involved in the Remarketing**

In connection with the original issuance of the Remarketed Bonds, Sherman & Howard L.L.C., as Bond Counsel, delivered opinions in the respective forms included as **Appendix E** (the "**Original Bond Counsel Opinions**"). Bond Counsel has not undertaken to update the Original Bond Counsel Opinions, although in connection with the remarketing of the Remarketed Bonds, it will deliver an opinion as described in "Part I – TAX MATTERS UPON REMARKETING." Hogan Lovells US LLP is serving as Disclosure Counsel to the Authority in connection with the remarketing of the Remarketed Bonds. Certain legal matters relating to the Remarketed Bonds will be passed upon for the 2002B/C Liquidity Facility Provider by its counsel, McDermott Will & Emery, New York, New York. CSG Advisors Incorporated is serving as financial advisor to the Authority in connection with the remarketing of the Remarketed Bonds.

### **Availability of Continuing Information**

In connection with the remarketing of the Remarketed Bonds, the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix J** hereto, by which the Authority will agree to provide certain annual financial information and audited financial statements commencing with the fiscal year ending December 31, 2012 and notice of certain events. See "Part I – AVAILABILITY OF CONTINUING INFORMATION."

### **Investment Considerations**

*The purchase and ownership of the Remarketed Bonds involve investment risks. Prospective purchasers of the Remarketed Bonds are urged to read this Remarketing Statement in its entirety. For a discussion of certain such risks relating to the Remarketed Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."*

### **Additional Information**

*Copies of the Indenture, the 2002B/C Liquidity Facilities and additional information may be obtained from the Authority upon request to Margaret Danuser, Director of Corporate Debt and Investment Management, at 1981 Blake Street, Denver, Colorado 80202, phone: (303) 297-7328, email: mdanuser@chfainfo.com.*



## TERMS OF THE REMARKETED BONDS

### Principal; Payment

The Remarketed Bonds of each Series are dated the original date of delivery and will mature, subject to prior redemption or purchase as described below, in the amount and on the date as shown on the front cover of this Remarketing Statement. The principal or redemption price of the Remarketed Bonds is payable at the corporate trust office of Zions First National Bank, the Paying Agent and the Trustee for the Remarketed Bonds. Interest on the Remarketed Bonds will be payable on the Interest Payment Dates to Cede & Co. Concurrently with the issuance and delivery of the 2002 Series B-3 Bonds, the Authority issued five other Series of Bonds under the 2002 Series B Indenture (collectively, the "**2002 Series B Bonds**"). Concurrently with the issuance and delivery of the 2002 Series C-3 Bonds, the Authority issued five other Series of Bonds under the 2002 Series C Indenture (collectively, the "**2002 Series C Bonds**"). For further information regarding these Bonds which remain outstanding, see **Appendix B-1**.

### Book-Entry System

DTC acts as securities depository for the Remarketed Bonds. The ownership of one fully registered Bond for each Series, each in the aggregate principal amount of such Series, has been registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix H – "BOOK-ENTRY SYSTEM."** **So long as the Remarketed Bonds are registered in the DTC book-entry form described in Appendix H, each Beneficial Owner of a Remarketed Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning such Remarketed Bonds.**

### Interest on the Remarketed Bonds

#### *Generally*

The Remarketed Bonds bear interest at respective Weekly Rates to be determined by the Remarketing Agent in accordance with the Indenture. In the case of the Weekly Mode, the Rate Determination Date is each Tuesday and the Effective Rate Date is each Wednesday following the Rate Determination Date. At any time following the first Effective Rate Period for each Series of Remarketed Bonds, the Authority may elect to adjust the interest rate on the respective Remarketed Bonds of each Series or any portion thereof to a Daily Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, Term Rate, LIBOR Index Rate or SAVRS Rate, or may convert such Remarketed Bonds to bear interest at Fixed Interest Rates until their respective maturities or prior redemption or purchase, as described in "Change in Mode Period; Conversion" under this caption. While the Remarketed Bonds are in an Effective Rate Period for a Weekly Mode, interest is payable on each May 1 and November 1, on any redemption date or Mandatory Tender Date and on the maturity date. While in an Effective Rate Period for a Weekly Mode, interest on the Remarketed Bonds is to be calculated on the basis of a 365/366 day year for the actual number of days elapsed. The Remarketed Bonds in a Weekly Mode may be purchased in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000. The Remarketed Bonds are to be redeemed as described in "Prior Redemption" under this caption.

*This Remarketing Statement describes the Remarketed Bonds only while bearing interest at a Weekly Rate. If any of the Remarketed Bonds are converted to a Mode Period other than a Weekly Rate Mode, a reoffering document will be prepared in connection with such Conversion or change in Mode Period.*

*Conversion of the interest rate on the Remarketed Bonds such that all of the Remarketed Bonds of a particular Series bear interest at an Interest Rate other than a Weekly Rate or a Term Rate would result in a termination of the related 2002B/C Liquidity Facility. See Appendix C – "CERTAIN TERMS OF THE 2002B/C LIQUIDITY FACILITIES."*

#### *Determination of Interest Rates*

To and including the day preceding the next Effective Rate Date, the Remarketed Bonds shall bear interest at the Weekly Rate determined in advance by the Remarketing Agent. Thereafter, the Remarketed Bonds shall bear interest, commencing on the Effective Rate Date based on the current Mode, at the rate determined by the Remarketing Agent for the new Effective Rate Period (except for the Remarketed Bonds of a Series that are held by the 2002B/C Liquidity Facility Provider which, in accordance with the related 2002B/C Liquidity Facility, shall bear interest at the Bank Interest Rate). In no event shall the interest rate borne by such Remarketed Bonds exceed the Maximum Rate.

The Remarketing Agent, in determining the Effective Rate, shall take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to the Remarketed Bonds, (b) bearing interest at an Adjustable Rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as the Remarketed Bonds; (2) other financial market rates and indices that may have a bearing on the Effective Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (LIBOR), indices maintained by The Bond Buyer, and other publicly available tax-exempt interest rate indices); (3) general financial market conditions; and (4) factors particular to the Authority and the Remarketed Bonds.

The determination by the Remarketing Agent of the Effective Rate to be borne by the Remarketed Bonds (other than Remarketed Bonds that are held by the 2002B/C Liquidity Facility Provider, which, in accordance with the respective 2002B/C Liquidity Facility, shall bear interest at the Bank Interest Rate) shall be conclusive and binding on the Owners of such Remarketed Bonds and the other Notice Parties except as otherwise provided in the respective Series Indenture. Failure by the Remarketing Agent or the Trustee to give any notice required under the Indenture, or any defect in such notice, shall not affect the interest rate borne by the Remarketed Bonds or the rights of the Owners thereof.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the Effective Rate on the Remarketed Bonds shall be the interest rate as determined or caused to be determined weekly by the Trustee, at the expense of the Authority, to be the lesser of (i) the SIFMA Index plus .20% or (ii) 12% per annum which is the maximum rate (the "**Maximum Rate**").

From and after a failure by the 2002B/C Liquidity Facility Provider to purchase any Remarketed Bonds tendered or deemed tendered for purchase by the Owners thereof to and until the earlier of the related maturity date, a redemption date, a Mandatory Tender Date, the date on which such failure is cured by the 2002B/C Liquidity Facility Provider or the date of delivery of an Alternate Liquidity Facility, the Remarketed Bonds shall automatically bear interest in a Weekly Mode Period at an interest rate reset on a weekly basis to be the lesser of (i) the SIFMA Index plus .20% or (ii) the Maximum Rate.

### *Change in Mode Period; Conversion*

From time to time, by notice to the Notice Parties as required under the Indenture, the Authority may designate an alternate Mode Period with respect to all or any portion of a Series of the Remarketed Bonds. The Trustee is to give written notice to Owners of such Change 15 days prior to a change to a Daily Mode in accordance with the Indenture. During each Mode Period, the Effective Rate with respect to the Remarketing Bonds shall be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Remarketed Bonds, respectively, on the Effective Rate Date being 100% of the principal amount thereof, and which is less than or equal to the Maximum Rate.

Each of the Series Indentures provides that the Authority has the option to convert all or a portion of the Remarketed Bonds of the respective Series on any Effective Rate Date to Fixed Rate Bonds bearing Fixed Interest Rates, in accordance with the Indenture

### **Tender and Purchase of Remarketed Bonds**

#### *Owner's Election to Tender*

Owners of the Remarketed Bonds in a Weekly Mode may elect to tender their Remarketed Bonds, which, if so tendered upon proper notice to the Remarketing Agent and the Tender Agent at the times and in the manner set forth in the Indenture, will be purchased on the purchase date specified in the Tender Notice at a price equal to 100% of the principal amount thereof plus accrued interest. Such notice of optional tender for purchase of Remarketed Bonds by the Owners thereof is to be delivered in writing not later than 5:00 p.m. on any Business Day at least 7 calendar days prior to the Purchase Date. Such notice shall be irrevocable once given to the Remarketing Agent and the Tender Agent, as directed in the respective Series Indenture.

Holders of Remarketed Bonds may not elect to tender their Bonds from and after a failure by the 2002B/C Liquidity Facility Provider to purchase any Remarketed Bonds tendered or deemed tendered for purchase by the Owners thereof to and until the earlier of the related maturity date, redemption date, a date on which any of the Remarketed Bonds are subject to mandatory purchase pursuant to the respective Series Indenture (the "**Mandatory Purchase Date**"), the date on which such failure is cured or the date of delivery of an Alternate Liquidity Facility.

#### *Mandatory Tender*

Mandatory Tender on Mode Change Date. Remarketed Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Remarketed Bonds begins (the "**Mode Change Date**") at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Remarketed Bonds no less than 15 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, the numbers of the Remarketed Bonds to be purchased if less than all of the Remarketed Bonds owned by such Owners are to be purchased and that interest on such Remarketed Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any Remarketed Bond shall not affect the validity of the mandatory purchase of any other Remarketed Bond with respect to which such notice was mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by the Owner. Remarketed Bonds subject to mandatory purchase on the Mandatory Purchase

Date are to be delivered (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the close of business on the Mandatory Purchase Date. **So long as the Remarketed Bonds are registered in the DTC book-entry system described in Appendix H to this Remarketing Statement, such notices will be sent only to DTC's nominee.**

Mandatory Tender upon Termination, Replacement or Expiration of a 2002B/C Liquidity Facility. If at any time the Trustee receives notice from the Authority or the 2002B/C Liquidity Facility Provider that Remarketed Bonds having the benefit of a 2002B/C Liquidity Facility tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to such 2002B/C Liquidity Facility as a result of (i) the termination, replacement or expiration of the term, as extended, of the 2002B/C Liquidity Facility, including but not limited to termination at the option of the Authority in accordance with the terms of such 2002B/C Liquidity Facility, or (ii) termination upon the occurrence and continuance of certain specified events under such 2002 B/C Liquidity Facility (i.e., on a Notice of Termination Date as defined in the 2002B/C Liquidity Facility), then such Remarketed Bonds shall be purchased or deemed purchased at the Purchase Price.

Any purchase of the Remarketed Bonds pursuant to the Indenture shall occur: (1) on the fifth Business Day preceding any expiration or termination of a 2002B/C Liquidity Facility without replacement by an Alternate Liquidity Facility, or upon any termination of a 2002B/C Liquidity Facility as described in clause (ii) of the preceding paragraph, and (2) on the proposed date of the replacement of a 2002B/C Liquidity Facility in any case where an Alternate Liquidity Facility is anticipated to be delivered to the Trustee pursuant to the Indenture.

The Trustee shall give notice of mandatory purchase pursuant to the Indenture by first-class mail, or transmitted in such other manner (such as by Electronic Means) as may be customary for the industry as directed in writing by the Authority, to the Owners of the Remarketed Bonds subject to mandatory purchase, with a copy to the MSRB, no less than 15 days prior to the Mandatory Purchase Date (or in connection with a Mandatory Purchase Date described in clause (ii) of the next preceding paragraph, not less than 3 days prior to the Mandatory Purchase Date). The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Remarketed Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any Remarketed Bond shall not affect the validity of the mandatory purchase of any other Remarketed Bond with respect to which notice was so transmitted. Any notice transmitted as described will be conclusively presumed to have been given, whether or not actually received by any Owner. Remarketed Bonds purchased pursuant to the Indenture are to be delivered by the Owners (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, New York City time, on the Mandatory Purchase Date, and payment of the Purchase Price of such Remarketed Bonds is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on such Mandatory Purchase Date.

Mandatory Tender at the Direction of the Authority. When the Weekly Mode is in effect, the Remarketed Bonds are subject to mandatory tender for purchase on any Business Day designated by the Authority, with the consent of the Remarketing Agent and the 2002B/C Liquidity Facility Provider, at the Purchase Price, payable in immediately available funds. The Trustee is to give notice of mandatory purchase pursuant to the Indenture by first-class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of the Remarketed Bonds subject to mandatory purchase, with a copy to the MSRB, no less than 15 days prior to the Mandatory Purchase Date. The notice shall state the Mandatory

Purchase Date, the Purchase Price and that interest on Remarketed Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any Remarketed Bond shall not affect the validity of the mandatory purchase of any other Remarketed Bond with respect to which notice was so transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by any Owner. Remarketed Bonds purchased pursuant to the Indenture are to be delivered by the Owners (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, New York City time, on the Mandatory Purchase Date, and payment of the Purchase Price of such Remarketed Bonds is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on such Mandatory Purchase Date.

*Payment of Tendered Remarketed Bonds*

Remarketed Bonds that are tendered or deemed tendered under the terms of the respective Series Indenture are to be purchased by the Remarketing Agent or the Tender Agent, as appropriate, upon surrender of such Remarketed Bonds, but only from the sources listed below, from the Owners thereof by 4:30 p.m., New York City time, on the date such Remarketed Bonds are required to be purchased at the Purchase Price. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated:

- (a) the proceeds of the sale of Remarketed Bonds furnished to the Remarketing Agent by the purchasers thereof pursuant to the respective Series Indenture; and
- (b) moneys furnished to the Tender Agent pursuant to the respective Series Indenture, representing the proceeds of a draw under the respective 2002B/C Liquidity Facility.

On any Purchase Date, the Remarketing Agent is to offer for sale and use its best efforts to sell all such Remarketed Bonds tendered or deemed tendered at a price equal to 100% of the principal amount thereof plus accrued interest. The Remarketed Bonds so sold shall bear interest from the date of sale at the Effective Rate. The Remarketing Agent shall, not later than 10:00 a.m., New York City time, on any Purchase Date provide notice to the Tender Agent in accordance with the Remarketing Agreement of the aggregate principal amount of the Remarketed Bonds that have been sold and the aggregate principal amount of Remarketed Bonds that will be tendered but have not been sold.

On each Purchase Date on which the Adjustable Rate Bonds are to be purchased pursuant to a tender, the Tender Agent shall direct the Trustee, by no later than 10:30 a.m., New York City time, to draw upon the Liquidity Facility in an amount sufficient, together with any anticipated remarketing proceeds, to enable the Paying Agent to pay the Purchase Price of the Adjustable Rate Bonds to be purchased on such Purchase Date. The Paying Agent shall direct the Trustee to make any drawing required under this subsection (b) in accordance with the terms of such Liquidity Facility and deposit such moneys to the Bond Purchase Fund so that immediately available funds will be available to the Paying Agent to pay the purchase price due on a Purchase Date by 2:30 p.m., New York City time, on the Purchase Date. See **Appendix C** – "CERTAIN TERMS OF THE 2002B/C LIQUIDITY FACILITIES."

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE 2002B/C LIQUIDITY FACILITY PROVIDER TO PURCHASE 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 REMARKETED BONDS

TENDERED BY THE OWNERS OF THE REMARKETED BONDS OR SUBJECT TO MANDATORY PURCHASE.

*Failure of 2002B/C Liquidity Facility Provider to Purchase Remarketed Bonds*

Under the terms and provisions of the Remarketing Agreement and the respective 2002B/C Liquidity Facility, the purchase price of Remarketed Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the Remarketed Bonds or from the 2002B/C Liquidity Facility Provider. The Authority is not responsible for any failure by the 2002B/C Liquidity Facility Provider to purchase Remarketed Bonds tendered at the option of the Owner or subject to mandatory tender for purchase pursuant to the respective Series Indenture. Failure to purchase a Remarketed Bond tendered at the option of the Owner or subject to mandatory tender for purchase as described above and in accordance with the respective Series Indenture does not constitute an Event of Default under the Indenture. See "Determination of Interest Rates" under this caption.

**Prior Redemption**

*Special Redemption – 2002 Series B Bonds*

The 2002 Series B Bonds are subject to special redemption prior to maturity, as a whole or in part, upon notice as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount of the 2002 Series B Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, without premium, on any date, from amounts on deposit in the 2002 Series B subaccount of the Class I Special Redemption Account. Amounts on deposit in the 2002 Series B subaccount of the Revenue Fund, including Mortgage Repayments and Prepayments of the 2002 Series B Mortgage Loans and amounts in excess of the Debt Service Reserve Fund Requirement applicable to the 2002 Series B Bonds transferred to the Revenue Fund from the 2002 Series B account of the Debt Service Reserve Fund, are to be transferred to the 2002 Series B subaccount of the Class I Special Redemption Account. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *The 2002 Series B Bonds are also subject to redemption from other amounts on deposit in the Revenue Fund as described in "Cross Calls and Recycling" under this caption.*

If less than all of the 2002 Series B Class I Bonds are to be redeemed as described under this caption "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions," the 2002 Series B Class I Bonds shall be redeemed as described in "Selection of Remarketed Bonds within a Maturity; Bank Bonds" under this caption.

**It is anticipated that moneys will be available to redeem a substantial portion of the 2002 Series B Bonds without premium in accordance with the preceding paragraphs. General information concerning prepayments on mortgage loans relating to outstanding bonds of the Authority (including the 2002 Series B Bonds) has been filed by the Authority with and is available from the national repositories. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."**

### *Special Redemption – 2002 Series C Bonds*

The 2002 Series C Bonds are subject to special redemption prior to maturity, as a whole or in part, upon notice as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount of the 2002 Series C Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, without premium, on any date, from amounts on deposit in the respective 2002 Series C subaccounts of the Class I Special Redemption Account and the Class III Special Redemption Account.

Amounts on deposit in the 2002 Series C subaccount of the Revenue Fund, including Mortgage Repayments and Prepayments of the 2002 Series C Mortgage Loans and amounts in excess of the Debt Service Reserve Fund Requirement applicable to the 2002 Series C Bonds transferred to the Revenue Fund from the 2002 Series C account of the Debt Service Reserve Fund, are to be transferred under the Indenture to redeem 2002 Series Class I Bonds and 2002 Series C Class III Bonds, in accordance with the following priority: (i) first, to the 2002 Series C subaccount of the Class I Special Redemption Account, an amount needed to redeem 2002 Series C Class I Bonds to ensure the Class I Asset Requirement of the 2002 Series C Bonds; (ii) second, to the 2002 Series C subaccount of the Class III Special Redemption Account, an amount such that the cumulative principal amount of 2002 Series C-5 Bonds redeemed to and including such redemption date equals the amount set forth for such redemption date in the 2002 Series C Indenture (it is anticipated by the Authority that the 2002 Series C-5 Bonds will be redeemed in full during 2013); (iii) third, except as otherwise directed by an Authority Request that certifies that such request is consistent with the most recently filed Cash Flow Statement Related to the 2002 Series C Bonds, to the applicable subaccount of the 2002 Series C subaccount of the Class I Special Redemption Account, amounts represented by the Aggregate Principal Amount of Outstanding 2002 Series C-3 Bonds; and (iv) fourth, if no 2002 Series C Bonds other than the 2002 Series C-5 Bonds remain outstanding, to the 2002 Series C subaccount of the Class III Special Redemption Account. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *The 2002 Series C Bonds are also subject to redemption from other amounts on deposit in the Revenue Fund as described in "Cross Calls and Recycling" under this caption.*

If less than all of the 2002 Series C Class I Bonds are to be redeemed as described under this caption "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions," the 2002 Series C Class I Bonds shall be redeemed as described in "Selection of Remarketed Bonds within a Maturity" under this caption.

**It is anticipated that moneys will be available to redeem a substantial portion of the 2002 Series C Bonds without premium in accordance with the preceding paragraphs. General information concerning prepayments on mortgage loans relating to outstanding bonds of the Authority (including the 2002 Series C Bonds) has been filed by the Authority with and is available from the national repositories. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."**

### *Cross Calls and Recycling*

Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any subaccount of an Account in the Redemption Fund to another subaccount of the same Account in the Redemption Fund to be applied to the redemption of the same Class of Bonds of a different Series. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Redemption Fund." Each such Authority Request is required to: (i) certify that it is consistent with the most recently filed Related Cash Flow Statement (which may, if necessary, link the Related Series) and not prohibited by the Related Series Indentures; and (ii) be

accompanied by evidence of satisfaction of all Asset Requirements for the Related Series. **The Series Indentures do not prohibit cross calls of the Remarketed Bonds, although certain other Series Indentures have prohibited, and may in the future prohibit, such cross calls with respect to the Related Series of Bonds and such prohibition may result in early redemption of the Remarketed Bonds at par.** In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to a Related or an Unrelated subaccount of the Acquisition Account to be used to make or purchase Mortgage Loans as permitted by the Master Indenture. Each such Authority Request is to (a) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture and (ii) be accompanied by evidence of the satisfaction of all Asset Requirements for the Related Series. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *The Authority expects to transfer Prepayments or Mortgage Prepayments to the Special Redemption Accounts of the Redemption Fund in accordance with the Master Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

*Optional Redemption*

The Remarketed Bonds in a Weekly Mode may be redeemed at the option of the Authority from any source, in whole or in part, on any Effective Rate Date, at a Redemption Price equal to 100% of the principal amount of such Remarketed Bonds to be so redeemed plus the accrued interest thereon to the date of redemption. In the event of an optional redemption in part, the Bonds shall be redeemed in accordance with the provisions described in "Selection of Remarketed Bonds within a Maturity" under this caption (provided however that any Bank Bonds shall be redeemed prior to any other Remarketed Bonds of the same class, term, series and maturity).

*Mandatory Sinking Fund Redemption*

2002 Series B-3 Bonds. The 2002 Series B-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2002 Series B Class I Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2002 Series B subaccount of the Class I Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series B-3 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

**2002 Series B-3 Bonds**

Year (May 1)	Sinking Fund Installment	Year (November 1)	Sinking Fund Installment
2017	\$2,100,000	2017	\$2,140,000
2018	2,190,000	2018	2,245,000
2019	2,290,000	2019	2,345,000
2020	2,400,000	2020	2,455,000
2021	2,510,000	2021 (1)	2,565,000

(1) Maturity Date



Upon any purchase pursuant to the Master Indenture or redemption (other than sinking fund redemption) of the 2002 Series B-3 Bonds for which 2002 Series B Class I Sinking Fund Installments have been established, there shall be credited toward each 2002 Series B Class I Sinking Fund Installment thereafter to become for such 2002 Series B-3 Bonds due an amount bearing the same ratio to such 2002 Series B Class I Sinking Fund Installment as (i) the total principal amount of such 2002 Series B-3 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2002 Series B-3 Bonds Outstanding prior to such redemption or purchase.

2002 Series C-3 Bonds. The 2002 Series C-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2002 Series C Class I Sinking Fund Installments, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series C-3 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date as follows:

**2002 Series C-3 Bonds**

<u>Year</u> <u>(May 1)</u>	<u>Sinking Fund</u> <u>Installment</u>	<u>Year</u> <u>(November 1)</u>	<u>Sinking Fund</u> <u>Installment</u>
--	\$ --	2014	\$ 960,000
2015	1,030,000	2015	1,190,000
2016	1,370,000	2016	1,540,000
2017	1,670,000	2017	1,900,000
2018	2,010,000	2018	2,390,000
2019	2,560,000	2019	2,720,000
2020	2,870,000	2020	2,990,000
2021	3,220,000	2021	3,390,000
2022 (1)	3,820,000	--	--

(1) Maturity Date

Upon any purchase pursuant to the Master Indenture or redemption (other than sinking fund redemption) of the 2002 Series C-3 Bonds for which 2002 Series C Class I Sinking Fund Installments have been established, there shall be credited toward each 2002 Series C Class I Sinking Fund Installment thereafter to become for such 2002 Series C-3 Bonds due an amount bearing the same ratio to such 2002 Series C Class I Sinking Fund Installment as (i) the total principal amount of such 2002 Series C-3 Bonds so purchased or redeemed bears to (ii) the aggregate principal amount of such 2002 Series C-3 Bonds Outstanding prior to such redemption or purchase. If, however, there shall be filed with the Trustee an Authority Request specifying a different method for crediting 2002 Series C Class I Sinking Fund Installments upon any such purchase or redemption of 2002 Series C-3 Bonds and certifying that such request is consistent with the most recently filed Cash Flow Statement Related to the Series Remarketed Bonds, then such 2002 Series C Class I Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

*Selection of Remarketed Bonds within a Maturity*

If less than all of the Remarketed Bonds of like class, tenor, series and maturity are to be redeemed, the particular Remarketed Bonds of such Series or respective portions thereof to be redeemed are to be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate, except that any Bank Bonds shall be redeemed prior to any other Remarketed Bonds of such Series of the same class, tenor, series and maturity.

### *Notice of Redemption*

Notice of redemption is to be given not less than 15 days nor more than 30 days prior to the redemption date by first-class mail or such other method as may be customary for the industry to the registered owner of any Remarketed Bonds of such Series or portions of Remarketed Bonds to be redeemed at such registered owner's last address appearing on the registration records of the Bond Registrar and to the National Repository. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the registered owners of such Remarketed Bonds shall have actually received such notice. Receipt of such notice by the registered owner of any Remarketed Bond shall not be a condition precedent to the redemption of such Remarketed Bond. Failure to give notice of redemption to any registered owner or any defect therein shall not affect the validity of redemption proceedings for any Remarketed Bond with respect to which no such failure or defect has occurred.

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

### *Cancellation in Lieu of Redemption*

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

### **Defeasance and Discharge**

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

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## CERTAIN PROGRAM ASSUMPTIONS

### Generally

Amounts deposited to the respective subaccounts of the Acquisition Account in accordance with the related Series Indentures have been used to purchase Mortgage Loans. The Bonds (including the Remarketed Bonds) and Auxiliary Obligations outstanding under the Master Indenture (other than Auxiliary Obligations which are General Obligations of the Authority) are secured by, among other moneys, rights and interests, the Revenues derived from the Mortgage Loans, including the Mortgage Loans that have been purchased with proceeds of the Remarketed Bonds. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS." Such Revenues are expected by the Authority (based on certain assumptions some of which are described under this caption) to be sufficient to pay the debt service on the Bonds, including the Remarketed Bonds.

Assumptions have been made as to the range of variation in the generation of Revenues from such sources in order to determine the effect of such variation on the sufficiency of Revenues to pay debt service on the Remarketed Bonds. The Authority has reviewed these assumptions and concluded that they are reasonable, but cannot guarantee that actual results will not vary materially from those projected. To the extent that (i) Mortgage Loans are not paid on a timely basis in accordance with their terms, (ii) the rate of receipt of Prepayments is either more rapid or less rapid than that projected, (iii) interest payable on Adjustable Rate Bonds and amounts due under Related Auxiliary Obligations differs from Related Interest Rate Contract Revenues, or (iv) actual investment income differs from that estimated by the Authority, the moneys available may be insufficient for the payment of debt service on the Bonds (including the Remarketed Bonds) and amounts due under Related Auxiliary Obligations and operating expenses of the Program.

### Mortgage Loan Rates

Payments on Mortgage Loans, whether from scheduled monthly installments or from Prepayments, together with Revenues generated as investment income on the funds held under the Indenture, and invested under the investment agreements, are assumed to be the primary source of Revenues. See **Appendix B-2** – "THE MORTGAGE LOAN PORTFOLIO AND FUND BALANCES." The Mortgage Loans bear mortgage loan interest rates, and are outstanding in the aggregate principal amounts, shown in **Appendix B-2**. See also "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM" and **Appendix F** – "CLASS ASSET REQUIREMENTS FOR BONDS."

### Insurance Limitations and Requirements

The Series Indentures each require that related Mortgage Loans (i) be insured by the FHA, (ii) be guaranteed by the VA or the Rural Housing Service (formerly the RHCDS, a successor agency to the FmHA), (iii) be PMI Mortgage Loans (as hereinafter defined), (iv) be a Mortgage Loan which is not insured or guaranteed but has an original principal amount equal to or 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 purchase of which (as confirmed by each Rating Agency) will not adversely affect such Rating Agency's then current rating on any Bonds. PMI 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 the Federal Home Loan Mortgage Corporation or Fannie Mae and rated by the agency then rating the Bonds at least as high as "AA-" or "Aa3" (a "**Private Insurer**"), and such insurance must remain in force unless required to be terminated pursuant to federal law. See "Part II – THE SINGLE

FAMILY MORTGAGE PROGRAM" and **Appendix I** – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE." The Series Indentures each provide that percentages of each type of Mortgage Loan in the aggregate Mortgage Loan portfolio shall be percentages that each Rating Agency confirms will not adversely affect the then current rating on any Bonds (including the Remarketed Bonds).

"PMI Mortgage Loans" are Mortgage Loans which are 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 PMI Mortgage Loan under the Indenture is made or originated, as set forth in the respective series indenture (a "**Private Insurer**"). Such insurance must remain in force except as otherwise required by the Homeowners Protection Act of 1998, as amended, 12 U.S.C. 4901, et, seq. or other applicable laws, or at the option of the Authority, the private mortgage insurance (if borrower paid) may be cancelable after the outstanding principal balance of the Mortgage Loan is reduced to 80% or less of the appraised value (based on the original appraisal) of the property securing the Mortgage Loan.

As of November 1, 2012, the following Private Insurers were providing insurance for the respective percentages of PMI Mortgage Loans (based on outstanding principal balance):

**PMI Mortgage Loans  
and Private Insurers**

<u>Name of Private Insurer</u> <sup>(1)</sup>	<u>Percentage of Trust Estate</u> <sup>(2)</sup>	<u>Percentage of PMI Mortgage Loans</u> <sup>(3)</sup>
Mortgage Guaranty Ins.	6.97%	37.73%
Genworth	5.24	28.34
RMIC	2.19	11.87
United Guaranty Corp.	2.01	10.88
PMI Mortgage Insurance Co. <sup>(4)</sup>	1.05	5.66
Triad Guaranty Insurance	0.52	2.84
Radian Guaranty Inc.	0.42	2.26
Unknown	0.07	0.39
Policyholders Benefit Co.	<u>0.01</u>	<u>0.03</u>
<b>Total Percentage</b>	<b>18.48%</b>	<b>100.00%</b>

<sup>(1)</sup> The ratings of several of these Private Insurers have been downgraded since the time that the PMI 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.

<sup>(2)</sup> Aggregate principal balance of Mortgage Loans in the Trust Estate as of November 1, 2012 was approximately \$1.104 billion.

<sup>(3)</sup> Aggregate principal balance of Mortgage Loans as of November 1, 2012 which were PMI Mortgage Loans was approximately \$204 million.

<sup>(4)</sup> In October 2011, Arizona regulators took control of PMI Mortgage Insurance Co. In November 2011, PMI Mortgage Insurance Co. filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. An Order for Appointment of Receiver and Injunction was entered in March 2012, placing PMI Mortgage Insurance Co. into rehabilitation.

As of November 1, 2012, 18.48% of the \$1.104 billion aggregate principal amount of Mortgage Loans in the Trust Estate were PMI Mortgage Loans. Due to the downgrade in the ratings of most Private Insurers, there has been a significant reduction of PMI 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 recent years. The Authority currently does not accept reservations for mortgage loans which are PMI Mortgage Loans.

## Investments

In connection with the issuance of Bonds (including the Remarketed 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 amounts invested, and at the rates, as of November 1, 2012 as set forth in the following table. As of November 1, 2012, the total amounts in Funds held under the Master Indenture invested with the respective investment providers were as follows: \$99,515,873 with Natixis Funding Corp.; \$46,338,207 with Trinity Funding Company, LLC; \$9,613,500 with Royal Bank of Canada; and \$5,500,000 with Rabobank International.

### Outstanding Investment Agreements (as of November 1, 2012)

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Providers<sup>(1)</sup></u>	<u>Amounts Invested</u>	<u>Rates</u>	<u>Termination Dates</u>
2001AA	Revenue Fund, Redemption Fund, Debt Service Reserve Fund	Trinity Funding Company, LLC	\$29,162,553	5.30%/ 3 month LIBOR	3/1/36
2002A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	7,931,752	5.10%	11/1/32
2002A	Debt Service Reserve Fund	Trinity Funding Company, LLC	4,475,500	5.60%	11/1/32
2002B	Revenue Fund, Redemption Fund <sup>(2)</sup>	Natixis Funding Corp. <sup>(2)</sup>	19,494,727	4.60%	11/1/32
2003A	Revenue Fund, Redemption Fund	Trinity Funding Company, LLC	4,768,402	4.13%	11/1/32
2004B	Revenue Fund, Redemption Fund <sup>(2)</sup>	Natixis Funding Corp. <sup>(2)</sup>	5,568,415	4.60%	11/1/34
2006A	Revenue Fund, Redemption Fund <sup>(2)</sup>	Natixis Funding Corp. <sup>(2)</sup>	22,189,965	4.60%	11/1/36
2006A	Debt Service Reserve Fund	Rabobank International	5,500,000	4.71%	11/1/36
2006B	Debt Service Reserve Fund	Royal Bank of Canada	9,613,500	5.56%	11/1/36
2008A	Revenue Fund, Redemption Fund <sup>(3)</sup>	Natixis Funding Corp. <sup>(3)</sup>	52,262,767	4.27%	11/1/38

<sup>(1)</sup> Neither the Authority nor the 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.

<sup>(2)</sup> These funds are invested under a master repurchase agreement entered with Natixis Funding Corp. on January 29, 2010 (the "**Master Repurchase Agreement**"). The Master Repurchase Agreement replaced the investment agreements previously in effect, and provides for the delivery of securities to the Trustee at a collateralization level of 105%.

<sup>(3)</sup> This investment agreement has not been collateralized. However, the Authority has the right to terminate this investment agreement without penalty at any time.

In accordance with the terms of the Master Indenture, the Authority has also instructed and will instruct the Trustee from time to time to invest certain moneys held by the Trustee in Funds and Accounts relating to Bonds in permitted Investment Securities under the Indenture other than investment agreements, including mortgage-backed securities. 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 – AVAILABILITY OF CONTINUING INFORMATION."

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 any Investment Agreement shown on the preceding table is terminated as a result of default by the respective investment provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected.

## 2002B/C Interest Rate Contracts

The Authority has entered an interest rate swap agreement (the "**2002 Series B-3 Swap Agreement**") with respect to the 2002 Series B-3 Bonds and an interest rate agreement (the "**2002 Series C-3 Swap Agreement**") with respect to the 2002 Series C-3 Bonds, each with Barclays Bank PLC (the "**Counterparty**"). The 2002 Series B-3 Swap Agreement and the 2002 Series C-3 Swap Agreement are referred to herein collectively as the "**2002B/C Interest Rate Contracts.**" In general, the terms of each 2002B/C Interest Rate Contract provides that, on a same-day net-payment basis determined by reference to a notional amount equal to the principal amount of the applicable Series (or portion thereof) of Outstanding Remarketed Bonds, the Authority will pay a fixed interest rate on the notional amount. In return, the Counterparty will pay a variable rate of interest on a like notional amount. The agreement by the Counterparty to make payments under the 2002B/C Interest Rate Contracts does not affect the Authority's obligation to make payment of amounts due on the related Remarketed Bonds. Neither the Owners of the Remarketed Bonds nor any other person other than the Authority will have any rights under the 2002B/C Interest Rate Contracts or against the Counterparty. The Authority's obligation to make regular interest payments to the Counterparty under each of the 2002B/C 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 2002B/C Interest Rate Contracts in the event of early termination is a General Obligation of the Authority and not secured by the Trust Estate under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority." For information concerning the Interest Rate Contracts and other Auxiliary Obligations currently Outstanding under the Master Indenture, see **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS."

## TAX MATTERS UPON REMARKETING

The forms of opinions of Bond Counsel delivered in connection with the original issuance of the respective Series of Remarketed Bonds are attached as **Appendix E**. Bond Counsel has not undertaken to update its approving opinions delivered in connection with the original issuance of the Remarketed Bonds. However, in connection with the remarketing of the Remarketed Bonds, Bond Counsel will deliver its opinion to the effect that the delivery of the 2002B/C Liquidity Facilities is permitted under the Act and the Indenture and will not, in and of itself, adversely affect the exclusion from gross income of interest on the respective Remarketed Bonds for federal tax purposes; provided, that in such opinion Bond Counsel will not be opining on whether the interest on the Remarketed Bonds is excluded from gross income for federal income tax purposes.

The respective opinions expressed by Bond Counsel in connection with the original issuance of the respective Series of Remarketed Bonds were based on existing law as of the respective delivery dates of the Remarketed Bonds. No opinion was or is expressed as of any subsequent date nor was or is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Remarketed Bonds, the exclusion of interest on the Remarketed Bonds from gross income from the date of issuance of the Remarketed Bonds or any other date, or that could result in other adverse tax consequences. Owners of the Remarketed Bonds are advised to consult with their own tax advisors with respect to such matters.

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

## **REMARKETING AGENTS**

### **Remarketing Agreement for Remarketed Bonds**

Barclays Capital Inc. has entered a Remarketing Agreement with the Authority with respect to the 2002 Series C-3 Bonds which will be amended to apply as well to the 2002 Series B-3 Bonds (the "**Remarketing Agreement**"). If Remarketed Bonds are tendered or deemed tendered for purchase as described under the caption "Part I – TERMS OF THE REMARKETED BONDS – Tender and Purchase of Remarketed Bonds – Owner's Election to Tender," Barclays Capital Inc. is required to use its best efforts to remarket such 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. Barclays Capital Inc. is also responsible for determining the rates of interest for such Remarketed Bonds in accordance with the respective Series Indenture. Barclays Capital Inc. is to transfer any proceeds of remarketing of the Remarketed Bonds it receives to the Paying Agent for deposit in accordance with the related Series Indenture.

Barclays Capital Inc. may at any time resign and be discharged of its duties and obligations with respect to the Remarketed Bonds under the Remarketing Agreement by providing the Authority, the Trustee, the Tender Agent and the 2002B/C 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 under the related Series Indenture. Barclays Capital Inc. may be removed with respect to the Remarketed Bonds at any time, at the direction of the Authority by written notice to the Remarketing Agent, except that the Authority shall not remove Barclays Capital Inc. until the appointment of a successor remarketing agent under the related Series Indenture. The appointment of any successor remarketing agent shall be subject to the prior written consent of the 2002B/C Liquidity Facility Provider. Upon the resignation or removal of Barclays Capital Inc., as 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 Remarketed Bonds. Barclays Capital Inc. shall pay over, deliver and assign any monies and Remarketed Bonds held by it in such capacity to its successor.

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

In connection with the Adjustable Rate Bonds outstanding under the Master Indenture, the Authority has entered into remarketing agreements with the respective remarketing agents (including the Remarketing Agreement with Barclays Capital Inc. relating to the Remarketed Bonds) set forth in the following table (the "**Remarketing Agents**"):

**Remarketing Agents under Master Indenture  
as of November 1, 2012 (except as noted)**

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

<sup>(1)</sup> These are the Remarketed Bonds described in this Remarketing Statement.

<sup>(2)</sup> Effective in connection with the remarketing of the Remarketed Bonds.

<sup>(3)</sup> These Series of Bonds (as noted) are being converted to an index mode and purchased by the Federal Home Loan Bank Seattle concurrently with the remarketing of the Remarketed Bonds on December 19, 2012. In connection with such conversion and purchase, the respective remarketing agreements will terminate, and there will be no remarketing agent in place for such Series of Bonds.

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

The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing the Bonds that are optionally tendered by the owners thereof, all as further described in the Remarketing Statement. 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 Bonds.



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

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

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

The Remarketing Agents are required to determine on the rate determination date the applicable rate of interest that, in their judgment, is the lowest rate that would permit the sale of the respective 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 Bonds (including whether the Remarketing Agents are willing to purchase such Bonds for their own account). The Remarketing Agreements require that the Remarketing Agents use their best efforts to sell respective tendered Bonds at par, plus accrued interest. There may or may not be 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 Bonds tendered for purchase on such date at par and a Remarketing Agent may sell such Bond at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the Bonds at the remarketing price.

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

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

## **LITIGATION**

In connection with the remarketing of the Remarketed Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the remarketing of the Remarketed Bonds, or which would materially adversely affect the financial condition of the Authority, or in any way contesting or affecting the validity or enforceability of the Remarketed Bonds, the Indenture, the 2002B/C Liquidity Facilities or the Remarketing Agreement.

## RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), are expected to give the Remarketed Bonds ratings of "Aaa/VMIG 1" and "AAA/A-1," respectively, based on the delivery of the 2002B/C Liquidity Facilities by the 2002B/C Liquidity Facility Provider. Moody's and S&P have given the Remarketed Bonds the underlying long-term ratings of "Aaa" and "AAA", respectively. 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 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 Remarketed Bonds. The Authority has no obligation to oppose, or to provide Owners of the Remarketed Bonds with notice of, any such revision or withdrawal of a rating.

## CERTAIN RELATIONSHIPS OF PARTIES

Barclays Capital Inc., an affiliate of Barclays Bank PLC, is acting as the Remarketing Agent of the Remarketed Bonds. Barclays Capital Inc. also acts as the remarketing agent for other Bonds under the Master Indenture, as described in "Part I – REMARKETING AGENTS," and for bonds under the Authority's Multi-Family/Project Master Indenture. Barclays Bank PLC is the provider of numerous liquidity facilities in connection with the Bonds, including the 2002B/C Liquidity Facilities relating to the Remarketed Bonds as described in **Appendix C**, and in connection with bonds outstanding under the Authority's Multi-Family/Project Master Indenture. Barclays Bank PLC has also acted as a counterparty to the Authority under the Interest Rate Contracts (including the 2002B/C Interest Rate Contracts) as described in **Appendix B-1** and under agreements described in footnote (8) of the audited 2011 financial statements of the Authority attached as **Appendix G**.

## FINANCIAL ADVISOR

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

## FORWARD-LOOKING STATEMENTS

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

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

## AVAILABILITY OF CONTINUING INFORMATION

In connection with the remarketing of the Remarketed Bonds, the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix J** to this Remarketing Statement, by which the Authority is agreeing to make available, in compliance with Rule 15c2-12 of the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), certain Annual Financial Information and audited financial statements and notice of certain events.

For the fiscal years ended as of and prior to December 31, 2010, the Authority had filed quarterly reports including all components of the Annual Financial Information and operating data with respect to certain of its outstanding bonds under the related continuing disclosure undertakings of the Authority. However, this information had been reported as of dates other than December 31, which is technically required by the Authority's continuing disclosure undertakings. So, while such financial information and operating data of the nature required to be provided annually had been provided more frequently to the market by posting on the Authority's website and, in many cases, by filing with the national repositories, there had been a technical non-compliance by the Authority with its continuing disclosure obligations.

The Authority has filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("**EMMA**") Annual Financial Information and operating data as of December 31 for the fiscal years ended as of December 31, 2009 and 2010, and has implemented measures to ensure that Annual Financial Information for future fiscal years will be provided as of December 31 and will be timely filed with EMMA in accordance with the requirements of the related Continuing Disclosure Undertakings.

**(End of Part I)**

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## **PART II**

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

#### **Background**

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

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

#### **Board of Directors and Staff Officers**

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

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### Present Board of Directors of the Authority

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

<sup>(1)</sup> This Board member was elected as Chair of the Board effective March 22, 2012.

<sup>(2)</sup> This Board member was elected as Chair, pro tem, of the Board effective March 22, 2012.

<sup>(3)</sup> This Board member was appointed as Secretary/Treasurer of the Board effective March 22, 2012.

The principal staff officers of the Authority are as follows:

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

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

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

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

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

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

*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 Master's Degree in Accountancy from DePaul University and is a Certified Public Accountant.

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

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

*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 Master's Degree in Business Administration from Regis University in Denver, Colorado.

*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.

The position of **Director of Home Finance** was vacated effective October 26, 2012. Senior Management is finalizing its search for a permanent replacement. *Dan McMahon*, Manager Home Finance Loan Production for the Authority, was named **Interim Director of Home Finance** effective November 27, 2012. Mr. McMahon joined the Authority in March 2000. Mr. McMahon received a Bachelor of Arts Degree and a Master's Degree in Non-Profit Management from Regis University in Denver, Colorado. Mr. McMahon has more than 15 years' experience in various capacities in public and non-profit real estate lending and development.

The position of **Director of Loan Servicing** was vacated on September 10, 2012. The Authority has recently contracted with Dovenmuehle Mortgage Inc. as a third party loan servicer to sub-service the Authority's Mortgage Loans securing the Bonds (including the Remarketed Bonds). See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Servicing of the Mortgage Loans." In light of this sub-servicing arrangement, the Authority has determined not to fill this Director position.

## **Employees and Pension Information**

As of December 31, 2011, the Authority had approximately 194 full-time employees, all of whom were members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 13.70% of each participating employee's gross salary to PERA in 2011. In 2011, the Authority's PERA contribution totaled approximately \$1,869,000, compared to an Authority contribution in 2010 of \$1,665,000. See footnote (11) of the audited 2011 financial statements of the Authority attached as **Appendix G** for further information.

## **Insurance Coverage**

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



## Selected Financial Information

The following is a brief summary of historical selected financial information for the Authority. The audited 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 "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." The Bonds and Auxiliary Obligations are limited obligations of the Authority secured by and payable from the Trust Estate, except in the limited case of those Bonds and Auxiliary Obligations designated as general obligations of the Authority. See "Obligations of the Authority" and "The General Fund" under this caption. For specific information about the Trust Estate, see "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS," and "Part II – CERTAIN BONDOWNERS' RISKS" and **Appendices B-1 and B-2**. *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 (including the Remarketed Bonds) when due.*

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**Colorado Housing and Finance Authority**  
**Combining Schedule - Statement of Net Position**

December 31, 2011

(with summarized financial information for December 31, 2010)

(in thousands of dollars)

	General Programs	Single Family	Multi-Family/ Business	Eliminations	2011	Summarized 2010
<b>Assets</b>						
Current assets:						
Cash (Note 2)						
Restricted	\$ 56,011	\$ -	\$ -	\$ -	\$ 56,011	\$ 75,483
Unrestricted	33,281	-	-	-	33,281	16,498
Investments (Note 2)	9,058	530,373	106,801	-	646,232	652,878
Loans receivable (Note 3)	43,986	44,709	25,568	(562)	113,701	134,211
Loans receivable held for sale (Note 3)	38,206	-	-	-	38,206	47,478
Accrued interest receivable	3,339	8,865	4,865	(160)	16,909	20,075
Deferred debt financing costs, net	15	478	174	-	667	778
Other assets	6,977	378	118	-	7,473	9,541
Due (to) from other programs	(27,174)	20,345	6,829	-	-	-
<b>Total current assets</b>	<b>163,699</b>	<b>605,148</b>	<b>144,355</b>	<b>(722)</b>	<b>912,480</b>	<b>956,942</b>
Noncurrent assets:						
Investments (Note 2)	658	154,576	83,204	-	238,438	219,983
Loans receivable, net (Note 3)	129,417	1,296,553	741,465	(16,290)	2,151,145	2,467,772
Capital assets - non-depreciable (Note 4)	5,026	-	-	-	5,026	5,547
Capital assets - depreciable, net (Note 4)	19,134	-	-	-	19,134	21,194
Other real estate owned, net	3,515	4,448	2,656	-	10,619	12,505
Deferred debt financing costs, net	263	8,605	3,138	-	12,006	13,998
Other assets	22,691	-	-	-	22,691	22,164
<b>Total noncurrent assets</b>	<b>180,704</b>	<b>1,464,182</b>	<b>830,463</b>	<b>(16,290)</b>	<b>2,459,059</b>	<b>2,763,163</b>
<b>Total assets</b>	<b>344,403</b>	<b>2,069,330</b>	<b>974,818</b>	<b>(17,012)</b>	<b>3,371,539</b>	<b>3,720,105</b>
<b>Total Deferred Outflows - Hedging</b>						
Accumulated decrease in fair value of hedging derivatives	-	135,763	131,647	-	267,410	180,245
<b>Liabilities</b>						
Current liabilities:						
Short-term debt (Note 5)	46,100	-	-	-	46,100	87,900
Bonds payable (Note 6)	-	311,847	9,665	-	321,512	299,187
Notes payable (Note 6)	104	-	-	-	104	79
Accrued interest payable	1,178	14,433	10,093	(160)	25,544	25,641
Federally assisted program advances	458	-	-	-	458	60
Accounts payable and other liabilities	45,605	1,071	743	-	47,419	65,063
<b>Total current liabilities</b>	<b>93,445</b>	<b>327,351</b>	<b>20,501</b>	<b>(160)</b>	<b>441,137</b>	<b>477,930</b>
Noncurrent liabilities:						
Bonds payable, net (Note 6)	70,285	1,629,772	860,303	-	2,560,360	2,910,329
Derivative instruments	727	149,577	131,647	-	281,951	183,600
Derivatives related borrowing	-	27,253	26,354	-	53,607	59,972
Notes payable (Note 6)	24,283	-	-	(16,852)	7,431	6,173
Other liabilities (Note 6)	22,237	872	832	-	23,941	8,767
<b>Total noncurrent liabilities</b>	<b>117,532</b>	<b>1,807,474</b>	<b>1,019,136</b>	<b>(16,852)</b>	<b>2,927,290</b>	<b>3,168,841</b>
<b>Total liabilities</b>	<b>210,977</b>	<b>2,134,825</b>	<b>1,039,637</b>	<b>(17,012)</b>	<b>3,368,427</b>	<b>3,646,771</b>
<b>Net position</b>						
Invested in capital assets, net of related debt	7,308	-	-	16,852	24,160	26,741
Restricted by bond indentures	-	70,268	66,828	-	137,096	113,252
Unrestricted (Note 10)	126,118	-	-	(16,852)	109,266	113,586
<b>Total net position</b>	<b>\$ 133,426</b>	<b>\$ 70,268</b>	<b>\$ 66,828</b>	<b>\$ -</b>	<b>\$ 270,522</b>	<b>\$ 253,579</b>

**Colorado Housing and Finance Authority**  
**Combining Schedule - Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended December 31, 2011**

(with summarized financial information for the year ended December 31, 2010)

(in thousands of dollars)

	General Program	Single Family	Multi-Family/ Business	Eliminations	2011	Summarized 2010
<b>Interest income and expense:</b>						
Interest on loans receivable	\$ 12,719	\$ 75,599	\$ 47,564	\$ (1,285)	\$ 134,597	\$ 151,319
Interest on investments	735	15,154	7,534	-	23,423	18,094
Interest on debt	(6,765)	(89,676)	(43,389)	1,285	(138,545)	(141,458)
Net interest income	6,689	1,077	11,709	-	19,475	27,955
<b>Other operating income:</b>						
Rental income	8,804	-	-	-	8,804	9,306
Loan servicing income	13,633	-	(3)	-	13,630	13,058
Section 8 administration fees	5,052	-	-	-	5,052	4,629
Gain on sale of loans	16,792	-	-	-	16,792	19,817
Investment derivative activity loss	(527)	(1,188)	-	-	(1,715)	(473)
Net increase (decrease) in the fair value of investments	74	21,264	4,549	-	25,887	7,324
Other revenues (losses)	255	506	-	-	761	1,713
Total other operating income	44,083	20,582	4,546	-	69,211	55,374
Total operating income	50,772	21,659	16,255	-	88,686	83,329
<b>Operating expenses:</b>						
Salaries and related benefits	18,210	-	-	-	18,210	17,808
General operating	38,963	1,319	501	-	40,783	55,636
Depreciation	3,684	-	-	-	3,684	3,773
Provision for losses	3,791	4,746	499	-	9,036	6,521
Total operating expenses	64,648	6,065	1,000	-	71,713	83,738
<b>Net operating income (loss)</b>	(13,876)	15,594	15,255	-	16,973	(409)
<b>Nonoperating revenues and expenses:</b>						
Federal grant receipts	134,491	-	-	-	134,491	134,613
Federal grant payments	(134,491)	-	-	-	(134,491)	(134,613)
Gains on sales of capital assets	(30)	-	-	-	(30)	128
Total nonoperating revenues, net	(30)	-	-	-	(30)	128
<b>Income before transfers</b>	(13,906)	15,594	15,255	-	16,943	(281)
<b>Transfers from (to) other programs</b>	7,005	4,049	(11,054)	-	-	-
<b>Change in net position</b>	(6,901)	19,643	4,201	-	16,943	(281)
<b>Net position:</b>						
Beginning of year	140,327	50,625	62,627	-	253,579	253,860
End of year	\$ 133,426	\$ 70,268	\$ 66,828	\$ -	\$ 270,522	\$ 253,579

## 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" AND **APPENDIX B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." THE FOLLOWING INFORMATION REGARDING THE AUTHORITY'S GENERAL FUND IS PROVIDED ONLY IN CONNECTION WITH OBLIGATIONS WHICH HAVE BEEN OR ARE IN THE FUTURE SO DESIGNATED.

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

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

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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, 2011 as provided by the Authority.

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

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009*</u>	<u>FY 2008</u>	<u>FY 2007</u>
Interest and investment revenue:					
Loans receivable	\$12,719	\$13,302	\$17,979	\$15,635	\$12,900
Investments	730	426	337	1,807	3,420
Net increase (decrease) fair value of long-term investments	<u>74</u>	<u>47</u>	<u>(185)</u>	<u>41</u>	<u>(66)</u>
Total interest and investment revenue	13,523	13,775	18,131	17,483	16,254
 Interest expense - bonds and notes payable	<u>5,722</u>	<u>5,603</u>	<u>6,457</u>	<u>8,989</u>	<u>9,718</u>
Net interest and investment revenue	7,801	8,127	11,674	8,494	6,536
 Other revenue (expense):					
Rental operations	8,804	9,306	7,460	8,424	10,882
Fees and miscellaneous income	35,731	39,219	27,106	17,592	17,432
Hedging activity loss	(527)	(200)	--	--	--
Gain on sales of capital assets	<u>(30)</u>	<u>128</u>	<u>2</u>	<u>6,091</u>	<u>6,650</u>
Total other revenue	<u>43,978</u>	<u>48,453</u>	<u>34,568</u>	<u>32,107</u>	<u>34,964</u>
Net revenue	51,779	56,625	46,242	40,601	41,500
 Other expenses:					
Salaries and related benefits	18,210	17,808	16,180	14,935	14,341
General operating	38,962	54,306	16,334	14,160	15,626
Provision for losses	3,791	2,917	3,662	2,985	(300)
Other interest expense	1,038	1,068	1,099	1,137	1,465
Transfers	(7,005)	(2,236)	(4,078)	10,663	(3,644)
Depreciation	<u>3,684</u>	<u>3,773</u>	<u>3,159</u>	<u>2,685</u>	<u>2,722</u>
Total other expense	<u>58,680</u>	<u>77,636</u>	<u>36,356</u>	<u>46,565</u>	<u>30,210</u>
Change in net assets	<u>\$(6,901)</u>	<u>\$(21,011)</u>	<u>\$ 9,886</u>	<u>\$(5,964)</u>	<u>\$ 11,290</u>
Net Assets, end of year	<u>\$133,426</u>	<u>\$140,326</u>	<u>\$161,337</u>	<u>\$151,451</u>	<u>\$157,415</u>
Bonds and Notes Payable	<u>\$140,773</u>	<u>\$190,178</u>	<u>\$203,041</u>	<u>\$287,704</u>	<u>\$203,029</u>
Total Assets	<u>\$344,403</u>	<u>\$420,491</u>	<u>\$400,426</u>	<u>\$471,057</u>	<u>\$392,943</u>

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

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2007-2011. See the audited 2011 financial statements attached as **Appendix G**.

## Authority Policy Regarding Swaps

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. See **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Outstanding Interest Rate Contracts." Under the master indenture relating to its Multi-Family/Project Bonds and under the general resolution relating to its Multifamily Housing Insured Mortgage Revenue Bonds, the Authority is also permitted to, and has entered into, certain derivative obligations which are described in footnote (8) of the audited 2011 financial statements of the Authority attached as **Appendix G**.

## Programs to Date

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

### *Single Family Mortgage Programs*

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently acquires mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*. Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single Family Mortgage Program, although the Authority does not exceed the Fannie Mae conforming loan limits. Proceeds of a mortgage loan under the Non-Qualified Single Family Mortgage Program may also be used under the Authority's refinancing program to refinance existing Mortgage Loans. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. See "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM." For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2011 financial statements of the Authority attached as **Appendix G**.

### *Commercial Loan Programs*

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

be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured rental loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. These insured rental loans have been funded by the Authority as described in "Obligations of the Authority – Commercial Loan Programs" under this caption. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "Obligations of the Authority – General Obligations – Loans Backed by Authority General Obligation" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote (3) to the audited 2011 financial statements of the Authority attached as **Appendix G**.

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

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

Under its *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2011 financial statements of the Authority attached as **Appendix G**. During 2006, the Authority made the decision to sell a majority of the facilities it then owned 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. As of this date, the Authority has completed the sale of all of the facilities owned under the RAP Program. 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 agreed to maintain the existing number of units with affordability requirements or increase the number of units with affordability requirements. The sale of these properties does not imply that the Authority is discontinuing or closing the RAP program. The Authority intends to seek opportunities to acquire other rental properties in underserved areas within the State of Colorado at such time as such transactions support the goals of the Authority with respect to affordable rental housing in Colorado.

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

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



In connection with its *Special Projects financing program*, the Authority has financed business loans to corporations for certain manufacturing and solid waste disposal facility projects. The Authority has also made an uninsured business loan to a for-profit borrower to finance a project at the United States Air Force Academy in Colorado Springs, Colorado. The Authority also makes loans under its *Rural Development Loan Program* (the "**RDLP**"), financed through the Intermediary Relending Program offered by the U.S. Department of Agriculture. For the RDLP, the Authority targets Colorado businesses in select rural communities with populations of less than 25,000. Loans can be used to purchase owner-occupied commercial real estate and equipment, and the maximum loan size is \$500,000.

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

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

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

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

## **Obligations of the Authority**

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2011 financial statements of the Authority attached as **Appendix G**.

### *Single Family Mortgage Programs*

In connection with its Single Family Mortgage Programs, the Authority has issued its Single Family Mortgage Bonds and Notes (referred to as "**Bonds**" in this Remarketing Statement) under the Master Indenture, payable from the revenues of mortgage loans held thereunder, outstanding as of November 1, 2012 in the aggregate principal amount of \$1,456,200,000. See **Appendix B-1** for further detail about the Bonds and related arrangements. In addition, prior to 2000, the Authority issued

numerous series of its Single Family Program Bonds as senior and subordinate bonds under separate indentures of trust, payable from the revenues of mortgage loans pledged under such respective indentures, which bonds were outstanding as of November 1, 2012 in the aggregate principal amount of \$19,125,000. Among these outstanding Bonds and bonds are Class III Single Family Mortgage Bonds outstanding under the Master Indenture and subordinate bonds issued as part of the Single Family Program Bonds under separate indentures which are general obligations of the Authority, as described in "General Obligations – Single-Family Bonds – Class III and Subordinate Bonds" under this caption.

The Authority previously issued its 2009AA Program Bonds under a Master Indenture dated as of December 1, 2009 (the "**NIBP Master Indenture**"), payable from amounts on deposit in an escrow fund until converted and thereafter payable from the revenues of mortgage loans and mortgage-backed securities held thereunder. In May, 2011, the Authority converted \$58,800,000 aggregate principal amount of its 2009AA Program Bonds and issued its Single Family Program Class I Bonds, Series 2011AA (Mortgage-Backed Securities Program) in the aggregate principal amount of \$39,200,000 under the NIBP Master Indenture, the proceeds of which were used to finance Mortgage Loans through the purchase of mortgage-backed securities guaranteed by Ginnie Mae ("**Ginnie Mae Certificates**"). These bonds secured by Ginnie Mae Certificates under the NIBP Master Indenture were outstanding as of November 1, 2012 in the aggregate principal amount of \$91,935,000. Bonds secured by escrowed amounts in the aggregate principal amount of \$110,085,000 remained outstanding under the NIBP Master Indenture as of November 1, 2012. In March 2012, \$106,325,000 aggregate principal amount of 2009AA Program Bonds under the NIBP Master Indenture which remained unconverted as of December 31, 2011 was redeemed with escrowed amounts. The Authority redeemed the remaining unconverted 2009AA Program Bonds on December 10, 2012 using escrowed amounts.

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

For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see footnote (6) of the audited 2011 financial statements of the Authority attached as **Appendix G**. The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption.

#### *Commercial Loan Programs*

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of November 1, 2012 in an aggregate principal amount of \$72,290,000). Since 2000, the Authority has financed rental and business loans and certain guaranteed participation interests with proceeds of its Multi-Family/Project Bonds, which were outstanding under a master indenture as of November 1, 2012 in an aggregate principal amount of \$747,880,000. 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. 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 2011 financial statements of the Authority attached as **Appendix G** for more information regarding these outstanding bonds and notes. The Authority has also acted as a conduit issuer of bonds supported by letters of credit or other credit facilities. These conduit bonds are payable only with amounts received from the conduit borrower, and are therefore not reported as obligations of the Authority on its financial statements. See footnote (7) of the audited 2011 financial statements of the Authority attached as **Appendix G**.

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

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

#### *General Obligations*

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

Single Family Bonds – Class III Bonds and Subordinate Bonds. The Authority has issued Class III Single Family Mortgage Bonds, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, outstanding in the aggregate principal amount of \$47,200,000 as of November 1, 2012, are payable from mortgage loan revenues under the Master Indenture and are also general obligations of the Authority. See **Appendix B-1** for more information about these Class III Bonds. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are payable from mortgage loan revenues on a subordinate lien basis and are also general obligations of the Authority. The aggregate principal amount of such Subordinate Bonds as of November 1, 2012 was \$120,000.

Multi-Family/Project Bonds. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of November 1, 2012 in an aggregate principal amount of \$248,565,000) 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 November 1, 2012 in the aggregate principal amount of \$21,820,000) in order to finance certain rental and business loans which are payable not only from a lien on loan revenues but also

as general obligations of the Authority. These Class II Multi-Family/Project Bonds are payable from loan revenues on a subordinate lien basis to the Class I Multi-Family/Project Bonds.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of November 1, 2012, such privately placed bonds were outstanding in an aggregate principal amount of \$20,942,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of November 1, 2012 in the aggregate principal amount of \$13,514,255. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of November 1, 2012, such privately placed bonds were outstanding in an aggregate principal amount of \$20,213,001.

Loans Backed by Authority General Obligation. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of, and pledged to the repayment of, its Multi-Family/Project Bonds, outstanding as of November 1, 2012 in the aggregate principal amount of \$293,611,828. 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 November 1, 2012, such 542(c) mortgage loans were outstanding in the amount of \$222,678,569 (\$34,204,262 held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds and \$188,424,308 held under the Multi-Family/Project Master Indenture and securing the Multi-Family/Project Bonds). In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Commercial Loan Programs – Rental Finance Programs" under this caption. To date, the Authority has incurred risk-sharing losses of approximately \$11.8 million following the defaults on insured mortgage loans for certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, the mortgage loans for the Platte Valley Village II project in the approximate aggregate principal amount of \$1.781 million, for the Fox Run Apartments project in the approximate aggregate principal amount of \$3.455 million and for the Gold Camp Apartments project in the approximate aggregate principal amount of \$1.195 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 – Outstanding Interest Rate Contracts." See also "Authority Policy Regarding Swaps" under this caption and footnote (8) to the audited 2011 financial statements of the Authority attached as **Appendix G**.

Other Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for borrowings from time to time. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of November 1, 2012, borrowings in the aggregate principal amount of \$59,780,000 were outstanding under those agreements. See footnote (5) to the audited 2011 financial statements of the Authority attached as **Appendix G**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of November

1, 2012 in the aggregate principal amount of \$787,123), 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, both with a stable outlook, 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.

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*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 November 1, 2012. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

**Summary of Certain Authority Obligations as of November 1, 2012**

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (November 1, 2012)</u>
Single Family Mortgage Bonds (2001 Master Indenture) <sup>(1)</sup>	\$1,456,200,000
Single Family Program Senior/Subordinate Bonds (Separate Indentures)	19,125,000
Single Family Program Bonds (NIBP Master Indenture) <sup>(2)</sup>	91,935,000
Multifamily Housing Insured Mortgage Revenue Bonds (General Resolution)	72,290,000
Multi-Family/Project Bonds (Master Indenture)	747,880,000
Privately Placed Bonds:	
Rental Finance	20,942,000
Business Finance	13,514,255
Single Family	20,213,001

<sup>(1)</sup>These are the Bonds (including the Remarketed Bonds) issued and outstanding under the Master Indenture. See **Appendix B-1** for more information about the Bonds.

<sup>(2)</sup>In March 2012, \$106,325,000 aggregate principal amount of 2009AA Program Bonds under the NIBP Master Indenture was redeemed with escrowed amounts. The Authority redeemed the remaining 2009AA Program Bonds under the NIBP Master Indenture on December 10, 2012 using escrowed amounts.

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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 November 1, 2012. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

**General Obligations of the Authority as of November 1, 2012**

<b>General Obligations</b>	<b>Outstanding Amount (November 1, 2012)</b>
Single Family Mortgage Bonds, Class III	\$47,200,000
Single Family Program Subordinate Bonds	120,000
Multi-Family/Project Bonds:	
Class I	248,565,000
Class II	21,820,000
Privately Placed Bonds:	
Rental Finance	20,942,000
Business Finance	13,514,255
Single Family	20,213,001
Other Borrowings:	
Lines of Credit	59,780,000
Rural Business Cooperative Service Notes	787,123

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## SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS

### Pledge of Trust Estate

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

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

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

- (i) all right, title and interest of the Authority in and to the proceeds of Bonds until used as set forth in the Master Indenture;
- (ii) all right, title and interest of the Authority in and to the Revenues (as described in "Revenues" under this caption);
- (iii) all right, title and interest of the Authority in and to all moneys and securities in the Funds and Accounts from time to time held by the Trustee under the terms of the Master Indenture (except moneys and securities in the Rebate Fund, the Excess Earnings Fund and a Bond Purchase Fund) and investments, if any, thereof (other than the Rebate Requirement which is to be deposited in the Rebate Fund and any Excess Earnings which are to be deposited in the Excess Earnings Fund);



(iv) all right, title and interest of the Authority in and to the Mortgage Loans and the MBS described in "The Mortgage Loans and the Mortgaged-Backed Securities" under this caption; and

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

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

## Revenues

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

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

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

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

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

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

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

applicable fees charged by a Mortgage Lender in connection with a Mortgage Loan, or accrued interest received in connection with the purchase of Investment Securities).

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

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

## **The Mortgage Loans and the Mortgage-Backed Securities**

### *Generally*

The Trust Estate pledged under the Master Indenture to secure Bonds and Auxiliary Obligations issued thereunder includes the right, title and interest of the Authority in the Mortgage Loans and the MBS acquired by the Authority in order to finance Mortgage Loans. Under the Master Indenture, "MBS" means collectively, the Ginnie Mae Certificates, the Fannie Mae Certificates and the Freddie Mac Certificates. See "Mortgage-Backed Securities" under this caption. "**Mortgage Loan**" means a permanent loan secured by a Mortgage for the purchase and/or rehabilitation of Residential Housing made to a Borrower by the Authority or an originating Mortgage Lender which is purchased pursuant to a Mortgage Purchase Agreement and which satisfies certain requirements of the Master Indenture. See "Mortgage Loan Requirements" under this caption. All Bonds issued under the Master Indenture will be secured by the Trust Estate which includes all MBS and Mortgage Loans so acquired with proceeds of such Bonds. In the event that only a portion of or interest in an MBS or Mortgage Loan is purchased under the Master Indenture, reference to such an MBS or a Mortgage Loan shall be interpreted and applied to relate to such portion or interest.

### *Mortgage-Backed Securities*

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

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

### *Mortgage Loan Requirements*

The Mortgage Loans must be permanent loans secured by a mortgage, deed of trust or other instrument constituting a valid lien on real property in the State and improvements constructed or to be constructed thereon or on a leasehold under a lease having a remaining term, at the time such instrument is acquired by the Authority, of not less than the term for repayment of the Mortgage Loan secured by such instrument. The Mortgage Loans may be secured by a first mortgage on the real property (a "**First Mortgage Loan**") or may be originated by the Authority or on behalf of the Authority by the Mortgage Lender and secured by a second mortgage loan on the real property (a "**Second Mortgage Loan**"). A Second Mortgage Loan will only be originated in connection with a First Mortgage Loan. Each Mortgage Loan must be made in connection with the purchase or refinance of a single-family, owner-occupied dwelling located within the State that qualifies for financing or refinancing by the Authority within the meaning of the Act, the Rules and Regulations of the Program, the relevant provisions of the Tax Code and related regulations (referred herein as "**Residential Housing**"). A Second Mortgage Loan may be originated for the purpose of assisting Eligible Borrowers with their upfront cash requirements in connection with the purchase of Residential Housing or for closing cost assistance in connection with the financing or refinancing of a mortgage loan. See "Part II – THE SINGLE-FAMILY MORTGAGE PROGRAM – Reservation, Delivery and Acquisition of Mortgage Loans." A First Mortgage Loan must be the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of such Mortgage Loan and must be made to a Borrower by the Authority or made by an originating Mortgage Lender and purchased by the Authority pursuant to a Mortgage Purchase Agreement. For this purpose, a *Borrower* means the maker of, and any other party obligated on, a Mortgage Loan in connection with the acquisition or rehabilitation of Residential Housing, who is a person or family of "low or moderate income" qualifying as such under the Act and the Rules and Regulations of the Program and, as applicable, in accordance with the Tax Code. The Mortgage Lenders may include certain banks, trust companies, FHA-approved direct endorsement mortgagees, VA-approved automatic lenders, Fannie Mae-approved and/or Freddie-Mac-approved sellers, RHS-approved mortgagees, national banking associations, credit unions, and savings and loan associations which make mortgage loans on properties located in the State and mortgage bankers approved by a private mortgage company insuring a Mortgage Loan.

First Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Insurance Limitations and Requirements." The Master Indenture further requires that the buildings on the premises with respect to which each First Mortgage Loan is made are to be insured, as and to the extent required by the Authority to protect its interest and with the Authority designated as the loss payee as its interest may appear, against loss or damage by fire, lightning and other hazards (including flooding in some cases). Each Mortgage Loan must be serviced by a participating lender until it is purchased by the Authority, at which time the servicing is transferred to the Authority. If the Authority purchases a Mortgage Loan before the first payment on such loan is due, then the Authority will be the initial servicer rather than the participating lender. The Authority has recently entered into the subservicer arrangement described in "Part II – THE SINGLE FAMILY MORTGAGE PROGRAM – Servicing of the Mortgage Loans." In the Master Indenture, the Authority has covenanted to take certain

action to protect the interests of the owners of the Bonds in the Mortgage Loans. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Covenants; Enforcement of Mortgage Loans and Servicing Agreements."** In one such covenant, the Authority has agreed to diligently enforce and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans consistent with sound lending practices and principles and applicable requirements under the Tax Code including the prompt payment of all Mortgage Repayments and all other amounts due the Authority thereunder.

### *Mortgage Loans*

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

### **Debt Service Reserve Fund**

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

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

### **Liquidity Facilities**

Pursuant to the respective Series Indentures, the Authority has entered, and expects in the future to enter, into Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. See **Appendix B-1 – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS –**

The Outstanding Auxiliary Obligations – Liquidity Facilities" for a description of the outstanding Liquidity Facilities under the Master Indenture. The Authority may elect to replace any Liquidity Facility with an Alternate Liquidity Facility. The Authority is to promptly notify the Trustee, the Remarketing Agent and the Paying Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to the date of such delivery. Upon receipt of such notice, the Trustee is to promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail to the Remarketing Agent and to each Owner of the Adjustable Rate Bonds at such Owner's registered address and to EMMA. The Authority is to deliver such Alternate Liquidity Facility to the Trustee on or before the day preceding the date of expiration of the then expiring Liquidity Facility or on the date of its intent to deliver.

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

No Alternate Liquidity Facility may be delivered to the Trustee for any purpose under the respective Series Indenture unless accompanied by certain documents, including letters from Moody's and S&P evidencing that the replacement of the Liquidity Facility with the Alternate Liquidity Facility will result in the reconfirmation of the then existing rating or the assignment of a new short-term rating of not less than "A-1+" or "P-1/VMIG-1" (in the case of S&P and Moody's, respectively) on the related Adjustable Rate Bonds (except in the case of the 2002B/C Liquidity Facilities).

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

The Authority has agreed that, for so long as either of the 2002B/C Liquidity Facilities is in full force and effect, any Alternate Liquidity Facility will require, as a condition to the effectiveness thereof, that the provider of such Alternate Liquidity Facility provide funds to the extent necessary, in addition to other funds available, on the date such Alternate Liquidity Facility becomes effective, for the purchase of all Bank Bonds at par plus accrued interest (at the Bank Rate) through the date of such purchase.

### **Interest Rate Contracts**

In connection with the issuance of certain Adjustable Rate Bonds under the Master Indenture, the Authority has entered, and expects in the future to enter, into interest rate swap agreements which qualify as "**Interest Rate Contracts**" under the Master Indenture, with a counterparty for the purpose of converting the floating rate interest payments the Authority is obligated to make with respect to the Adjustable Rate Bonds into substantially fixed rate payments. See **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." See also "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Authority Policy Regarding Derivatives." Any payments

or receipts received by the Authority under the Interest Rate Contracts will be pledged as Revenues, as described in "Revenues" under this caption. The Authority's obligation to make regular interest payments to the Counterparty under each of the Interest Rate Contracts has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Interest Rate Contracts in the event of early termination and in the future is expected to be a general obligation of the Authority and not an Auxiliary Obligation under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to Interest Rate Contracts" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations."

### **Issuance of Additional Bonds; Auxiliary Obligations**

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

## **CERTAIN BONDOWNERS' RISKS**

### **Limited Security**

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

### **Considerations Regarding Redemption at Par**

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE

"PART I – TERMS OF THE REMARKETED BONDS – PRIOR REDEMPTION" FOR A DESCRIPTION OF THE PROVISIONS SPECIFICALLY APPLICABLE TO THE REMARKETED BONDS. THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of each Series of Bonds will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium.**

### **Tax Exempt Status of Tax-Exempt Bonds**

The opinions previously delivered by Bond Counsel concurrently with delivery of the Remarketed Bonds as described in "Part I – TAX MATTERS UPON REMARKETING" assumed compliance by the Authority with certain requirements of the Tax Code that must be met subsequent to the issuance of such Bonds. The Authority has certified, represented and covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the tax-exempt Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of such Bonds. Furthermore, the opinions of Bond Counsel were rendered as of the date of delivery of the particular Series of Bonds and speak only to laws in effect as of such respective dates. Amendments to federal and state tax laws are proposed from time to time and could be enacted in the future. There can be no assurance that any such future amendments will not adversely affect the value of such Series of Bonds, the exclusion of interest on the tax-exempt Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the particular Series of Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

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

#### *Creditworthiness of the Liquidity Facility 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 Facility Provider. Any downgrade in the ratings of the related Liquidity Facility 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 Facility 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 Facility Provider or the financial condition of any entity with which any Liquidity Facility Provider may merge or by which it may be acquired. For more information about the Liquidity Facility Providers and Outstanding Liquidity Facilities, see **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Liquidity Facilities." If a Liquidity Facility Provider becomes insolvent or otherwise becomes a debtor in bankruptcy, timely payment of the purchase price of related Adjustable Rate Bonds subject to tender for purchase might depend entirely on the sufficiency of the Trust Estate to pay such amounts.

### *Inability to Obtain Substitute Liquidity Facility*

Each Liquidity Facility expires on a particular date which is much earlier than the maturity dates of the related Adjustable Rate Bonds. See **Appendix B-1**. No assurances can be given that the Authority will be able to extend any of the Liquidity Facilities or obtain a Substitute Liquidity Facility with respect to any Series of Adjustable Rate Bonds upon the terms required by the respective Series Indenture until and including the final maturity dates of such Adjustable Rate Bonds or until the interest rate on such Adjustable Rate Bonds is converted to a Fixed Rate. Failure to extend a Liquidity Facility or obtain a Substitute Liquidity Facility will result in a mandatory purchase of the related Adjustable Rate Bonds prior to maturity at a price of par. The mandatory purchase of such Adjustable Rate Bonds on such a mandatory bond purchase date may not be waived. As a result, related Adjustable Rate Bonds subject to such mandatory purchase will become Bank Bonds under the Master Indenture. **Coverage under the 2002B/C Liquidity Facilities for the Remarketed Bonds is stated to expire on December 18, 2015, subject to prior termination or extension.** See "Interest Costs Associated with Bank Bonds - Priority of Accelerated Payments" under this caption.

### *Interest Costs Associated with Bank Bonds; Priority of Accelerated Payments*

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. Payment of such interest on Bank Bonds is on parity with the lien of the related Adjustable Rate Bonds which have been purchased. Furthermore, the Liquidity Facilities provide for accelerated amortization of principal of the respective Bank Bonds payable by the Trust Estate under the Master Indenture. See **Appendix B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Outstanding Liquidity Facilities" for specific information about the "term-out" provisions of the outstanding Liquidity Facilities (including the 2002B/C Liquidity Facilities). WHILE THE PRINCIPAL PAYMENTS DUE ON THE BANK BONDS FOLLOWING ANY SUCH ACCELERATION BY THE LIQUIDITY FACILITY PROVIDERS WILL IN SOME CASES BE CLASS III OBLIGATIONS AND CONSTITUTE GENERAL OBLIGATIONS OF THE AUTHORITY, SUCH ACCELERATED PRINCIPAL IN OTHER CASES WILL BE ON PARITY WITH THE LIEN OF THE RELATED SERIES OF BONDS WHICH HAVE BEEN PURCHASED OR, IN THE CASE OF CERTAIN BONDS WHICH ARE CLASS II BONDS, WILL BE CLASS I OBLIGATIONS WITH A LIEN PRIOR TO THE LIEN OF SUCH BONDS. 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 Adjustable Rate Bonds. Pursuant to each of the Interest Rate Contracts, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which will be based on a LIBOR or SIFMA Index. To the extent Counterparty payments are based on a LIBOR or SIFMA Index, the amount of actual interest payments due on the respective Adjustable Rate Bonds may differ from the amount of such interest payments to be made by the Counterparty and the Trust Estate may not be sufficient to pay interest as due.



The payment obligations of the Authority under the Interest Rate Contracts do not remove the obligations of the Authority to pay interest on the related Series of Bonds from the Trust Estate. A negative change to the financial position of any of the Counterparties (including bankruptcy or insolvency) at any time may negatively impact payments to the Authority pursuant to the applicable Interest Rate Contract to an extent that cannot be determined. In addition, each Interest Rate Contract is subject to termination upon the occurrence of certain events, and no assurance can be given that the Interest Rate Contracts, or any of them, will continue to be in effect. None of the Interest Rate Contracts provide a source of credit or security for the Bonds. The Owners of the Bonds do not have any rights under any Interest Rate Contract or against any Counterparty. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Interest Rate Contracts." See also **Appendix B-1 – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – The Outstanding Auxiliary Obligations – Outstanding Interest Rate Contracts."** See footnote (8) to the audited 2011 financial statements of the Authority attached as Appendix G for a description of certain further risks associated with the Interest Rate Contracts.

### **Amendment of Immediate Termination and Suspension Events under 2002B/C Liquidity Facilities**

Under certain circumstances described in **Appendix C**, the obligation of the 2002B/C Liquidity Facility Provider under the 2002B/C Liquidity Facilities to purchase Remarketed Bonds tendered for purchase 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 the Owners of such Remarketed Bonds. While the Liquidity Facility permits amendments thereof and a waiver of a departure by a party from any provision thereof based on a written amendment or waiver signed by the 2002B/C Liquidity Facility Provider and the Authority, no amendment to any Immediate Termination Event or Immediate Suspension Event as such terms are defined in **Appendix C** (each an "**EMMA Amendment**") shall become effective for (a) ten (10) calendar days after the Authority has posted such EMMA Amendment on Electronic Municipal Market Access ("**EMMA**") (or such other service or services of the Municipal Securities Rulemaking Board ("**MSRB**"), or any successor to the MSRB, that may replace EMMA) and (b) ten (10) calendar days after the Trustee has provided notice of such EMMA Amendment to the Owners of the Remarketed Bonds. Additionally, the Authority is to use its best efforts to post such EMMA Amendment on Bloomberg ten (10) calendar days prior to the effective date of such EMMA Amendment. In the event that the 2002B/C Liquidity Facility Provider and the Authority enter into any EMMA Amendment, the Authority has covenanted to (1) post a final draft of such EMMA Amendment on EMMA ten (10) calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the 2002B/C Liquidity Facility Provider and the Authority) and (2) to cause the Trustee to provide notice of such EMMA Amendment to the Owners of the Remarketed Bonds ten (10) calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the 2002B/C Liquidity Facility Provider and the Authority). Failure of the Authority to comply with the covenants described in the preceding sentence will be considered a covenant default under the 2002B/C Liquidity Facilities.

### **Delays after Defaults on Mortgage Loans**

The Authority anticipates that there will be some delinquent Mortgage Loan payments and foreclosed Mortgage Loans. In the event that a Borrower defaults in the payment of a Mortgage Loan and the Authority institutes foreclosure proceedings, there may be certain required time delays which, should they occur with respect to a sufficient number of Mortgage Loans, could disrupt the flow of Revenues available for the payment of principal of and interest on the Bonds. These time delays derive from the procedures applicable to the collection of mortgage insurance or guarantees as well as those required under Colorado law for the enforcement of rights of beneficiaries under deeds of trusts. Those

procedures and their effect on the Authority's ability to collect on defaulted Mortgage Loans are described in **Appendix I – "INSURANCE AND GUARANTEE PROGRAMS; FORECLOSURE."** Any cash assistance to Borrowers in connection with the Mortgage Loans will decrease the Borrower's equity in the property and, as a result, it is possible that the Mortgage Loans may in the aggregate perform with higher default rates than Mortgage Loans originated without cash assistance. Bondholders should consider the possibility that such higher default rates could result in insufficient Revenues available to pay debt service on the Bonds when due. Information about historical default rates on portfolios of mortgage loans which secure outstanding bonds of the Authority has been provided by the Authority in its past filings with the nationally recognized municipal securities repositories. See **Appendix J – "FORM OF CONTINUING DISCLOSURE UNDERTAKING"** for a description of the Authority's future obligations with respect to providing information about the Mortgage Loan portfolio, including default rate information. In addition, physical damage to the residences securing the Mortgage Loans may exceed the limits of, or be caused by a peril not insured under, the standard hazard insurance policies insuring such residences, thereby diminishing the value of the Mortgage Loans securing the Bonds.

### **Other Risks**

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

## **THE SINGLE FAMILY MORTGAGE PROGRAM**

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

### **Communication of Program Information**

The Authority communicates information on its website ([www.chfainfo.com](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, which is currently being hosted by AllRegs to improve its useability. The Seller's Guide describes each Program parameters and information necessary for Mortgage Lenders to determine the eligibility of Applicants, residences and Mortgage Loans under the Program. The Seller's Guide and all programmatic information is incorporated by reference into the Mortgage Purchase Agreement entered into between the Authority and each respective participating Mortgage Lender for eligible Mortgage Loans. See "Mortgage Purchase Agreements" under this caption.

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

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

In connection with any First Mortgage Loan (with the exception of Zero Interest Loans or Mortgage Loans financed under the CHFA Advantage Program or the CHFA FHA Streamline Refinance Program) originated by a Mortgage Lender in the Single Family Mortgage Programs, a Borrower may request and obtain a Second Mortgage Loan, the proceeds of which may be used to fund upfront cash requirements of the applicable First Mortgage Loan, including payment of the origination fee, closing costs, initial required escrow deposits and/or all or a portion of a downpayment. Proceeds of a Second Mortgage Loan may also be used by a Borrower for a temporary "buy down" of the interest rate. See "Special Program Features – Second Mortgage Loans" under this caption. First Mortgage Loans will be offered with and without a Second Mortgage Loan at varying interest rates. In addition, the Authority may require a Borrower to make a cash contribution using funds other than the proceeds of a Second Mortgage Loan. The cash contribution is not required to be from the Borrower's own funds. The Authority or the Trustee will acquire First Mortgage Loans from the Mortgage Lenders with available funds of the Authority at a price sufficient, in some cases, to pay additional lender fees. The Authority or the Trustee will also use available funds to reimburse Mortgage Lenders for any related Second Mortgage Loans originated by such Mortgage Lenders on behalf of the Authority in connection with such First Mortgage Loans.

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

## Eligibility Requirements

### *Residency Requirements*

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

### *Purchase Price Limitations*

In the case of Mortgage Loans made in the Qualified Single Family Mortgage Program, the Purchase Price of an Eligible Property financed in connection with such a Mortgage Loan may not exceed certain Purchase Price limits as established by the Authority. The Authority has established Purchase Price limits for Eligible Properties, with no differentiation between new and existing residences, based on the county in which such Eligible Property is located. These limits range from \$250,200 to \$417,000. Certain of these Purchase Price limits are somewhat lower than those permitted by the Tax Code in order to better serve persons and families of lower income. Purchase Price limits determined by the Authority may be amended by the Authority from time to time without notice to Bondowners. Furthermore, a Mortgage Loan may be made in an amount up to \$15,000 for an existing Residence to finance certain capital improvements to the Eligible Property for energy efficiency purposes. In addition to the proceeds of a First Mortgage Loan, an Eligible Property may be financed with amounts received and secured by a second mortgage encumbering the property. For other Mortgage Loans and in certain jurisdictions, the Authority has established or may establish higher Purchase Price limits, not in excess of 90% (110% in the case of Targeted Area Residences) of the Average Area Purchase Price, as defined below, of previously occupied or new single family residences, as the case may be, for the statistical area in which the Eligible Property is located.

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

The term "Average Area Purchase Price" means the average area purchase price under the safe harbor limitations calculated as provided in Revenue Procedure 2012-25. This Revenue Procedure announces that the Treasury Department and the Internal Revenue Service have determined that FHA

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

If the FHA revises the FHA loan limit for any statistical area after December 2, 2011, an issuer of qualified mortgage bonds or mortgage credit certificates may use the revised FHA loan limit for the statistical area to compute a revised average area purchase price safe harbor for that statistical area, provided that the issuer maintains records evidencing the revised FHA loan limit. In accordance with the Tax Code, the average area purchase price may be determined by the Authority, in lieu of the safe harbor limitations described above, if the Authority uses more accurate and comprehensive data.

On December 2, 2011, FHA issued Mortgagee Letter 2011-39 which provided notice of the comprehensive update to the FHA's single-family loan limits, issued under the authority of H.R. 2112, the Consolidated and Further Continuing Appropriations Act, 2012, Public Law 112-55. These limits apply to Forward mortgages insured under the following sections of the National Housing Act (NHA): 203(b) (FHA's basic 1-4 family mortgage, including condominiums), 203(h) (mortgages for disaster victims), and 203(k) (rehabilitation mortgage insurance). ML 2011-39 further provided notice that loan limits for mortgages with case numbers assigned on or after January 1, 2012 will use the same loan limits as those announced in ML 10-2010-40 for January 1, 2011 through September 30, 2011.

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

<u>Area</u>	<u>Average Purchase Price Safe Harbor</u>
Summit County	\$748,462
Pitkin County	748,462
Lake County	748,462
Eagle County	748,462
Routt County	692,308
San Miguel County	667,949
Hinsdale County	571,795
Ouray County	494,872
Boulder County	471,795
La Plata County	455,128
Gunnison County	444,872
San Juan County	435,897
Garfield County	435,897
Weld County	428,205
Park County	416,667
Jefferson County	416,667
Gilpin County	416,667
Elbert County	416,667
Douglas County	416,667
Denver County	416,667
Clear Creek County	416,667
Broomfield County	416,667
Arapahoe County	416,667
Adams County	416,667
Mesa County	380,769
Grand County	365,385
Teller County	333,333
El Paso County	333,333
Archuleta County	325,641
Larimer County	320,513
Mineral County	307,692
Chaffee County	287,179

Source: Internal Revenue Service Revenue Procedure 2012-25, IRB 2012-20, released and to be dated May 14, 2012.

### *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

and supplemental documentation. Income limits determined by the Authority may be amended by the Authority from time to time without notice to Bondowners.

#### *Credit Scores for Originated Mortgage Loan Applicants*

Applicants for Mortgage Loans originated under the Qualified Single Family Mortgage Program must meet a minimum FICO credit score requirement of 620 (except the minimum credit score for the CHFA Advantage Program is 700). Applicants who have credit scores greater than or equal to 620 but less than or equal to 659 (and have debt to income ratios exceeding 43%) must successfully pass the Authority's CHFA Risk Information Score Card ("**RISC**") to utilize any Qualified or Non-Qualified Single Family Mortgage Loan Program. RISC evaluates a comprehensive list of "mortgage compensating factors" to determine homeownership preparedness. While some Applicants do not meet the mortgage program requirements at the time of application, they may be able to qualify later by addressing some or all of the issues identified in the RISC Score Card. The list of "mortgage compensating factors" evaluated in the RISC Score Card includes, among other things, the amount of investment by the Applicant in the subject property, the amount of cash reserves held by the Applicant, and whether the Applicant uses budgeting or credit-counseling services.

#### *Homebuyer Education Requirement*

Applicants for Mortgage Loans originated under the Qualified Single Family Mortgage Program will be required by the Authority (at the Authority's expense) to attend homebuyer education classes. Homebuyer education classes are intended to give Applicants a clearer understanding, among other things, of their debt obligations. Applicants obtaining financing under the Authority's HomeAccess Program must attend the class prior to executing a contract with respect to the applicable property. Homebuyer education classes are offered statewide and at no cost to the Borrower by Authority-approved housing counseling agencies and housing authorities under contract with the Authority ("**participating agencies**"). 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 participating agencies, the Authority will pay up to certain amounts for the classroom education. Homebuyer education is also available online from certain of the participating agencies at a cost of \$50 to be paid by the Borrower.

#### **Mortgage Purchase Agreement**

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

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

## **Seller's Guide**

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

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

## **Servicing of the Mortgage Loans**

Since 1997, the Authority has retained all mortgage servicing rights related to purchased single-family mortgage loans and has serviced such mortgage loans, including the Mortgage Loans, through an internal loan servicing department. However, following a detailed review of its loan servicing function in 2012, the Authority determined that the Authority and its customers would benefit from the infrastructure, advanced technology and economies of scale offered by an external sub-servicer. As a result, the Authority has recently contracted with Dovenmuehle Mortgage, Inc. ("**DMI**") to serve as a sub-servicer for the Authority's single family mortgage loan portfolio (including the Mortgage Loans). The target date for completion of the transition is 90-120 days following the contract execution. DMI is highly experienced at sub-servicing mortgage loan portfolios for housing finance agencies and other investors, with expertise in tax exempt bond finance structures and the unique mission perspective of housing finance agencies. It is anticipated that the engagement of DMI will assist the Authority in lowering its long-term costs and enhance delinquency and default management. DMI was selected from a pool of six nationally recognized candidates after a rigorous interview and assessment process. The Authority will continue to retain mortgage servicing rights and will actively oversee the activities of DMI through a core group of internal loan servicing employees.



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

## Hazard Insurance

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

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

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

## Special Program Features

### *Zero Interest First Mortgage Loans*

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

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

#### *HomeAccess Program*

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

#### *SectionEight and SectionEight Plus Programs*

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

#### *CHFA Advantage Program*

The Authority may use amounts in the Acquisition Account to acquire Mortgage Loans originated under the Authority's CHFA Advantage Program. Under this Program, the Authority may make 30-year fixed interest rate Mortgage Loans to borrowers with a minimum median credit score of 700. Such Mortgage Loans originated under the CHFA Advantage Program will be conventional uninsured loans, with a loan to value ratio of 97%. Such Mortgage Loans will not be originated under this Program in conjunction with a Second Mortgage Loan.

### *Second Mortgage Loans*

Proceeds of certain Bonds have in the past been and may in the future be used by the Authority to acquire Second Mortgage Loans made to Borrowers of First Mortgage Loans, including such Second Mortgage Loans made to Borrowers of First Mortgage Loans as well as Second Mortgage Loans originated under the Master Indenture in connection with first mortgage loans purchased and pledged to repay certain GNMA Securities expected to be issued by the Authority. Under most programs, Second Mortgage Loans have been and will be originated for three percent (3%) of the first mortgage loan amount on an interest-bearing basis, with a term of thirty (30) or forty (40) years. See **Appendix B-2** for information regarding the outstanding Second Mortgage Loans under the Master Indenture. Generally, Second Mortgage Loans are due in full upon the sale of the property, the refinance of the related First Mortgage Loan, payment in full of the related First Mortgage Loan, default of the related First Mortgage Loan, transfer of title, or if the property is no longer the Borrower's principal residence. Under certain specialty programs, the second mortgage rate is zero percent (0%) and repayment of the entire balance of the Second Mortgage Loan is due in month three-hundred sixty (360) or four-hundred eighty (480) (after repayment of the thirty (30) or forty (40) year first mortgage loan). The Second Mortgage Loan can be prepaid in full or in part at any time without penalty. The Second Mortgage Loan is not assumable.

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

### *Refinancing Programs*

Proceeds of the Bonds (or amounts exchanged therefor) provide funding for the Authority's mortgage purchase activities under the Single Family Mortgage Programs. The Authority is using, and in the future plans to use, such proceeds and exchanged amounts to fund mortgage refinancing activities. One program initiated in September, 2012 by the Authority is the CHFA FHA Streamline Refinance Program. Under this Program, the Authority may offer fixed interest rate 30-year Mortgage Loans to refinance Mortgage Loans currently in the Authority's single-family mortgage loan portfolios, without an appraisal, homebuyer education, any credit qualification or minimum financial investment. Mortgage Loans will not be originated under this Program in conjunction with a Second Mortgage Loan. Any such refinancing programs of the Authority may result in the prepayment of outstanding mortgage loans, including the Mortgage Loans, with a corresponding redemption at par of Bonds secured by such Mortgage Loans in accordance with the redemption provisions of the related Series Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

### *Community Land Trust Program*

The Authority uses proceeds of Bonds to acquire First Mortgage Loans with a first lien on residences built on leased ground in connection with a Community Land Trust. The remaining term of the ground leases will not be less than the term for repayment of the Bonds secured by the First Mortgage Loans. The Community Land Trust's ground lease may include certain resale restrictions to limit future property purchasers to low and moderate families or to limit the maximum sales price of the property. The Authority will require appropriate recorded documentation such as a Land Lease Rider (the "**Rider**") among the Borrower, the Authority and the Community Land Trust which will provide that such restrictions will terminate automatically on foreclosure of, or acceptance of a deed-in-lieu of foreclosure for, the leasehold mortgage. The documentation will also provide that in no event shall the leasehold

terminate except for (1) nonpayment of amounts due under the lease; (2) violation of the restrictions on sale; and (3) violation of the requirement that the Borrower occupy the land as their primary residence. The documentation shall give the Authority the prior right to cure any such default without terminating the lease or to foreclose its mortgage, at which point a new lease between the Authority and the Community Land Trust will be automatically created.

#### *Payment of Recapture Tax*

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

### **NO IMPAIRMENT OF CONTRACT BY THE STATE**

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

### **LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS**

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

## **FINANCIAL STATEMENTS OF THE AUTHORITY**

The most recent audited financial statements of the Authority, included as **Appendix G**, have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein. KPMG LLP has not performed any procedures related to this Remarketing Statement.

## **MISCELLANEOUS**

This Remarketing Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, including the Indenture and the 2002B/C Liquidity Facilities, may be obtained upon request to the Authority and upon payment to the Authority of a charge for copying, mailing and handling, at 1981 Blake Street, Denver, Colorado 80202, Attention: Director of Corporate Debt and Investment Management.

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

**COLORADO HOUSING AND FINANCE  
AUTHORITY**

By: /s/Cris A. White  
Executive Director

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## APPENDIX A

### Summary of Certain Provisions of the Indenture

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

#### Definitions of Certain Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Costs of Issuance" means the items of expense payable or reimbursable directly or indirectly by the Authority and other costs incurred by the Authority, all related to the authorization, sale and issuance of Bonds, the execution and delivery of Auxiliary Agreements and the establishment of the Program, which costs and items of expense shall include, but not be limited to, underwriters' compensation, printing costs, costs of developing, reproducing, storing and safekeeping documents and other information processing or storage of materials, equipment and software related to the Bonds, filing and recording fees, travel expenses incurred by the Authority in relation to such issuance of Bonds or for the Program, initial fees, charges and expenses (including counsel's fees and expenses) of the Authority, the Trustee, the Bond Registrar and the Paying Agent, initial premiums with respect to insurance required by the Indenture to be paid by the Authority or by the Trustee, legal fees and charges (including, without

limitation, the fees and expenses of Bond Counsel, the Authority's disclosure counsel, counsel to the underwriter and counsel to the Authority), professional consultants' fees, accountants' fees, mortgagor counseling fees, costs of bond ratings, fees and charges for execution, transportation and safekeeping of the Bonds, accrued interest paid in connection with the purchase of any Investment Securities with the proceeds of Bonds and any other costs, charges and fees in connection with the foregoing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Repurchase agreements, collateralized by Investment Securities described in clause (i) or clause (ii) of this definition, with any institution, any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, and collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency;

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

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

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

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

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

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

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

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

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

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

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

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

"Mortgage Loan" means a permanent loan secured by a Mortgage for the purchase or rehabilitation of Residential Housing made to a Borrower either by the Authority or by an originating Mortgage Lender which is purchased by the Authority pursuant to a Mortgage Purchase Agreement and which loan satisfies the requirements of the Master Indenture. In the event that only a portion of or interest in a Mortgage Loan is purchased under the Indenture, references herein to such Mortgage Loan shall be interpreted and applied to relate to such portion or interest.

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

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

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

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

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

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

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

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

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

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

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

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

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



default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan or MBS by the Authority or by any other proceedings taken by the Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Purchase in Lieu of Redemption**

If Bonds of any particular Series, Class and maturity are called for redemption, upon Authority Request the Bonds so called shall be purchased in lieu of such redemption by the Trustee or Paying Agent for the account of the Authority on the date upon which such Bonds were to have been redeemed, at a purchase price not to exceed the applicable Redemption Price thereof, plus accrued interest, if any, thereon to, but not including, such date, or at any higher purchase price consistent with the most recent Cash Flow Statement. At the election of the Authority, but not otherwise, such Bonds shall be canceled by the Trustee upon such purchase in lieu of redemption. The Authority shall deliver any such Authority

Request not later than the Business Day preceding the date upon which such Bonds were to have been redeemed, which Authority Request shall state the aggregate principal amount of each Series, Class and maturity of Bonds for which an election to purchase in lieu of redemption pursuant to this Master Indenture is being made, and the source of payment for such purchase in lieu of redemption. Any such purchase in lieu of redemption may be made from any moneys designated by the Authority, and, upon receipt thereof if such moneys are not already held in the Trust Estate, the Trustee shall use such moneys for such purpose. The Authority is expressly authorized, to tender, and to direct the Trustee and the Paying Agent to purchase from the Authority, any Bonds for cancellation in lieu of redemption. Neither the Trustee nor the Paying Agent shall be required to advance any of their own money to make any such purchase or purchases.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys in the Redemption Fund in lieu of redemption to pay the purchase price (exclusive of accrued interest) of Bonds purchased in lieu of redemption pursuant to the Master Indenture. Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys from the Revenue Fund in accordance with the Master Indenture, from the Class I Debt Service Fund in accordance with the Master Indenture, from the Class II Debt Service Fund in accordance with the Master Indenture, from the Class III Debt Service Fund in accordance with the Master Indenture, or from the Class IV Debt Service Fund in accordance with the Master Indenture to pay accrued interest on such Bonds purchased pursuant to the Master Indenture.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys from the Class I Debt Service Fund in accordance with the Master Indenture to pay the purchase price (inclusive of accrued interest) of Class I Term Bonds purchased in lieu of redemption by Class I Sinking Fund Installment pursuant to the Master Indenture and, upon such purchase, shall credit the principal amount of any such Class I Term Bonds against such Class I Sinking Fund Installment in accordance with the Master Indenture.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys from the Class II Debt Service Fund in accordance with the Master Indenture to pay the purchase price (inclusive of accrued interest) of Class II Bonds purchased in lieu of redemption by Class II Sinking Fund Installment pursuant to the Master Indenture and, upon such purchase, shall credit the principal amount of any such Class II Bonds against such Class II Sinking Fund Installment in accordance with the Master Indenture.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys from the Class III Debt Service Fund in accordance with the Master Indenture to pay the purchase price (inclusive of accrued interest) of Class III Bonds purchased in lieu of redemption by Class III Sinking Fund Installment pursuant to paragraph (a) of the Master Indenture and, upon such purchase, shall credit the principal amount of any such Class III Bonds against such Class III Sinking Fund Installment in accordance with the Master Indenture.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys from the Class IV Debt Service Fund in accordance with the Master Indenture to pay the purchase price (inclusive of accrued interest) of Class IV Bonds purchased in lieu of redemption by Class IV Sinking Fund Installment pursuant to the Master Indenture and, upon such purchase, shall credit the principal amount of any such Class IV Bonds against such Class IV Sinking Fund Installment in accordance with the Master Indenture.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys in the Revenue Fund in the order of priority and in amounts which do not exceed the amounts expected to be transferred to the respective Funds and Accounts pursuant to the Master Indenture prior to the next Payment Date to purchase Bonds in the manner provided in the Master Indenture. Any Bonds so purchased shall be credited in an amount equal to par plus accrued interest against amounts which would otherwise be required to be transferred pursuant to the Master Indenture to the various Funds and Accounts.

### **Funds and Accounts Established by the Indenture**

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

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

Subaccounts shall be created in all Funds and Accounts described in the Master Indenture for each Series of Bonds. Except as otherwise provided in the Master Indenture or in a Series Indenture,

bond proceeds and other moneys relating to a Series of Bonds shall be deposited in the Related subaccounts created with respect to such Series of Bonds.

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

- (a) if and to the extent required by the Indenture;
- (b) if and to the extent necessary to enable the Authority to deliver a Cash Flow Statement with respect to one or more Series;
- (c) in connection with an Authority Request filed pursuant to the Indenture;
- (d) upon Authority Request, accompanied by an opinion of Bond Counsel, to assure that the interest on Tax-exempt Bonds remains excludable from the gross income of the owners thereof for federal income tax purposes; and
- (e) if and to the extent that the aggregate amount of moneys, investments, Mortgage Loans and MBS allocated to any particular Series exceeds the aggregate amount of Outstanding Bonds of such Series.

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

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

### **Program Fund; Acquisition Account**

There shall be paid into the Related subaccount of the Acquisition Account established within the Program Fund the respective amount of the proceeds of the Bonds and other moneys specified in each Series Indenture and any amounts transferred pursuant to the Master Indenture. There may also be paid into the Acquisition Account, at the option of the Authority, any moneys received by the Authority from any other source, unless required to be otherwise applied as provided by the Indenture. Except as otherwise required or permitted by the Master Indenture, Mortgage Loans and MBS made or purchased in connection with a Series of Bonds shall be allocated to such Series. Mortgage Loans and MBS (or portions thereof) allocated to a Series of Bonds shall be held in the subaccount of the Acquisition Account which was created in connection with such Series of Bonds.

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

The Trustee shall withdraw moneys from the Acquisition Account for the purchase of a Mortgage Loan pursuant to the Master Indenture upon receipt of an Authority Request stating (i) the name of the Person to be paid, (ii) the amount to be paid, including principal, premium, if any, unpaid accrued interest and prepaid discount fees, if any, and (iii) that all conditions precedent to the purchase of such Mortgage Loan have been fulfilled. The Trustee shall withdraw moneys from the Acquisition Account for the acquisition of MBS pursuant to the Master Indenture upon receipt of an Authority Request. The purchase price of each Ginnie Mae Certificate shall be the Ginnie Mae Certificate Purchase Price, the purchase price of each Fannie Mae Certificate shall be the Fannie Mae Certificate Purchase Price and the purchase price of each Freddie Mac Certificate shall be the Freddie Mac Certificate Purchase Price. If the Trustee receives an interest payment on an MBS representing interest accrued prior to the date such MBS was purchased by the Trustee with amounts on deposit in the Acquisition Account, the Trustee shall remit such amount to the Authority when received. The Trustee shall not disburse moneys from the Acquisition Account for the acquisition of an MBS unless (i) such MBS shall be acquired in accordance with the Master Indenture, (ii) such MBS will bear interest at the applicable Pass-Through Rate and (iii) the MBS will be held by the Trustee as described in the Master Indenture.

Any moneys deposited in the Acquisition Account that the Authority certifies from time to time will not be used to purchase Mortgage Loans or MBS in accordance with the Master Indenture and the Related Series Indenture shall be withdrawn by the Trustee on the date specified in the Related Series Indenture or such other date or dates on or after such date as may be specified by the Authority, and transferred to the Related subaccount of the Redemption Fund for application in accordance with the Related Series Indenture; provided, however, that such transfer or transfers may be made on a later date as to all or any part of such moneys, if the Authority shall have filed with the Trustee an Authority Request specifying a later date or dates for such withdrawal, and certifying that such Authority Request is consistent with the most recently filed Cash Flow Statement and the Related Series Indenture.

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

The Authority may determine that a Mortgage Loan or an MBS (or portions thereof or interest therein) will be financed or refinanced with proceeds of more than one Series of Bonds. In such event, all provisions of the Indenture which relate to a Mortgage Loan, an MBS, Mortgage Repayments and Prepayments, and moneys in any Fund or Account, shall be interpreted and applied to relate such Mortgage Loan, MBS, Mortgage Repayments, Prepayments and moneys to each Series furnishing proceeds for such Mortgage Loan or MBS in proportion to the respective principal amounts of Bonds of each such Series the proceeds of which were or will be used to finance or refinance such Mortgage Loan or MBS or by such other method as shall be provided in an Authority Request, accompanied by an opinion of Bond Counsel that such method will not adversely affect the exclusion from gross income of interest on Tax-exempt Bonds.

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

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

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

### **Cost of Issuance Account**

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



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

### **Program Fund; Loan Recycling Account**

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

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

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

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

### **Revenue Fund**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Q) To the Authority, the amount of any reasonable and necessary Program Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the

Authority or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of such amounts paid to the Authority, plus amounts paid to the Authority with respect to such Series of Bonds pursuant to subsections (M) and (N) above and plus all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries exceed any limitations set forth in the Related Series Indenture;

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

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

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

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

(V) Into each Unrelated subaccount of the Class IV Debt Service Fund, after making the transfer into such subaccount required by the Master Indenture, on a proportionate basis with all other such Unrelated subaccounts or as otherwise directed by Authority Request, any

deficiency in such subaccounts resulting from the lack of moneys sufficient to make the deposit required by subsection (U) as of such date; and

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

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

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

Prior to, but as close as practicable to, the latest date on which the Trustee would be permitted to give notice of a redemption to occur on a Payment Date from amounts deposited in the Redemption Fund, the Trustee shall calculate the amounts then on deposit in each subaccount of the Revenue Fund which would be transferred to the Related subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund and the Class IV Debt Service Fund, and the Related subaccounts of the Redemption Fund, in accordance with the priorities and provisions of such subsection. Such amounts may be withdrawn from such subaccount of the Revenue Fund for application on or prior to the next succeeding Payment Date (A) upon receipt of an Authority Request, to the purchase in lieu of redemption of the Related Class I Bonds, Class II Bonds, Class III Bonds or Class IV Bonds, (B) to the payment of accrued interest on Bonds being purchased pursuant to or redeemed pursuant to the Indenture, or (C) to the redemption of Related Class I Bonds, Class II Bonds, Class III Bonds and Class IV Bonds on such Payment Date.

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

### **Class I Debt Service Fund**

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

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

### **Debt Service Reserve Fund**

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

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

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

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

(ii) In the event that the amount transferred to any subaccount of the Class I Debt Service Fund is insufficient to pay the interest and Principal Installments, if any, and other amounts, if any, due on Related Class I Obligations on the next succeeding Payment Date, the Trustee shall transfer from Unrelated subaccounts in the Debt Service Reserve Fund on a

proportionate basis or as otherwise directed by Authority Request, first from subaccounts of the Interest Reserve Account, and then if and to the extent necessary from subaccounts of the Debt Service Reserve Fund, to such subaccount of the Class I Debt Service Fund the amount of such insufficiency.

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

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

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

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

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



however, that no such transfer may result in (A) the amount on deposit in the Related subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

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

### **Class II Debt Service Fund**

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

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

### **Class III Debt Service Fund**

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

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

### **Class IV Debt Service Fund**

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

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

### **Rebate Fund**

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

### **Excess Earnings Fund**

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

Moneys in a subaccount of the Excess Earnings Fund may be used to purchase Mortgage Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account, at a purchase price equal to the unpaid balances of the principal amounts of such Mortgage Loans plus accrued interest, if any, thereon, and any unamortized premium, and any such Mortgage Loans so purchased shall be credited to such subaccount of the Excess Earnings Fund. Mortgage Loans in a subaccount of the Excess

Earnings Fund may be exchanged for Mortgage Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account having an aggregate principal balance not less than the aggregate principal balance of such Mortgage Loans in such subaccount of the Excess Earnings Fund, upon receipt by the Trustee of an Authority Request specifying the Mortgage Loans to be so exchanged.

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

### **Application of Authority Payment Accounts**

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

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

### **Redemption Fund**

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

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

Except as set forth in the Master Indenture or in the Related Series Indenture, moneys deposited in a subaccount of the Class II Special Redemption Account pursuant to the Master Indenture or pursuant to the Related Series Indenture shall be applied to the extent practicable by the Paying Agent on the

earliest practicable date to redeem Related Class II Bonds. Any amounts remaining in such Class II Special Redemption Account after all Class II Bonds of the Related Series have been paid shall be transferred to the Related subaccount of the Revenue Fund.

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

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

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

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

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

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

Amounts credited to any Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Investment Security or Investment Securities, provided that each such investment complies in all respects with the provisions of the Master Indenture as they apply to each Fund or Account for which the joint investment is made, the Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein and amounts

credited to the Rebate Fund and the Excess Earnings Fund may be invested together with amounts credited to any other Fund or Account. The maturity date or the date on which Investment Securities may be redeemed at the option of holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes provided in the Indenture.

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

### **Program Covenants; Enforcement of Mortgage Loans and Servicing Agreements**

The Authority covenants in the Indenture that:

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

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

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

(d) It shall enforce diligently and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans and MBS consistent with sound lending practices and principles and applicable requirements under the Code, including the prompt payment of all Mortgage Repayments and all other amounts due the Authority thereunder. The Authority shall not without good cause release the obligations of any Borrower under any Mortgage Loan, or of the Servicer under the Servicing Agreement and shall not consent or agree to or permit any amendment or modification of the economic terms of any Mortgage Loan except with respect to a Mortgage Loan in default (or which, with the giving of notice or the passage of time or both, would be in default), and to the extent permitted by law, at all times shall defend, enforce, preserve and protect the rights and privileges of the Authority, the Trustee and the Bondowners under or with respect to all Mortgage Loans and MBS, the obligations evidencing such Mortgage Loans and the agreements securing such Mortgage Loans and MBS and the Servicing Agreement relating thereto; provided, however, that nothing in this subparagraph (d) or in subparagraph (e) or (f) below shall be construed to prevent the Authority from (i) settling a default on any

Mortgage Loan on such terms as the Authority shall determine to be in the best interests of the Authority and the Bondowners; (ii) releasing any Borrower, Servicer or any other Person from, or waiving, any of such Person's obligations under the respective Mortgage Loan, any agreement with respect to security therefor or Servicing Agreement to the extent necessary to comply with the provisions of the Master Indenture or to the extent required by the governmental or private insurer or guarantor, if any, of such Mortgage Loan; or (iii) releasing any mortgagor in connection with an assumption of a Mortgage Loan as permitted in accordance with the requirements of any governmental or private insurer or guarantor.

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

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

### **Assignment or Disposition of Mortgage Loans; Amendment of Mortgage Loan**

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

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

### **Tax Covenants**

The Authority covenants for the benefit of the Owners of each Series of Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes that it will not take any action or omit to take any action with respect to such Bonds, the proceeds thereof, or any other funds of the Authority if such action or omission would cause the interest on such Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103

of the Code, would subject the Authority to any penalties under Section 148 of the Code, or would cause such Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of such Bonds until the date all obligations of the Authority in fulfilling the above covenant under the Code have been met. The Authority shall execute and deliver from time to time such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the Authority with said Sections and the regulations thereunder with respect to the use of the proceeds of such Bonds and any other funds of the Authority. Such certificates, instruments and documents may contain stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the Authority and the Trustee hereby covenant and agree to comply with the provisions of any such stipulation throughout the term of such Bonds.

### **Creation of Liens**

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

### **Events of Default**

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

(a) The Authority shall fail to pay any Principal Installment of any Class I Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The Authority shall fail to pay any installment of interest on any Class I Bond or fail to pay any Class I Auxiliary Obligation when and as the same shall become due and payable, and such failure shall continue for a period of 5 days;

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

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

(e) The Authority shall fail to pay any Principal Installment or interest on any Class IV Bond or fail to pay any Class IV Auxiliary Obligation when and as the same shall become due

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

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

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

## **Remedies**

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

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

At any time after the Aggregate Principal Amount of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may (and, at the direction of the Owners of a majority in Aggregate Principal Amount of the Outstanding Bonds, shall) annul such declaration and its consequences with respect to any Bonds not then due by their terms if (i) moneys shall have been deposited in the Revenue Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Bonds; (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable under the Indenture as described in "Events of Default" under this caption, including amounts due pursuant to Auxiliary Agreements, shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the



satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

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

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

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

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

First: To the payment to the persons entitled thereto of all installments of interest then due and payable on the Class I Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Installments of any Class I Obligations and any other required payment on the Class I Obligations which shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Class I Obligations

due and payable on any date, then to the payment thereof ratably, according to the amounts of Principal Installments due on such date, to the persons entitled thereto, without any discrimination or preference.

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

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

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

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

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

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

### **Majority Bondowners Control Proceedings**

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or to take any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions (in particular, those relating to the priority of the Class I Obligations over Class II, III and IV Obligations, Class II Obligations over Class III and IV Obligations and Class III Obligations over Class IV Obligations) of the Indenture (including indemnity to the Trustee as provided in the Master Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondowners not joining in such direction and provided further that nothing shall impair the right of the Trustee in its discretion to take any other action under the Indenture which it may deem proper and which is not inconsistent with such direction by Bondowners.

## **General Obligation Bond Default**

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

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

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

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

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

Regardless of the happening of a General Obligation Bond Default, the Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation

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

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

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

### **Modification of Indenture and Outstanding Bonds**

The Indenture provides procedures whereby the Authority may amend the Indenture by execution and delivery of a Supplemental Indenture. Amendments that may be made without consent of Bondowners or the Trustee must be for only the following purposes: (a) to add to the covenants and agreements of the Authority in the Indenture, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (b) to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Indenture of the Revenues or of any other moneys, securities or funds; (d) to modify any provisions of the Indenture in any respect whatever, provided that the modification, in the sole judgment of the Authority, is reasonably necessary to assure that the interest on Tax-exempt Bonds remains excludable from the gross income of the owners thereof for federal income tax purposes; or (e) to provide for the issuance of Bonds pursuant to the Indenture and to provide for the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed.

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

Any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Bondowners, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Master Indenture of the Owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owners of all such Bonds, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment without the consent of the Owners of all Bonds then Outstanding or shall change the provisions of the Indenture relating to the ability to declare the Aggregate Principal Amount of Bonds to be due and payable without the consent of the Owners of all Bonds then Outstanding or shall materially adversely affect the rights of the Owners of Class II Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class II Bonds Outstanding, or shall materially adversely affect the rights of the Owners of Class III Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class III Bonds then Outstanding, or shall materially adversely affect the rights of the Owners of Class IV Bonds without the consent of the Owners of a majority in Aggregate Principal Amount of Class IV Bonds then Outstanding; or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. If any such modification or amendment will, by its terms not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. The Trustee, relying upon a Counsel's Opinion, may determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular maturity would be

affected by any modification or amendment of the Indenture, and any such determination shall be binding and conclusive on the Authority and the Bondowners.

### **Defeasance**

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

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

## APPENDIX B-1

### The Outstanding Bonds and Auxiliary Obligations

#### The Outstanding Bonds

As of November 1, 2012, the Authority had issued and outstanding the following Series of Bonds under the Master Indenture in the Classes as indicated:

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (November 1, 2012)</u>
<b>2001 Series AA:</b>		
Taxable Adjustable 2001 Series AA-1 (Class I) <sup>(6)</sup>	\$50,000,000	\$30,000,000
Adjustable 2001 Series AA-2 (Class I)	46,840,000	46,840,000
Adjustable 2001 Series AA-3 (Class I)	25,000,000	25,000,000
2001 Series AA-4 (Class II)	10,000,000	5,000,000
<b>2002 Series A:</b>		
Adjustable 2002 Series A-1 (Class I)	\$41,000,000	\$7,385,000
Adjustable 2002 Series A-2 (Class I)	12,990,000	3,810,000
Adjustable 2002 Series A-3 (Class I)	23,075,000	17,865,000
2002 Series A-5 (Class II)	12,455,000	1,455,000
<b>2002 Series B:</b>		
Taxable Adjustable 2002 Series B-2 (Class I) <sup>(6)</sup>	\$60,000,000	\$8,525,000
Adjustable 2002 Series B-3 (Class I) <sup>(1)</sup>	40,000,000	23,240,000 <sup>(1)</sup>
<b>2002 Series C:</b>		
Adjustable 2002 Series C-3 (Class I) <sup>(1)</sup>	\$40,000,000	\$35,630,000 <sup>(1)</sup>
2002 Series C-5 (Class III)	17,000,000	425,000
<b>2003 Series A:</b>		
Adjustable 2003 Series A-1 (Class I) <sup>(6)</sup>	\$42,000,000	\$4,620,000
2003 Series A-3 (Class II)	7,000,000	2,500,000
2003 Series A-4 (Class III)	9,000,000	540,000
<b>2003 Series B:</b>		
Taxable Adjustable 2003 Series B-1 (Class I) <sup>(6)</sup>	\$40,000,000	\$28,970,000
Taxable Adjustable 2003 Series B-2 (Class I) <sup>(6)</sup>	80,000,000	13,625,000
Adjustable 2003 Series B-3 (Class I)	60,000,000	56,970,000
<b>2003 Series C:</b>		
Taxable Adjustable 2003 Series C-1 (Class I) <sup>(6)</sup>	\$70,000,000	\$9,535,000
Adjustable 2003 Series C-2 (Class I)	40,000,000	32,290,000
<b>2004 Series A:</b>		
Adjustable 2004 Series A-2 (Class I)	\$50,000,000	\$40,340,000
2004 Series A-3 (Class III)	13,000,000	880,000
<b>2004 Series B:</b>		
Adjustable 2004 Series B-2 (Class I)	\$40,000,000	\$32,290,000
2004 Series B-3 (Class III)	11,000,000	1,415,000
<b>2005 Series A:</b>		
Adjustable 2005 Series A-2 (Class I)	\$40,000,000	\$36,010,000
2005 Series A-3 (Class III)	10,000,000	1,285,000

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (November 1, 2012)</u>
<b>2005 Series B:</b>		
Adjustable 2005 Series B-2 (Class I)	\$80,000,000	\$36,650,000
2005 Series B-1A (Class I)	40,000,000	13,065,000
2005 Series B-1B (Class I)	40,000,000	13,065,000
<b>2006 Series A:</b>		
Taxable Adjustable 2006 Series A-1 (Class I)	\$30,000,000	\$ 2,185,000
Adjustable 2006 Series A-2 (Class I)	20,590,000	17,590,000
Adjustable 2006 Series A-3 (Class I)	40,000,000	40,000,000
2006 Series A-4 (Class II)	19,410,000	15,210,000
<b>2006 Series B:</b>		
Taxable Adjustable 2006 Series B-1 (Class I) <sup>(6)</sup>	\$60,000,000	\$ 3,250,000
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
<b>2006 Series C:</b>		
Taxable Adjustable 2006 Series C-1 (Class I) <sup>(6)</sup>	\$60,000,000	\$ 3,230,000
Adjustable 2006 Series C-2 (Class I)	70,700,000	60,900,000
2006 Series C-3 (Class II)	29,300,000	22,100,000
<b>2007 Series A:</b>		
Taxable Adjustable 2007 Series A-1 (Class I) <sup>(6)</sup>	\$70,000,000	\$ 7,595,000
Adjustable 2007 Series A-2 (Class I)	70,000,000	70,000,000
2007 Series A-3 (Class III)	35,000,000	22,700,000
<b>2007 Series B:</b>		
Taxable Adjustable 2007 Series B-1 (Class I) <sup>(6)</sup>	\$120,000,000	\$36,370,000
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>		
Taxable Adjustable 2008 Series A-1 (Class I) <sup>(6)</sup>	\$ 60,000,000	\$40,040,000
Taxable Adjustable 2008 Series A-2 (Class I) <sup>(6)</sup>	170,000,000	50,960,000
2008 Series A-5 (Class III)	23,955,000	19,955,000
<b>2009 Series A:</b>		
2009 Series A-1 (Class I)	\$90,000,000	\$58,895,000
<b>2011 Series B:</b>		
Adjustable 2011 Series B-1 (Class I) <sup>(2)</sup>	\$32,530,000	\$32,530,000
Adjustable 2011 Series B-2 (Class I) <sup>(2)</sup>	31,650,000	31,650,000
<b>2011 Series C:</b>		
Taxable Adjustable 2011 Series C (Class I) <sup>(2)(3)</sup>	\$108,970,000	\$33,750,000
<b>2011 Series D:</b>		
Adjustable 2011 Series D-1 (Class I) <sup>(2)(4)</sup>	\$29,955,000	\$22,960,000
Adjustable 2011 Series D-2 (Class I) <sup>(2)(4)</sup>	24,130,000	24,130,000
<b>2012 Series A:</b>		
Adjustable 2012 Series A-1 (Class I) <sup>(2)(5)</sup>	\$19,100,000	\$18,705,000
Adjustable 2012 Series A-2 (Class I) <sup>(2)(5)</sup>	80,000,000	80,000,000



<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (November 1, 2012)</u>
Total Class I Bonds:	\$2,250,800,000	\$1,312,735,000
Total Class II Bonds:	128,165,000	96,265,000
Total Class III Bonds:	118,955,000	47,200,000
Total Class IV Bonds:	<u>0</u>	<u>0</u>
TOTAL	<u><b>\$2,497,920,000</b></u>	<u><b>\$1,456,200,000</b></u>

- (1) These are the Remarketed Bonds under this Remarketing Statement.
- (2) All of the Bonds indicated as "Adjustable" in this table, other than these Bonds, are in a weekly interest rate mode, with the interest rate adjusted by the related Remarketing Agent each week as described in the Remarketing Statement. See "REMARKETING AGENTS." These Bonds are index rate bonds, which bear interest at an adjustable rate determined monthly by a calculation agent based on one-month LIBOR plus an established spread. There are no remarketing agents for these Bonds.
- (3) The Taxable Single Family Mortgage Class I Adjustable Index Rate Note, 2011 Series C, was issued by the Authority to evidence the obligation of the Authority to repay a loan by JPMorgan Chase Bank, National Association, made to the Authority under a Loan and Security Agreement dated as of November 1, 2011. The 2011 Series C Note matures on November 1, 2013 and is subject to mandatory sinking fund redemption payments on each May 1 and November 1 prior to that maturity date.
- (4) The Single Family Class I Adjustable Index Rate Bonds, 2011 Series D, were issued by the Authority directly to Wells Fargo Bank, National Association ("**Wells**"), as the purchaser. In connection with such issuance and purchase, the Authority and Wells entered into a Continuing Covenant Agreement dated as of November 1, 2011. The 2011 Series D-1 Bonds mature on November 1, 2014, and the 2011 Series D-2 Bonds mature on November 1, 2016. The 2011 Series D-1 Bonds are subject to mandatory sinking fund redemption payments on each May 1 and November 1 prior to their maturity date, and mandatory sinking fund redemption payments are due on such dates for the 2011 Series D-2 Bonds commencing on May 1, 2015 through their maturity date.
- (5) The Single Family Class I Adjustable Rate Bonds, 2012 Series A ("**2012A Bonds**"), were issued by the Authority directly to Wells, as the purchaser, pursuant to a Continuing Covenant Agreement dated as of September 1, 2012 (the "**CCA**"). The 2012A Bonds bear interest in the LIBOR Index Rate Mode during the Initial Direct Purchase Period, which ends no later than the Bank Purchase Date (September 19, 2015). On such Bank Purchase Date, the 2012A Bonds will be subject to mandatory purchase from Wells Fargo. In the event that 2012A Bonds are not purchased or remarketed on such Bank Purchase Date, (i) the 2012A Bonds will bear interest at the Amortization Period Rate unless an Event of Default as defined in the CCA has occurred at which time the 2012A Bonds will bear interest at the Default Rate, and (ii) the Aggregate Principal Amount of such 2012A Bonds will be payable in semiannual installments on each Amortization Principal Payment Date. The amount of such principal payments will be determined in order to fully amortize the Aggregate Principal Amount of such 2012A Bonds equally with the final principal payment due and payable on the third (3rd) anniversary of the Bank Purchase Date (September 19, 2018).
- (6) Concurrently with delivery of the 2002B/C Liquidity Facility, it is expected that the Federal Home Loan Bank Seattle ("**FHLB Seattle**") will purchase the Series of Bonds (as indicated) for which Fannie Mae and Freddie Mac are currently providing a Credit and Liquidity Facility and the Facility will be terminated with respect to such Bonds in connection with such purchase. At the time of such purchase, these Bonds will be converted to bear interest at an adjustable rate determined monthly by a calculation agent based on one-month LIBOR plus an established spread. After conversion, there will be no remarketing agents for these Bonds. Interest will be payable monthly on such Bonds. The Authority has retained the right to change the interest rate mode on the Bonds prior to maturity.

## **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.

### *Outstanding 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 Facilities in effect as of November 1, 2012 except as noted (or to be in effect as a result of the remarketing of the Remarketed Bonds) with respect to the outstanding Series of Adjustable Rate Bonds under the Master Indenture, the name of the respective Liquidity Facility Providers, the expiration dates (unless earlier terminated or, in some cases as permitted, extended), the Bank Bond rates, terms for accelerated payments and lien levels. As of November 1, 2012, the aggregate principal amount of Bonds for which Fannie Mae and Freddie Mac provided the Credit and Liquidity Facility was \$367,430,000, for which the Federal Home Loan Bank of Topeka provided Liquidity Facilities was \$388,975,000, for which Royal Bank of Canada provided Liquidity Facilities was \$240,930,000 and for which Barclays Bank PLC provided a Liquidity Facility was \$36,650,000.

Upon the effectiveness of the 2002B/C Liquidity Facilities, the aggregate principal amount of Bonds for which Barclays Bank PLC provides Liquidity Facilities will be \$95,520,000. Concurrently with delivery of the 2002B/C Liquidity Facilities, it is expected that the FHLB Seattle will purchase \$236,720,000\* aggregate principal amount of the Bonds for which Fannie Mae and Freddie Mac are currently providing the Credit and Liquidity Facility and the Facility will be terminated with respect to such Bonds in connection with such purchase. Following the effectiveness of the 2002B/C Liquidity Facilities and the FHLB Seattle purchase, the aggregate principal amount of Bonds for which Fannie Mae and Freddie Mac will provide the Credit and Liquidity Facility will be \$71,840,000.

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

\* Preliminary, subject to change

## Outstanding Liquidity Facilities and Providers<sup>(1)</sup>

<u>Series of Adjustable Rate Bonds</u>	<u>Related Liquidity Facility Provider</u>	<u>Expiration Date of Liquidity Facility</u>	<u>Bank Bond Rate/ Accelerated Payments/Lien</u>
2001AA-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(2)
2001AA-2	Fannie Mae and Freddie Mac	December 31, 2015 <sup>(4)</sup>	(5)
2001AA-3	Fannie Mae and Freddie Mac	December 31, 2015 <sup>(4)</sup>	(5)
2002A-1, A-2, and A-3	Federal Home Loan Bank of Topeka	April 25, 2014	(6)
2002B-2 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(2)
2002B-3	Barclays Bank PLC <sup>(3)</sup>	December 18, 2015 <sup>(3)</sup>	(9)
2002C-3	Barclays Bank PLC <sup>(3)</sup>	December 18, 2015 <sup>(3)</sup>	(9)
2003A-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(2)
2003B-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 16, 2015 <sup>(2)(4)</sup>	(2)
2003B-2 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(5)
2003B-3	Federal Home Loan Bank of Topeka	December 16, 2013	(6)
2003C-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(2)
2003C-2	Royal Bank of Canada	October 12, 2014	(7)
2004A-2	Royal Bank of Canada	October 12, 2014	(7)
2004B-2	Royal Bank of Canada	October 12, 2014	(7)
2005A-2	Royal Bank of Canada	October 12, 2014	(7)
2005B-2	Barclays Bank PLC	September 6, 2013	(8)
2006A-1, A-2 and A-3	Federal Home Loan Bank of Topeka	May 6, 2014	(6)
2006B-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 16, 2015 <sup>(2)(4)</sup>	(2)
2006B-2 and B-3	Federal Home Loan Bank of Topeka	June 3, 2014	(6)
2006C-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 16, 2015 <sup>(2)(4)</sup>	(2)
2006C-2	Federal Home Loan Bank of Topeka	June 24, 2014	(6)
2007A-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 16, 2015 <sup>(2)(4)</sup>	(2)
2007A-2	Federal Home Loan Bank of Topeka	June 24, 2014	(6)
2007B-1 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(2)
2007B-2	Royal Bank of Canada	October 12, 2014	(7)
2007B-3	Royal Bank of Canada	May 16, 2015	(7)
2008A-1 <sup>(2)</sup> and A-2 <sup>(2)</sup>	Fannie Mae and Freddie Mac <sup>(2)</sup>	December 31, 2015 <sup>(2)(4)</sup>	(2)

<sup>(1)</sup> As of November 1, 2012 (except as noted). Certain adjustable Bonds have been issued and purchased directly for a term which, upon expiration, will result in a mandatory tender and a Liquidity Facility may be delivered in connection with the remarketing of such Bonds. See footnote 5 in "The Outstanding Bonds" under this caption.

<sup>(2)</sup> Concurrently with delivery of the 2002B/C Liquidity Facilities, it is expected that the FHLB Seattle will purchase \$236,720,000\* aggregate principal amount of the Bonds (as noted) for which Fannie Mae and Freddie Mac are currently providing the Credit and Liquidity Facility, and the Facility will be terminated with respect to such Bonds in connection with such purchase. See footnote 6 in "The Outstanding Bonds" under this caption.

<sup>(3)</sup> Effective in connection with the remarketing of these Remarketed Bonds on December 19, 2012.

<sup>(4)</sup> Based on the request of the Authority, Fannie Mae and Freddie Mac have extended the expiration date of the Credit and Liquidity Facility for these Bonds from 2012 to 2015.

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

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

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

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

<sup>(7)</sup> (a) Bank Rate: for the first 90 days following the purchase date, the "Base Rate" which equals the highest of (i) the prime rate plus 2.50%, (ii) the Fed funds rate plus 3.00% and (iii) 8.00%; then for the period 91-180 days following the purchase date, the Base Rate plus 1.00%; then for the period 181 days and higher following the purchase date, the Base Rate plus 2.00%.

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

<sup>(8)</sup> (a) Bank Rate: for the first 30 days following the purchase date, the "Base Rate" which equals the highest of (i) the Fed funds rate plus 5%, (ii) the prime rate plus 5% and (iii) Three-Month LIBOR plus 5%; then for the period 31-90 days following the purchase date, the Base Rate plus 2.00%; then for the period 91 days and higher following the purchase date, equal to the highest of (1) 12% per annum, (2) 150% of LIBOR and (3) 150% of the yield on actively traded 30-year United States Treasury Bonds.

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

<sup>(9)</sup> (a) Bank Rate: for the first 60 days following the purchase date, the "Base Rate" which equals the highest of (i) the Fed funds rate plus 2.5%, (ii) the prime rate plus 2.5%, (iii) 150% of yield on actively traded 30-year United States Treasury Bonds and (iv) 8%; then for the period 61-120 days following the purchase date, the Base Rate plus 1.00%; then for the period 121 days and higher following the purchase date, the Base Rate plus 2.00%.

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

\* Preliminary, subject to change.

### *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 Interest Rate Contracts listed in the following table. As of November 1, 2012, the total notional amount of Interest Rate Contracts provided by Barclays Bank PLC was \$379,135,000; by Bank of America, N.A. was \$330,620,000; by AIG Financial Products Corp. was \$275,810,000<sup>(4)</sup>; by JPMorgan Chase Bank, N.A. was \$140,805,000; by BNY Mellon was \$67,385,000; by Royal Bank of Canada was \$17,680,000; and by UBS Investment Bank was \$2,170,000.

<b><u>Outstanding Interest Rate Contracts</u></b> <sup>(2)</sup>	<b><u>Amount</u></b> <sup>(1)</sup>	<b><u>Counterparty</u></b> <sup>(2)</sup>
<b>2001 Series AA Interest Rate Contracts:</b>		
Taxable Adjustable 2001 Series AA-1 (Class I)	\$30,000,000	Barclays Bank PLC
Adjustable 2001 Series AA-2 (Class I)	46,840,000	Barclays Bank PLC
Adjustable 2001 Series AA-3 (Class I)	15,340,000	Barclays Bank PLC
<b>2002 Series A Interest Rate Contract:</b>		
Adjustable 2002 Series A-3 (Class I)	17,165,000	Barclays Bank PLC
<b>2002 Series B Interest Rate Contract:</b>		
Adjustable 2002 Series B-3 (Class I) <sup>(3)</sup>	36,630,000 <sup>(3)</sup>	Barclays Bank PLC <sup>(3)</sup>
<b>2002 Series C Interest Rate Contract:</b>		
Adjustable 2002 Series C-3 (Class I) <sup>(3)</sup>	38,200,000 <sup>(3)</sup>	Barclays Bank PLC <sup>(3)</sup>
<b>2003 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2003 Series B-1 (Class I)	31,305,000	Barclays Bank PLC
Taxable Adjustable 2003 Series B-2 (Class I)	17,680,000	Royal Bank of Canada
Adjustable 2003 Series B-3 (Class I)	56,970,000	Barclays Bank PLC
<b>2003 Series C Interest Rate Contracts:</b>		
Adjustable 2003 Series C-2 (Class I)	37,980,000	Barclays Bank PLC
<b>2004 Series A Interest Rate Contracts:</b>		
Adjustable 2004 Series A-2 (Class I) <sup>(4)</sup>	47,480,000	AIG Financial Products Corp. <sup>(4)</sup>
<b>2004 Series B Interest Rate Contracts:</b>		
Adjustable 2004 Series B-2 (Class I) <sup>(4)</sup>	37,980,000	AIG Financial Products Corp. <sup>(4)</sup>
<b>2005 Series A Interest Rate Contracts:</b>		
Adjustable 2005 Series A-1 (Class I)	2,170,000	UBS Investment Bank
Adjustable 2005 Series A-2 (Class I) <sup>(4)</sup>	40,000,000	AIG Financial Products Corp. <sup>(4)</sup>
<b>2005 Series B Interest Rate Contract:</b>		
Adjustable 2005 Series B-2 (Class I) <sup>(4)</sup>	70,350,000	AIG Financial Products Corp. <sup>(4)</sup>
<b>2006 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2006 Series A-1 (Class I)	2,185,000	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)	13,640,000	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)	13,620,000	JPMorgan Chase Bank, N.A.
Adjustable 2006 Series C-2 (Class I)	58,350,000	Bank of America, N.A.

<b><u>Outstanding Interest Rate Contracts</u></b> <sup>(2)</sup>	<b><u>Amount</u></b> <sup>(1)</sup>	<b><u>Counterparty</u></b> <sup>(2)</sup>
<b>2007 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2007 Series A-1 (Class I)	20,245,000	JPMorgan Chase Bank, N.A.
Adjustable 2007 Series A-2 (Class I)	70,000,000	Bank of America, N.A.
<b>2007 Series B Interest Rate Contracts:</b>		
Taxable Adjustable 2007 Series B-1 (Class I)	49,115,000	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
<b>2008 Series A Interest Rate Contracts:</b>		
Taxable Adjustable 2008 Series A-1 (Class I)	42,000,000	JPMorgan Chase Bank, N.A.
Taxable Adjustable 2008 Series A-2 (Class I)	67,385,000	BNY Mellon
<b>2012 Series A Interest Rate Contracts:</b>		
Adjustable 2012 Series A-1 (Class I)	18,705,000	Barclays Bank PLC <sup>(3)</sup>
Adjustable 2012 Series A-2 (Class I) <sup>(4)</sup>	80,000,000	AIG Financial Products Corp. <sup>(4)</sup>
<b>Total Outstanding Class I Interest Rate Contracts</b>	<b><u>\$1,163,605,000</u></b>	
<b>Total Outstanding Class II Interest Rate Contracts</b>	<b><u>\$ 50,000,000</u></b>	

<sup>(1)</sup> As of November 1, 2012.

<sup>(2)</sup> In November 2011, the Authority issued its 2011 Series B Bonds, 2011 Series C Note and 2011 Series D Bonds (collectively, the "2011 Bonds"), the proceeds of which were used to refund all or a portion of certain outstanding Bonds. In connection with the refunding of such Bonds, certain of these Interest Rate Contracts have been allocated in whole or in part to the 2011 Bonds. These allocations are not shown separately in this table.

<sup>(3)</sup> These are the 2002B/C Interest Rate Contracts relating to the Remarketed Bonds.

<sup>(4)</sup> The Authority is considering a novation of the Interest Rate Contracts (as noted) which have AIG Financial Products Corp. as the counterparty to a new counterparty with a higher rating.

Any payments or receipts received by the Authority under the Interest Rate Contracts are pledged under the Master Indenture as Revenues, as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS – Revenues" and "– Interest Rate Contracts." Other than in the case of the Interest Rate Contract relating to the Remarketed Bonds which is a Class II Obligation, 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 is not secured by the Trust Estate under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to Interest Rate Contracts" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority."

See footnote (8) to the audited 2011 financial statements of the Authority attached as Appendix G for a description of the key terms of the outstanding Interest Rate Contracts, including the fair values and the counterparty credit ratings, as of December 31, 2011.

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## APPENDIX B-2

### The Mortgage Loan Portfolio and Fund Balances <sup>(1)(2)(3)</sup>

As of November 1, 2012, First Mortgage Loans with an outstanding aggregate principal balance of \$1,067,692,564 and Second Mortgage Loans with an outstanding aggregate principal balance of \$36,196,962 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 NOVEMBER 1, 2012</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	\$53,777,384	583	\$92,243	6.01%	21.64	\$22,825,763	5,732	\$3,982
2002A	23,265,676	266	87,465	5.79	20.27	--	--	--
2002B	33,888,491	346	97,944	5.98	20.90	369,725	99	3,735
2002C	45,039,600	452	99,645	5.79	20.78	509,985	139	3,669
2003A	20,317,538	206	98,629	5.52	20.60	--	--	--
2003B	65,821,852	657	100,185	5.47	20.88	2,555,934	690	3,704
2003C	41,713,146	423	98,613	5.49	21.12	--	--	--
2004A	37,937,067	364	104,223	5.17	21.61	--	--	--
2004B	35,129,165	286	122,829	5.23	22.05	--	--	--
2005A	41,708,993	353	118,156	5.47	22.32	--	--	--
2005B	72,259,116	636	113,615	5.45	22.65	--	--	--
2006A	48,505,627	446	108,757	5.32	23.01	--	--	--
2006B	78,848,420	694	113,614	5.64	23.54	1,914,944	498	3,845
2006C	63,814,224	537	118,835	6.13	24.01	5,692,384	1,456	3,910
2007A	80,618,590	680	118,557	5.69	24.39	2,278,228	609	3,741
2007B	103,277,244	849	121,646	6.02	24.73	--	--	--
2008A	143,518,794	1,098	130,709	6.22	26.38	50,000	2	25,000
2009A	51,514,153	453	113,718	5.47	25.63	--	--	--
Surplus Assets	26,737,483	522	51,221	6.77	16.29	--	--	--
<b>Total</b>	<b>\$1,067,692,564</b>	<b>9,851</b>	<b>\$108,384</b>	<b>5.76%</b>	<b>23.12</b>	<b>\$36,196,962</b>	<b>9,225</b>	<b>\$3,924</b>
Average for Portfolio	\$56,194,345	518	\$108,384	5.76%	23.12	\$1,905,103	486	\$3,924

<sup>(1)</sup> Proceeds of the Authority's 2011 Bonds were used to refund all or a portion of certain outstanding Bonds. In connection with the refunding of such Bonds, the Mortgage Loans originally financed with the proceeds of a Series of the refunded Bonds have been deemed under the Indenture to have been financed by both the refunded Bonds and the 2011 Bonds used to redeem the refunded Bonds of such Series. All of such Mortgage Loans deemed to relate to the 2011 Bonds continue to be shown in the following tables under this caption within the original Series.

<sup>(2)</sup> Pursuant to Section 5.5(a) of the Master Indenture, the Authority established a surplus assets subaccount in the Acquisition Account of the Program Fund to which excess cash in the Trust Estate was deposited and used to acquire existing mortgage loans. Such existing mortgage loans are currently held in the surplus assets subaccount as Mortgage Loans under the Master Indenture. Mortgage Repayments and Prepayments relating to such Mortgage Loans held in the surplus assets subaccount may be applied to redeem Bonds of any Series under the Master Indenture as directed by the Authority, except to the extent limited by the provisions of the Series Indenture related to a particular Series. These Mortgage Loans are reflected in the line for "Surplus Assets" in the following tables under this caption.

<sup>(3)</sup> Proceeds of the Authority's 2012 Series A Bonds were used to refund all of the Authority's 2003 Series A-2 Bonds and 2008 Series A-3 Bonds. In connection with the refunding of such Bonds, the Mortgage Loans originally financed with proceeds of each subseries of the refunded Bonds have been deemed under the Indenture to have been financed by the 2012 Series A Bonds.

**MORTGAGE INSURANCE INFORMATION FOR MORTGAGE LOANS  
AS OF NOVEMBER 1, 2012  
First Mortgage Loans**

Series of Bonds	Private Mortgage Insurance	FHA – Insured	VA – Guaranteed	RHCDS- Guaranteed	Uninsured	Second Mortgage Loans - Uninsured
2001AA	12.5%	44.3%	3.2%	3.2%	7.0%	29.8%
2002A	2.6	85.1	5.2	3.4	3.6	0.0
2002B	6.7	77.9	4.8	3.7	5.8	1.1
2002C	7.0	77.6	6.6	2.9	4.8	1.1
2003A	1.6	85.7	6.8	1.3	4.6	0.0
2003B	4.0	79.8	4.1	3.2	5.1	3.7
2003C	1.2	87.6	4.1	2.8	4.3	0.0
2004A	7.0	70.7	7.5	4.5	10.4	0.0
2004B	3.6	76.0	15.6	2.0	2.9	0.0
2005A	3.3	79.2	8.5	2.8	6.1	0.0
2005B	5.9	75.3	10.0	3.7	5.1	0.0
2006A	11.1	66.6	10.7	2.4	9.1	0.0
2006B	22.1	54.8	5.0	3.4	12.4	2.4
2006C	23.8	58.5	3.4	1.9	4.2	8.2
2007A	43.1	40.3	3.1	1.5	9.3	2.7
2007B	43.1	44.2	3.3	1.4	8.0	0.0
2008A	38.1	52.8	4.4	1.7	3.0	0.0
2009A	0.5	82.0	4.6	1.5	11.6	0.0
Surplus Assets	0.6	69.3	3.4	16.9	9.7	0.0
Average for Portfolio	18.5%	63.2%	5.5%	2.8%	6.7%	3.3%

**INFORMATION CONCERNING PROPERTY TYPES FOR FIRST MORTGAGE LOANS  
AS OF NOVEMBER 1, 2012**

Series of Bonds	Single Family Detached	Condo/Townhome	Other
2001AA	79.3%	16.4%	4.3%
2002A	73.3	24.2	2.5
2002B	69.4	26.9	3.7
2002C	66.0	29.2	4.8
2003A	63.6	31.6	4.7
2003B	69.9	27.3	2.9
2003C	67.3	28.5	4.2
2004A	69.0	26.5	4.5
2004B	72.2	24.1	3.8
2005A	71.0	25.1	3.9
2005B	67.7	27.5	4.8
2006A	69.6	25.7	4.7
2006B	71.7	24.0	4.3
2006C	69.4	22.7	7.8
2007A	70.1	22.6	7.3
2007B	69.6	25.9	4.5
2008A	78.6	17.0	4.4
2009A	77.6	17.7	4.6
Surplus Assets	77.5	12.2	10.0
Average for Portfolio	71.9%	23.2%	4.8%



**FORECLOSURE AND DELINQUENCY STATISTICS  
FOR FIRST AND SECOND MORTGAGES <sup>(4)</sup>  
AS OF NOVEMBER 1, 2012**

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 <sup>(5)</sup>	Number of Loans in Foreclosure	Value of Loans in Foreclosure	Percentage of Loans in Foreclosure <sup>(5)</sup>	Percentage of All Loans Delinquent and Foreclosure <sup>(5)</sup>
2001AA	12,932	6,407	216	4	6,315	49	\$1,470,464	1.92%	13	\$1,578,386	2.06%	3.98%
2002A	1,147	755	126	0	266	6	637,634	2.74	9	868,868	3.73	6.48
2002B	1,759	1,127	188	0	445	13	1,386,237	4.05	7	459,509	1.34	5.39
2002C	2,065	1,312	163	1	591	4	433,713	0.95	5	519,684	1.14	2.09
2003A	667	367	94	0	206	4	477,543	2.35	6	753,241	3.71	6.06
2003B	2,996	1,442	208	3	1,347	19	1,702,463	2.49	9	942,352	1.38	3.87
2003C	936	401	112	1	423	15	1,726,844	4.14	6	431,803	1.04	5.17
2004A	817	332	121	2	364	6	666,142	1.76	8	811,652	2.14	3.90
2004B	621	234	100	0	286	3	461,708	1.31	10	1,145,213	3.26	4.57
2005A	696	242	101	0	353	3	434,833	1.04	8	1,135,266	2.72	3.76
2005B	1,228	415	177	2	636	16	2,033,283	2.81	8	1,039,400	1.44	4.25
2006A	767	225	96	2	446	6	858,539	1.77	5	474,712	0.98	2.75
2006B	2,249	884	174	6	1,192	21	2,265,110	2.80	12	1,680,833	2.08	4.89
2006C	3,454	1,327	136	1	1,993	14	1,703,374	2.45	15	1,878,881	2.70	5.15
2007A	2,124	689	147	4	1,289	13	1,713,332	2.07	11	1,237,525	1.49	3.56
2007B	1,413	407	157	4	849	20	2,500,708	2.42	20	2,470,860	2.39	4.81
2008A	1,934	565	269	9	1,100	50	6,919,876	4.82	28	3,864,629	2.69	7.51
2009A	652	152	49	0	453	10	1,330,790	2.58	17	2,222,362	4.31	6.90
Surplus Assets	524	2	1	4	522	15	928,424	3.47	11	519,063	1.94	5.41
Total	38,981	17,285	2,635	43	19,076	287	\$29,651,016	2.69%	208	\$24,034,238	2.18%	4.86%

<sup>(4)</sup> Estimated

<sup>(5)</sup> Percentages are based on outstanding principal amount of the Mortgage Loans.

As of November 1, 2012, the following balances were held in the respective subaccounts under the Master Indenture:

<u>Accounts</u>	<u>Amounts on Deposit (as of November 1, 2012)</u>
<u>2001AA Subaccount:</u>	
Loan Recycling Account	\$16,548
Loan Recycling Account (Non-Qualified)	348
<u>2002A Subaccount:</u>	
Loan Recycling Account	2,442
<u>2002B Subaccount:</u>	
Loan Recycling Account	3,763
Loan Recycling Account (Non-Qualified)	3,966
<u>2002C Subaccount:</u>	
Loan Recycling Account	680
<u>2003A Subaccount:</u>	
Loan Recycling Account	2,757
<u>2003B Subaccount:</u>	
Loan Recycling Account	282,583
Loan Recycling Account (Non-Qualified)	32,172
<u>2004A Subaccount:</u>	
Loan Recycling Account	272
<u>2006B Subaccount:</u>	
Loan Recycling Account	3,457,911
<u>2006C Subaccount:</u>	
Loan Recycling Account	3,412,039
<u>2007A Subaccount:</u>	
Loan Recycling Account	753
<u>2008A Subaccount:</u>	
Acquisition Account	<u>561</u>
Total:	<u>\$7,216,795</u>

## APPENDIX C

### Certain Terms of the 2002B/C Liquidity Facilities

Each of the Standby Bond Purchase Agreements (each, a "**Liquidity Facility**" or the "**2002B/C Liquidity Facilities**") by and among Colorado Housing and Finance Authority (the "**Authority**"), Zions First National Bank, as trustee, as tender agent, and as custodian (the "**Trustee**"), and Barclays Bank PLC (the "**2002B/C Liquidity Facility Provider**") relating to the Remarketed Bonds provides liquidity support only for the respective Series of Remarketed Bonds. The following summary of the 2002B/C Liquidity Facilities does not purport to be comprehensive or definitive and is subject in all respects to all of the terms and provisions of the 2002B/C Liquidity Facilities, to which reference is made hereby. Investors are urged to obtain and review copies of the 2002B/C Liquidity Facilities in order to understand all of their terms. The 2002B/C Liquidity Facilities secure only payment of the purchase price of the respective Series of Remarketed Bonds bearing interest at the Weekly Rate and the Term Rate tendered for purchase as described in this Remarketing Statement, and do not otherwise secure payment of the principal of or interest on the respective Series of Remarketed Bonds. The 2002B/C Liquidity Facilities are subject to termination at the option of the 2002B/C Liquidity Facility Provider as described below.

#### General

The 2002B/C Liquidity Facilities contain various provisions, covenants and conditions, certain of which are summarized below. Capitalized terms used in the following summary are defined in this Remarketing Statement or the applicable 2002B/C Liquidity Facility and reference thereto is made for full understanding of their import.

On December 19, 2012, the Authority will enter into each Liquidity Facility with the 2002B/C Liquidity Facility Provider, the Tender Agent, the Trustee and the Custodian. Each Liquidity Facility will be effective on December 19, 2012 upon satisfaction of certain conditions set forth in the respective Liquidity Facility, or such other date on which the conditions set forth in the respective Liquidity Facility are satisfied (the "**2002B/C Liquidity Facility Effective Date**"). Upon compliance with the terms and conditions of the applicable Liquidity Facility, and subject to the terms and conditions set forth therein, each Liquidity Facility requires the 2002B/C Liquidity Facility Provider to extend credit to the Authority by advancing funds to the Trustee to purchase Tendered Bonds of the applicable Series of Remarketed Bonds on behalf of and for the account of the 2002B/C Liquidity Facility Provider from time to time during the applicable Purchase Period at the applicable Purchase Price. Tendered Bonds which are purchased and held by the 2002B/C Liquidity Facility Provider will bear interest at the Bank Rate in accordance with the respective Liquidity Facility.

The Purchase Period is the period from the 2002B/C Liquidity Facility Effective Date to and including the earliest of the close of business (New York time) on (i) December 18, 2015, as the same may be extended from time to time in accordance with the terms of the applicable Liquidity Facility, (ii) the date on which no Eligible Bonds of the respective Series of Remarketed Bonds and no Bank Bonds under the applicable Liquidity Facility are Outstanding, (iii) the date on which the Authority voluntarily terminates the applicable Liquidity Facility in accordance with the applicable Liquidity Facility, and (iv) the date on which the Available Commitment and the 2002B/C Liquidity Facility Provider's obligation to purchase Eligible Bonds of the respective Series of Remarketed Bonds has been terminated in its entirety pursuant to the terms of the respective Liquidity Facility.

## **Commitment to Purchase Bonds**

If, on any Purchase Date during the Purchase Period, the 2002B/C Liquidity Facility Provider receives a Notice of Bank Purchase from the Trustee in accordance with and at the location specified under the applicable Liquidity Facility prior to 12:00 noon (New York time), the 2002B/C Liquidity Facility Provider shall, subject to the satisfaction of certain requirements set forth in the applicable 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 of the respective Series of Remarketed 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 applicable 2002B/C Liquidity Facility. Upon an Event of Default, the 2002B/C Liquidity Facility Provider may exercise those rights and remedies described under the subheading "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 2002B/C Liquidity Facility Provider pursuant to the applicable Liquidity Facility or the applicable Fee Letter (including, but not limited to, any failure to make any timely payment of principal of applicable Bank Bonds which amounts have become immediately due and payable as a result of the occurrence of an Event of Default under the applicable Liquidity Facility and the resulting acceleration of Bank Bonds pursuant to the terms of the applicable Liquidity Facility).

(b) **Representations.** Any representation or warranty made by or on behalf of the Authority in the applicable 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 applicable Liquidity Facility or the Authority shall fail to comply with the negative covenants in the applicable 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 applicable 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 2002B/C 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 applicable Liquidity Facility, the applicable Series of 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 applicable Liquidity Facility, the applicable Series of Remarketed Bonds or any other Related Document.

(g) **Other Documents.** The occurrence of any default under any Related Document other than the applicable 2002B/C Liquidity Facility.

(h) **Downgrade.** The unenhanced rating of the applicable Series of 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 the applicable Series of Remarketed Bonds or applicable 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 applicable Series of Remarketed Bonds is includable in the gross income of the holder(s) or owner(s) of such Series of Remarketed 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 (including, but not limited to, any failure to make any timely payment of the principal of any bonds purchased by a Person providing a letter of credit, reimbursement agreement, liquidity facility or similar instrument pursuant to a liquidity drawing thereunder, which principal has been accelerated and is immediately due and payable after the occurrence of an event of default under any such agreement).

### **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, in whole or in part, (i) to make timely any payment of principal of, interest on or redemption premium, if any, required to be made on the applicable Series of Remarketed Bonds (including applicable Bank Bonds) (other than failure to pay principal of or redemption premium, if any, on Bank Bonds which has become immediately due and payable as a result of the occurrence of an Event of Default under the applicable Liquidity Facility and the resulting acceleration of Bank Bonds pursuant to the terms of the applicable Liquidity Facility or interest on such accelerated Bank Bonds which has become immediately due and payable so long as such interest is paid with three Business Days of the date on which it is due and payable) or (ii) to make timely payments or repayments of any Parity Debt Payment (other than failure to pay the principal, redemption premium, or interest (so long as such interest is paid within three Business Days of the date on which it is due and payable) of any bonds purchased by a Person providing a letter of credit, reimbursement agreement, liquidity facility or similar instrument pursuant to a liquidity drawing thereunder, which payment or repayment has been accelerated and is immediately due and payable after the occurrence of an event of default under any such agreement).

(c) **Contest of Validity.** A senior officer of the Authority shall, in writing, (i) claim that the Master Indenture or the applicable Series Indenture is not valid or binding on the Authority or (ii) repudiate its obligations under the applicable Liquidity Facility, the applicable Series of Remarketed Bonds, the Master Indenture or the applicable Series 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 applicable Liquidity Facility, the applicable Series of Remarketed Bonds, the Master Indenture or the applicable Series Indenture, shall find or rule that the applicable Liquidity Facility, the applicable Series of Remarketed Bonds, the Master Indenture or the applicable Series Indenture is not valid or not binding on the Authority and such finding or ruling is final and nonappealable.

(e) **Downgrade.** The unenhanced rating of the applicable Series of Remarketed Bonds shall be (i) withdrawn or suspended for credit-related reasons or reduced below "Baa3" by Moody's and (ii) withdrawn or suspended for credit-related reasons 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.

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

(a) **Initiation of Legal Proceedings.** The Authority shall initiate any legal proceedings to seek an adjudication that the applicable Liquidity Facility, the applicable Series of Remarketed Bonds, the Master Indenture or the applicable Series 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 under a Liquidity Facility, the 2002B/C 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 2002B/C Liquidity Facility Provider may give written notice of such Event of Default to the Authority and the Trustee stating that the relevant Liquidity Facility shall terminate thirty (30) days after such notice is delivered by the 2002B/C Liquidity Facility Provider to the Trustee (a "**Notice Termination Date**") and directing that the applicable Series of Remarketed Bonds be called for Default Tender. The Available Commitment, the Purchase Period and the obligation of the 2002B/C Liquidity Facility Provider to purchase Eligible Bonds of the applicable Series of Remarketed Bonds shall terminate thirty (30) days after such notice is delivered by the 2002B/C Liquidity Facility Provider to the Trustee, and on such date the Available Commitment shall terminate and the 2002B/C Liquidity Facility Provider shall be under no obligation under the applicable Liquidity Facility to purchase Eligible Bonds of the applicable Series of Remarketed Bonds.

(b) **Immediate Termination of Bank Obligation to Purchase.** Upon the occurrence of an Event of Default under the subheading "Events of Default Resulting in Immediate Termination" (each an "**Immediate Termination Event**"), the applicable Purchase Period and the obligation of the 2002B/C Liquidity Facility Provider to purchase Eligible Bonds of the applicable Series of Remarketed Bonds shall immediately terminate without notice or demand, and thereafter the 2002B/C Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds of the applicable Series of Remarketed Bonds. Upon an Immediate Termination Event, the 2002B/C Liquidity Facility Provider shall promptly give written notice of the same to the Trustee and the Authority; provided, that the 2002B/C 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 2002B/C Liquidity Facility Provider's obligation to purchase Eligible Bonds of the applicable Series of Remarketed Bonds pursuant to the applicable Liquidity Facility. The Trustee shall immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the 2002B/C Liquidity Facility Provider to purchase Eligible Bonds of the applicable Series of Remarketed Bonds.

(c) **Suspension of Bank Obligation to Purchase.** Upon the occurrence of an Event of Default under subheading "Event of Default Resulting in Immediate Suspension" (a "**Suspension Event**"), the obligation of the 2002B/C Liquidity Facility Provider to purchase Eligible Bonds of the applicable Series of Remarketed Bonds shall immediately be suspended without notice or demand and thereafter the 2002B/C Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds of the applicable Series of Remarketed Bonds until the Available Commitment is reinstated as described in the applicable Liquidity Facility. Promptly upon the 2002B/C Liquidity Facility Provider's obtaining knowledge of any such Suspension Event, the 2002B/C Liquidity Facility Provider shall give written notice of the same to the Authority and the Trustee of such suspension; provided, however, that the 2002B/C 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 2002B/C Liquidity Facility Provider's obligations under the relevant Liquidity Facility. In the event such Suspension Event is cured prior to becoming an Immediate Termination Event, the 2002B/C Liquidity Facility Provider's obligations shall be automatically reinstated and the terms of the applicable Liquidity Facility will continue in full force and effect (unless the applicable Liquidity Facility shall otherwise have terminated or have been suspended by its terms or in accordance with its terms).

(d) **Authority Obligations and 2002B/C Liquidity Facility Provider Rights Following Event of Default.** Upon the occurrence of an Event of Default, (i) all amounts owed to the 2002B/C Liquidity Facility Provider under the applicable Liquidity Facility, under the applicable Fee Letter and under any applicable Bank Bonds shall bear interest at the Default Rate (as defined in the 2002B/C

Liquidity Facilities) until paid, (ii) the 2002B/C Liquidity Facility Provider may by written notice to the Authority declare all amounts owed to the 2002B/C Liquidity Facility Provider under the applicable Liquidity Facility, under the applicable Fee Letter and with respect to the applicable 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 applicable Liquidity Facility and under the applicable Bank Bonds shall be and become automatically and immediately due and payable without such notice upon the occurrence of an Event of Insolvency) and (iii) the 2002B/C Liquidity Facility Provider shall have all remedies provided at law or equity, including, without limitation, the right of set-off and specific performance. The 2002B/C Liquidity Facility Provider shall promptly provide written notice to the Trustee and the Authority of any acceleration of the amounts due under the applicable Liquidity Facility.

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## APPENDIX D

### Certain Information Concerning the 2002B/C Liquidity Facility Provider

*The following information has been obtained from the 2002B/C Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Remarketing Agent and is not to be construed as a representation by the Authority or the Remarketing Agent. Neither the Authority nor the 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**

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, United Kingdom (telephone number +44 (0)20 7116 1000). 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 Acts 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 Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated A+ by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2011, the Group had total assets of £1,563,402 million (2010: £1,490,038 million), total net loans and advances<sup>1</sup> of £478,726 million (2010: £465,741 million), total deposits<sup>2</sup> of £457,161 million (2010: £423,777 million), and total shareholders' equity of £65,170 million (2010: £62,641 million) (including non-controlling interests of £3,092 million (2010: £3,467 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2011 was £5,974 million (2010: £6,079 million) after credit impairment charges and other provisions of £3,802 million (2010: £5,672 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2011.

Based on the Group's unaudited financial information for the six months ended 30 June 2012, the Group had total assets of £1,631,298 million, total net loans and advances<sup>1</sup> of £503,505 million, total deposits<sup>2</sup> of £503,099 million, and total shareholders' equity of £63,641 million (including non-controlling interests of £2,957 million). The profit before tax from continuing operations of the Group for

<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.

the six months ended 30 June 2012 was £604 million after credit impairment charges and other provisions of £1,832 million. The financial information in this paragraph is extracted from the unaudited Interim Results Announcement of Barclays Bank PLC for the six months ended 30 June 2012.

The delivery of the information concerning Barclays Bank PLC and the Group herein shall not create any implication that there has been no change in the affairs of Barclays Bank PLC and the Group since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

Barclays Bank PLC is responsible only for the information contained in this section of the Remarketing Statement and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Remarketing Statement. Accordingly, Barclays Bank PLC assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Remarketing Statement.

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## APPENDIX E

### Forms of Original Bond Counsel Opinions

July 18, 2002

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

Colorado Housing and Finance Authority  
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-1  
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-2  
Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3  
Single Family Mortgage Class II Bonds, 2002 Series B-4  
Single Family Mortgage Class III Bonds, 2002 Series B-5  
and  
Single Family Mortgage Class I Bonds, 2002 Series B-6

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-1 (the "Taxable 2002 Series B-1 Bonds"), Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-2 (the "Taxable 2002 Series B-2 Bonds"), Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3 (the "2002 Series B-3 Bonds"), Single Family Mortgage Class II Bonds, 2002 Series B-4 (the "2002 Series B-4 Bonds"), Single Family Mortgage Class III Bonds, 2002 Series B-5 (the "2002 Series B-5 Bonds") and Single Family Mortgage Class I Bonds, 2002 Series B-6 (the "2002 Series B-6 Bonds" and, together with the Taxable 2002 Series B-1 Bonds, the Taxable 2002 Series B-2 Bonds, the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds and the 2002 Series B-5 Bonds, the "Bonds") in the aggregate principal amount of \$179,340,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The Bonds are authorized and issued pursuant to the Master Indenture of Trust dated as of October 1, 2001 (the "Master Indenture") as supplemented by the 2002 Series B Indenture dated as of July 1, 2002 (the "2002 Series B Indenture and, together with the Master Indenture, the "Indenture") between the Authority and Zions First National Bank, as trustee (the "Trustee"). The capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

The Bonds are special, limited obligations of the Authority payable solely from the sources provided in the Indenture.

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

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

1. The Bonds constitute the valid and binding obligations of the Authority, and are entitled to the benefits and security of the Indenture.

2. The Indenture has been duly authorized by the Authority, duly executed and delivered by the authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes the legal, valid and binding obligation of the Authority enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

3. Interest on the 2002 Series B-3 Bonds, the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"); however, interest on the 2002 Series B-4 Bonds, the 2002 Series B-5 Bonds and the 2002 Series B-6 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2002 Series B-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

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

5. Interest on the Taxable 2002 Series B-1 Bonds and the Taxable 2002 Series B-2 Bonds is not excluded from gross income for federal income tax purposes.

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

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

We understand that Lloyds TSB Bank plc, acting through its New York Branch, has delivered a Standby Bond Purchase Agreement with respect to the Bonds. We express no opinion as to the validity or enforceability of such Standby Bond Purchase Agreement or the security afforded thereby.

Colorado Housing and Finance Authority  
Single Family Mortgage Bonds, 2002 Series B  
July 18, 2002

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

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

Respectfully submitted,

October 24, 2002

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

Colorado Housing and Finance Authority  
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-1  
Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-2  
Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-3  
Single Family Mortgage Class II Bonds, 2002 Series C-4  
Single Family Mortgage Class III Bonds, 2002 Series C-5  
and  
Single Family Mortgage Class I Bonds, 2002 Series C-6

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-1 (the "Taxable 2002 Series C-1 Bonds"), Taxable Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-2 (the "Taxable 2002 Series C-2 Bonds"), Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series C-3 (the "2002 Series C-3 Bonds"), Single Family Mortgage Class II Bonds, 2002 Series C-4 (the "2002 Series C-4 Bonds"), Single Family Mortgage Class III Bonds, 2002 Series C-5 (the "2002 Series C-5 Bonds") and Single Family Mortgage Class I Bonds, 2002 Series C-6 (the "2002 Series C-6 Bonds" and, together with the Taxable 2002 Series C-1 Bonds, the Taxable 2002 Series C-2 Bonds, the 2002 Series C-3 Bonds, the 2002 Series C-4 Bonds and the 2002 Series C-5 Bonds, the "Bonds") in the aggregate principal amount of \$223,000,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The Bonds are authorized and issued pursuant to the Master Indenture of Trust dated as of October 1, 2001, as amended (the "Master Indenture"), as supplemented by the respective Series Indenture dated as of October 1, 2002 (the "respective Series Indenture" and, together with the Master Indenture, the "Indenture") between the Authority and Zions First National Bank, as trustee (the "Trustee"). The capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

The Bonds are special, limited obligations of the Authority payable solely from the sources provided in the Indenture.

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

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

1. The Bonds constitute the valid and binding obligations of the Authority, and are entitled to the benefits and security of the Indenture.

2. The Indenture has been duly authorized by the Authority, duly executed and delivered by the authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes the legal, valid and binding obligation of the Authority enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

3. Interest on the 2002 Series C-3 Bonds, the 2002 Series C-4 Bonds, the 2002 Series C-5 Bonds and the 2002 Series C-6 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"); however, interest on the 2002 Series C-3 Bonds, the 2002 Series C-4 Bonds and the 2002 Series C-5 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2002 Series C-6 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

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

5. Interest on the Taxable 2002 Series C-1 Bonds and the Taxable 2002 Series C-2 Bonds is not excluded from gross income for federal income tax purposes.

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

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

Colorado Housing and Finance Authority  
Single Family Mortgage Bonds, 2002 Series C  
October 24, 2002

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We understand that MBIA Insurance Corporation has issued a financial guaranty insurance policy relating to the 2002 Series C-5 Bonds and that Lloyds TSB Bank plc, acting through its New York Branch, has delivered three Standby Bond Purchase Agreements with respect to the Taxable 2002 Series C-1 Bonds, the Taxable 2002 Series C-2 Bonds and the 2002 Series C-3 Bonds, respectively. We express no opinion as to the validity or enforceability of such insurance policy or such Standby Bond Purchase Agreements or the security afforded thereby.

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

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

Respectfully submitted,



## APPENDIX F

### Class Asset Requirements for Bonds

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

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

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

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

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

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

(b) the amounts held in the respective subaccounts of the Accounts and Funds listed in clause (a) above that are Unrelated to such series of Bonds (including amounts in such subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund and the

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

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

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

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

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

(c) the aggregate unpaid principal balance of Mortgage Loans Related to the related series of Bonds, be at least equal to the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class I Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series

of Class II Bonds then Outstanding plus the percentage set forth in the Series Indenture of the aggregate principal amount of the related series of Class III Bonds then Outstanding, or such different percentages as may be approved or required by each Rating Agency in writing.

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

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**APPENDIX G**

**Annual Financial Report  
(With Independent Auditors' Report Thereon)  
For the Year Ended December 31, 2011  
(With comparative financial information for 2010)**

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**COLORADO HOUSING AND FINANCE AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
**(With Independent Auditors' Report Thereon)**  
**For the Year Ended December 31, 2011**  
**(With comparative financial information for 2010)**



*Prepared by:  
Accounting Division*

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# COLORADO HOUSING AND FINANCE AUTHORITY – Annual Financial Report

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**EXECUTIVE LETTER**

**Message from Cris White,  
Executive Director and CEO  
March, 2012**

Since the economic decline of 2008, Colorado's community and business leaders have been focused on restoring economic stability through job creation, collaboration, and innovation. These efforts have begun to show results. By year end, Colorado's unemployment was 7.9 percent, down one percent from the previous year. And while the median single family home sales price decreased by 2 percent; the number of units sold increased by 2 percent. CHFA has worked to assist these efforts by furthering our mission of affordable housing and economic development finance.

In 2011, CHFA's Home Finance Division delivered over \$394 million in loan production serving 2,609 households. Nearly one-fourth of our home finance customers purchased foreclosed or abandoned properties, helping restore stability to Colorado neighborhoods. Additionally, CHFA continued its tradition of supporting home buyer education by providing free in-person and online classes to 7,100 Colorado households. We updated our homebuyer education course curriculum to address legal and process changes facing today's first time buyers. Greater emphasis has been placed on helping prospective buyers understand the Good Faith Estimate and Truth in Lending forms. Additionally, the course now provides proactive information about the availability of free-HUD approved foreclosure prevention counseling should payment difficulties arise. The new curriculum was launched with a promotional Tool Kit that includes marketing and teaching resources to help our 27 housing counseling partner agencies promote classes in their communities, and ensure course consistency between providers.

CHFA's Commercial Lending Division also experienced significant activity over the past year. Requests for Low Income Housing Tax Credits (LIHTC) outpaced credit availability by 5 to 1. The growing demand for 9 percent LIHTCs has placed greater emphasis on CHFA's commitment to transparency and predictability in the allocation process. As we developed the 2012 Qualified Allocation Plan (QAP), CHFA added more opportunities for stakeholder input through surveys and public hearings. Based on feedback received, we expanded our LIHTC Allocation Committee membership to include two members of the public. Additionally, we've noted several housing and market priorities in the QAP to assist the development community in better understating our areas of emphasis.

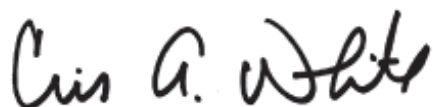
Likewise, CHFA's Business Finance team expanded existing partnerships to make new resources available to Colorado's lending and business communities. In conjunction with the Colorado Office of Economic Development and International Trade (OEDIT), CHFA launched the Colorado Capital Access and the Cash Collateral Support programs utilizing \$17.2 million in funding authorized through the Small Business Jobs Act of 2010. These programs will help Colorado's small and medium sized businesses access capital by providing incentives designed to leverage private bank financing. Colorado Capital Access was modeled after our existing Colorado Credit Reserve program, which utilizes funds provided by the Colorado General Assembly in 2009. Through 2011, Colorado Credit Reserve has assisted 433 businesses obtain \$16.82 million in financing and supported nearly 3,000 new and existing jobs. Eleven percent of Colorado Credit Reserve customers are minority owned businesses, and 42 percent are women-owned businesses.

Last year, I also was pleased to welcome CHFA's new Chief Financial Officer Patricia Hippe. Patricia joins us from the Minnesota Housing Finance Agency where she raised over \$5.4 billion in capital to support their single family and multifamily finance programs. She is a strong addition to our team, and brings a wealth of experience in for-profit, nonprofit, and government finance. In 2011, CHFA also continued to implement our Diversity and Inclusion Initiative. This effort is designed to create a more inclusive environment at CHFA by breaking down

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departmental silos, and creating a culture where we embrace the contributions of diverse perspectives. When we operate with an emphasis on inclusion, we enrich the dialogue and ensure cross-collaborative decision making occurs. I believe that cross-collaborative decision making, when done correctly, results in better decisions, is more efficient, and actually saves time in the long run. This approach has assisted us not only as we work internally, but as we look externally at how we can best achieve our mission. As the year ahead continues, we will keep looking at new opportunities for the organization. Whether we can achieve success by expanding partnerships, refining programs, or launching new initiatives - CHFA remains dedicated to financing the places where Coloradans live and work.

Sincerely,

A handwritten signature in black ink that reads "Cris A. White". The signature is written in a cursive, slightly slanted style.

Cris A. White  
Executive Director and CEO



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**



This section of the Colorado Housing and Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal years ended December 31, 2011 and 2010. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34).

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

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

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

### **Overview of the Financial Statements**

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

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

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

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



investing activities. The statement provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

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

### **Debt Activity**

CHFA issued \$39.2 million in Single Family Series 2011AA market bonds, and \$58.8 million of converted Series 2009AA NIBP program bonds in April, 2011. The \$98 million in bond proceeds were used to provide permanent financing for loans originated under the Authority's qualified single family loan programs and securitized into Ginnie Mae mortgage backed securities. The Authority does not plan to issue more NIBP bonds in 2012, favoring the funding of loan purchases through the securitization and MBS sale process. In July, 2011, CHFA restructured mandatory sinking fund payments in the Single Family Series 2006B-2 bonds in order to provide more flexibility and also realize savings to the indenture.

During 2011, CHFA renewed \$129 million in expiring liquidity agreements with Barclays Capital and \$56 million with FHLBank Topeka. The Authority put in place a new \$200 million liquidity facility with the Royal Bank of Canada in November, 2011 as a replacement bank for facilities provided by Dexia. In an effort to reduce liquidity facility needs, the Authority refunded just over \$227 million in outstanding single family variable rate demand obligations (VRDOs) into floating rate notes (FRNs). The November, 2011 refunding consisted of two direct placement transactions and one public market sale and resulted in a direct reduction of liquidity facilities related to VRDOs. In 2012, CHFA plans to continue pursuing liquidity facility replacements and renewals as well as FRN transactions which eliminate the overall need for such facilities.

CHFA novated (transferred) an \$80 million swap agreement from Citibank NA to BNY Mellon in December, 2011. The novated swap retained the same terms as the original agreement and was undertaken to eliminate the weaker credit counterparty, Citibank, in favor of a stronger one, BNY Mellon. The Authority will evaluate additional novation and replacement opportunities that may arise in 2012.

**Programs** – The financial statements present the activities of the Authority's housing and lending programs. Combining schedules for these programs are provided in the supplemental schedules.

### **Financial Highlights**

- Total net loans receivable as of December 31, 2011 were \$2.3 billion, a decrease of \$346.4 million, or 13.1%, compared to the amount outstanding as of December 31, 2010. Loan repayments occurred without a corresponding increase in new loans retained as the Authority continued to issue Ginnie Mae securities during the year. During 2011, \$404.2 million in loans were sold through the issuance of Ginnie Mae securities.
- Total investments as of December 31, 2011 were \$884.7 million, an increase of \$11.8 million, or 1.4%, compared to the amount outstanding as of December 31, 2010. Offsetting the reduction of investments was a significant increase to the fair value of investments due to declining interest rates.
- Total deferred outflows as of December 31, 2011 was \$267.4 million, an increase of \$87.2 million, or 48.4%, compared to the amount outstanding as of December 31, 2010, which reflects a decline in market expectations of future interest rates (decline in forward yield curve).
- As of December 31, 2011, total debt outstanding was \$2.9 billion, a decrease of \$368.2 million, or 11.1%, compared to the balance at December 31, 2010. Payments of loans have been used to reduce bond balances rather than recycled into new loans.



- Net position as of December 31, 2011, was \$270.5 million, an increase of \$16.9 million, or 6.7%, compared to net position of \$253.6 million as of December 31, 2010, increasing the Authority's capital position. Net position as a percent of total assets increased from 6.8% as of December 31, 2010 to 8.0% as of December 31, 2011.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Position, net position increased by \$16.9 million for 2011 as compared to a \$281 thousand decrease during 2010. The \$16.9 million, or 6.7%, increase was primarily composed of the following:
  - An \$8.5 million decrease in net interest income as a result of lower investment rates and higher bond expenses.
  - A \$13.8 million increase in other operating revenues is a result of the following:
    - \$502 thousand decrease in real estate owned (REO) rental income.
    - \$3.0 million decrease in gain/sale of loans.
    - \$1.2 million increase in investment derivative activity loss.
    - \$18.6 million increase in fair value of investments.
    - \$43 thousand decrease in loan servicing and other revenues.
  - A \$12.0 million decrease in operating expense primarily as a result of an increase in salaries and related benefits due to increased staffing and benefit costs, a decrease in general operating expenses due to reduced Lehman swap termination costs and an increase in provision for loan losses due to increased delinquencies and foreclosures.



## Analysis of Financial Activities

## Condensed Summary of Net Position

(in thousands of dollars)

For the years ended December 31,	2011	2010 Restated	2009 Restated
<b>Assets</b>			
Cash	\$ 89,292	\$ 91,981	\$ 35,900
Investments	884,670	872,861	575,994
Loans receivable	2,264,846	2,601,982	2,880,823
Loans receivable held for sale	38,206	47,478	67,356
Capital assets, net	24,160	26,741	28,586
Other assets	70,365	79,061	76,619
<b>Total assets</b>	<b>3,371,539</b>	<b>3,720,104</b>	<b>3,665,278</b>
<b>Deferred Outflows</b>			
Accumulated decrease in fair value of hedging derivatives	267,410	180,245	137,632
<b>Liabilities</b>			
Bonds and notes payable, net	2,935,507	3,303,668	3,278,881
Derivative instruments and related borrowings	335,558	243,572	204,498
Other liabilities	97,362	99,531	63,213
<b>Total liabilities</b>	<b>3,368,427</b>	<b>3,646,771</b>	<b>3,546,592</b>
<b>Deferred Inflows</b>			
Accumulated increase in fair value of hedging derivatives	-	-	2,458
<b>Net position:</b>			
Invested in capital assets	24,160	26,741	28,586
Restricted by bond indentures	137,096	113,252	163,809
Unrestricted	109,266	113,586	61,465
<b>Total net position</b>	<b>\$ 270,522</b>	<b>\$ 253,579</b>	<b>\$ 253,860</b>

The deferred outflows, deferred inflows and net position for December 31, 2010 and 2009 were adjusted due to the early adoption of GASB No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (GASB No. 64), which designates specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. The early adoption of GASB No. 64 resulted in the following adjustments to the Statement of Net Position as of December 31, 2010; deferred outflows increased by \$36,462,000, deferred inflows decreased by \$6,168,000, beginning net position increased by \$44,778,000, and ending net position decreased by \$42,630,000. The early adoption of GASB No. 64 resulted in the following adjustments to the Statement of Net Position as of December 31, 2009 deferred outflows increased by \$24,873,000, deferred inflows decreased by \$19,905,000, beginning net position increased by \$46,865,000, and ending net position decreased by \$44,778,000.

## Comparison of Years Ended December 31, 2011 and 2010

Total assets decreased \$348.6 million, or 9.4%, from the prior year. Cash and cash equivalents, and investments, combined, increased \$9.1 million thousand, or 1.0%. Mortgage and other loans receivable decreased by \$346.4 million, or 13.1%, as a result of loan repayments occurring without a corresponding increase in new loans retained as the Authority continued to issue Ginnie Mae securities during the year. Total deferred outflows increased \$87.2 million, or 48.4%, from the prior year, due to a decline in market expectations of future interest rates (decline in the forward yield curve).





Total liabilities decreased \$278.3 million, or 7.6% from the prior. Notes and bond payable decreased \$368.2 million, or 11.1%, primarily due to scheduled bond payments and additional unscheduled redemptions. Derivative instruments and related borrowings fair value increased \$92.0 million, or 37.8% from prior year due to declining market interest rates.

**Comparison of Years Ended December 31, 2010 and 2009:**

Total assets increased \$54.8 million, or 1.5% from the prior year. Cash and cash equivalents, and investments, combined, increased \$352.9 million, or 57.7%. Mortgage and other loans receivable decreased by \$298.7 million, or 10.1%, as a result of loan repayments occurring without a corresponding increase in new loans retained, as the Authority continued to issue Ginnie Mae securities during the year. Total deferred outflows increased \$42.6 million, or 31.0% from the prior year, due to declining interest rates.

Total liabilities increased \$100.2 million, or 2.8% from the prior year. Notes and bond payable increased \$24.8 million, or 0.8% primarily due to the reduction of bonds payable from the collection of mortgage payments. Derivative instruments and related borrowings increased \$39.1 million, or 19.1% from prior year.

**Subsequent Events:**

In March of 2012, the Authority completed the sale of the real estate for all Blended Component Units, which encompass the Rental Assistance Program ("RAP") - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire"). In addition, the Authority completed the sale of real estate for Maple Tree Settlement, which is not a Blended Component Unit, but is part of RAP. Each of these properties was sold at a gain. These properties contributed a total increase to net operating income in 2011 and 2010 of \$1.5 million and \$498 thousand respectively.

The Authority paid in full the outstanding Lehman swap termination settlement as of March 2012.

Also in March, the Authority redeemed \$106,325,000 of NIPB bonds.

**Condensed Summary of Revenues, Expenses and Changes in Net Position***(in thousands of dollars)*

<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010 Restated</b>	<b>2009 Restated</b>
<b>Interest income and expense:</b>			
Interest on loans receivable	\$ 134,597	\$ 151,319	\$ 173,009
Interest on investments	23,423	18,094	15,053
Interest on debt	(138,545)	(141,458)	(173,971)
Net interest income	19,475	27,955	14,091
<b>Other operating income:</b>			
Rental income	8,804	9,306	7,460
Gain on sale of loans	16,792	19,817	8,528
Investment derivative activity loss	(1,715)	(473)	(2,882)
Net increase in the fair value of investments	25,887	7,324	(10,396)
Other revenues	19,443	19,400	18,430
Total other operating income	69,211	55,374	21,140
Total operating income	88,686	83,329	35,231
<b>Operating expenses:</b>			
Salaries and related benefits	18,210	17,808	16,180
General operating	40,783	55,636	17,815
Depreciation	3,684	3,773	3,159
Provision for loan losses	9,036	6,521	14,404
Total operating expenses	71,713	83,738	51,558
<b>Net operating income (loss)</b>	<b>16,973</b>	<b>(409)</b>	<b>(16,327)</b>
Federal grant receipts	134,491	134,613	112,458
Federal grant payments	(134,491)	(134,613)	(112,458)
Gain (loss) on sale of capital assets	(30)	128	-
<b>Nonoperating revenues and expenses, net</b>	<b>(30)</b>	<b>128</b>	<b>-</b>
<b>Change in net position</b>	<b>16,943</b>	<b>(281)</b>	<b>(16,327)</b>
<b>Net position:</b>			
Beginning of year	253,579	253,860	270,187
End of year	\$ 270,522	\$ 253,579	\$ 253,860

**Comparison of Years Ended December 31, 2011 and 2010**

Total operating income increased by \$5.4 million in 2011 to \$88.7 million, an increase of 6.4%, compared to 2010. The following contributed to the increase:

- Interest income decreased by \$11.4 million in 2011 as a result of higher prepayments without a corresponding new loan investment.
- Interest expense related to debt decreased by \$2.9 million due to lower outstanding balances.
- Gain on sale of loans decreased by \$3.0 million in 2011 related primarily to the reduced amount of issuance of GNMA securities.



- The fair value of investments increased by \$18.6 million due primarily to a decrease in market interest rates during 2011.

Total operating expenses decreased \$12.0 million in 2011 to \$71.7 million, a decrease of 14.4%, compared to 2010. The decrease was primarily due to an increase in salaries and related benefits due to increased staffing, merit increases and health insurance costs, a decrease in general operating costs related to Lehman swap termination settlements, a decrease in depreciation expense due to assets becoming fully depreciated and an increase in provision for loan losses due to increasing delinquencies and foreclosures.

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

### **Comparison of Years Ended December 31, 2010 and 2009**

Total operating income increased by \$49.3 million in 2010 to \$83.3 million, an increase of 144.8%, compared to 2009. The following contributed to the increase:

- Interest income decreased by \$18.6 million in 2010 as a result of reduced loans receivable balances.
- Interest expense related to debt decreased by \$33.7 million due to the normalization of interest rates and lower outstanding debt.
- Gain on sale of loans increased by \$11.3 million in 2010 due primarily to gains on the sale of GNMA securities.
- The fair value of investments increased by \$17.7 million due primarily to a decrease in market rates in 2010.

Total operating expenses increased \$33.4 million in 2010 to \$83.7 million, an increase of 66.2%, compared to 2009. The following contributed to the decrease:

- Salaries and related benefits increased by \$1.6 million, or 10.1%, due to increased staffing, merit increases and health insurance costs.
- General operating costs increased by \$39.0 million or 234.6%, due to expenses related to the Lehman swap termination settlements and costs associated with the Rental Acquisition Program and Other Real Estate Owned including management fees, repairs and maintenance, utilities, personal and administrative costs.
- Depreciation expense increased \$614 thousand, or 19.4%, due to purchase, implementation, and development and computer software.
- Offsetting these increases is a \$7.9 million decrease to the provision for loan losses due to a change in accounting estimate for reserves related to government-insured loans to better reflect credit risk considering economic programs, borrower factors, and collateral values.



AUDITORS' REPORT



**KPMG LLP**  
Suite 2700  
707 Seventeenth Street  
Denver, CO 80202-3499

## **Independent Auditors' Report**

Board of Directors  
Colorado Housing and Finance Authority  
Denver, Colorado:

We have audited the accompanying financial statements of the Colorado Housing and Finance Authority (the Authority), as of and for the year ended December 31, 2011, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Authority as of December 31, 2010, were audited by other auditors whose report thereon dated June 27, 2011, expressed an unqualified opinion on those statements, before the restatement to reflect the retroactive application of an accounting principle and change in accounting described in note 1(c) to the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011, and the respective changes in financial position, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments described in note 1(c) that were applied to restate the 2010 basic financial statements to reflect the retroactive application of an accounting principle and change in accounting. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2010 basic financial statements of the Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 basic financial statements taken as a whole.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in note 1(c) to the financial statements, during 2011, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The adoption required retroactive application to prior periods.

KPMG LLP

March 29, 2012



**BASIC FINANCIAL STATEMENTS**

**Colorado Housing and Finance Authority**  
**Statements of Net Position**

For the years ended December 2011 and 2010

(in thousands of dollars)

	2011	2010 Restated, note 1
<b>Assets</b>		
Current assets:		
Cash		
Restricted	\$ 56,011	\$ 75,483
Unrestricted	33,281	16,498
Investments (partially restricted, see note 2)	646,232	652,878
Loans receivable (partially restricted, see note 3)	113,701	134,211
Loans receivable held for sale	38,206	47,478
Other current assets	25,049	30,394
Current assets	912,480	956,942
Noncurrent assets:		
Investments (partially restricted, see note 2)	238,438	219,983
Loans receivable, net (partially restricted, see note 3)	2,151,145	2,467,772
Capital assets, net	24,160	26,741
Other assets	45,316	48,667
Total noncurrent assets	2,459,059	2,763,163
<b>Total assets</b>	<b>3,371,539</b>	<b>3,720,105</b>
<b>Deferred Outflows</b>		
Accumulated decrease in fair value of hedging derivatives	267,410	180,245
<b>Liabilities</b>		
Current liabilities:		
Short-term debt	46,100	87,900
Bonds payable	321,512	299,187
Notes payable	104	79
Other current liabilities	73,421	90,764
Current liabilities	441,137	477,930
Noncurrent liabilities:		
Bonds and notes payable, net	2,567,791	2,916,502
Derivative instruments	281,951	183,600
Hybrid instrument borrowing	53,607	59,972
Other liabilities	23,941	8,767
Total noncurrent liabilities	2,927,290	3,168,841
<b>Total liabilities</b>	<b>3,368,427</b>	<b>3,646,771</b>
<b>Net position</b>		
Invested in capital assets	24,160	26,741
Restricted by bond indentures	137,096	113,252
Unrestricted	109,266	113,586
<b>Total net position</b>	<b>\$ 270,522</b>	<b>\$ 253,579</b>

See accompanying notes to basic financial statements.



**Colorado Housing and Finance Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended December 2011 and 2010  
*(in thousands of dollars)*

	2011	2010 Restated, note 1
<b>Interest income and expense:</b>		
Interest on loans receivable	\$ 134,597	\$ 151,319
Interest on investments	23,423	18,094
Interest on debt	(138,545)	(141,458)
Net interest income	19,475	27,955
<b>Other operating revenue:</b>		
Rental income	8,804	9,306
Gain on sale of loans	16,792	19,817
Investment derivative activity loss	(1,715)	(473)
Net increase in the fair value of investments	25,887	7,324
Other revenues	19,443	19,400
Total other operating income	69,211	55,374
Total operating income	88,686	83,329
<b>Operating expenses:</b>		
Salaries and related benefits	18,210	17,808
General operating	40,783	55,636
Depreciation	3,684	3,773
Provision for loan losses	9,036	6,521
Total operating expenses	71,713	83,738
<b>Net operating income (loss)</b>	<b>16,973</b>	<b>(409)</b>
Federal grant receipts	134,491	134,613
Federal grant payments	(134,491)	(134,613)
Gain (loss) on sale of capital assets	(30)	128
<b>Nonoperating revenues and expenses, net</b>	<b>(30)</b>	<b>128</b>
<b>Change in net position</b>	<b>16,943</b>	<b>(281)</b>
<b>Net position:</b>		
Beginning of year	253,579	253,860
End of year	\$ 270,522	\$ 253,579

See accompanying notes to basic financial statements.

**Colorado Housing and Finance Authority**  
**Statements of Cash Flows**

For the years ended December 2011 and 2010

(in thousands of dollars)

	2011	2010
		Restated, note 1
<b>Cash flows from operating activities:</b>		
Principal payments received on loans receivable		
and receipts from dispositions of other real estate owned	\$ 303,302	\$ 320,375
Interest payments received on loans receivable	138,083	154,818
Payments for loans receivable	(367,983)	(428,218)
Receipts from sales of Ginnie Mae securities	420,989	417,478
Receipts from rental operations	8,748	9,346
Receipts from other revenues	19,391	19,173
Payments for salaries and related benefits	(18,775)	(17,109)
Payments for goods and services	(41,362)	(19,213)
All other, net	1,503	(1,185)
Net cash provided by operating activities	463,896	455,465
<b>Cash flows from noncapital financing activities:</b>		
Net increase (decrease) in short-term debt	(41,800)	14,650
Proceeds from issuance of bonds	266,435	275,210
Proceeds from issuance of notes payable	1,388	125
Receipts from federal grant programs	135,352	134,308
Payments for federal grant programs	(134,491)	(134,613)
Principal paid on bonds	(583,898)	(247,064)
Principal paid on notes payable	(105)	(17,415)
Interest paid on short-term debt	(271)	(226)
Interest rate swap settlements	(92,102)	(95,330)
Interest paid on bonds	(49,000)	(52,336)
Interest paid on notes payable	(756)	(1,004)
Bond issuance costs paid	(1,728)	(1,365)
Net cash used by noncapital financing activities	(500,976)	(125,060)
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(1,133)	(2,148)
Proceeds from the disposal of capital assets	-	347
Net cash used by capital and related financing activities	(1,133)	(1,801)
<b>Cash flows from investing activities:</b>		
Proceeds from maturities and sales of investments	3,089,608	2,897,006
Purchase of investments	(3,075,530)	(3,186,689)
Income received from investments	21,446	17,160
Net cash provided (used) by investing activities	35,524	(272,523)
<b>Net increase (decrease) in cash</b>	<b>(2,689)</b>	<b>56,081</b>
Cash at beginning of year	91,981	35,900
Cash at end of year	\$ 89,292	\$ 91,981
Restricted	56,011	75,483
Unrestricted	33,281	16,498
Cash, end of year	\$ 89,292	\$ 91,981

See accompanying notes to basic financial statements.

Continued on the next page

## Colorado Housing and Finance Authority

### Statements of Cash Flows *(continued)*

For the years ended December 2011 and 2010

*(in thousands of dollars)*

	2011	2010
		Restated, note 1
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Net operating income (loss)	\$ 16,973	\$ (409)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,684	3,773
Amortization of service release premiums	3,538	2,946
Amortization of deferred loan fees/costs, net	65	115
Amortization of derivatives related borrowings	(6,364)	(6,469)
Provision for loan losses	9,036	6,521
Gain on sale of capital assets	30	-
Interest on investments	(23,418)	(18,087)
Interest on debt	144,909	147,927
Unrealized loss on investment derivatives	1,715	473
Unrealized gain on investments	(25,887)	(7,324)
Loss on sale of REO	1,631	413
Gain on sale of loans receivable held for sale	(16,792)	(19,817)
Changes in assets and liabilities:		
Loans receivable and other real estate owned	350,818	306,083
Accrued interest receivable on loans and investments	3,742	3,505
Other assets	1,446	(3,983)
Accounts payable and other liabilities	(1,230)	39,798
Net cash provided by operating activities	\$ 463,896	\$ 455,465

See accompanying notes to basic financial statements.



**NOTES TO BASIC FINANCIAL STATEMENTS**



## 1) Organization and Summary of Significant Accounting Policies

### (a) Authorizing Legislation and Reporting Entity

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

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

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

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

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

**Lending and Housing Programs** – The Authority accounts for its lending and operating activities in the following groups:

**General Program** – The General Program is the Authority's primary operating program. It accounts for assets, liabilities, revenues and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. The general accounts also include administrative activities related to the federal government's Section 8 housing assistance payments program.

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

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



**(b) Basis of Accounting**

The Authority presents its financial statements in accordance with U.S generally accepted accounting standards as established by the Governmental Accounting Standards Board (GASB). For financial purposes, the Authority is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

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

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

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

**Restricted Assets** – Essentially all investments and loans receivable are restricted assets. Restricted assets are held for the benefit of respective bond holders and accounted for by program. Certain other assets are held on behalf of various governmental housing initiatives or regulations.

**Investments** – Investments of the Authority, with the exception of nonparticipating investment agreements, which are reported at cost, are reported at fair value based on values obtained from third-party pricing services. The values are based on quoted market prices when available or on adjusted value in relation to observable prices on similar investments. Investments with an initial maturity of one year or less are valued at amortized cost, which approximates fair value. Virtually all investments are restricted.

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

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

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

**Troubled Debt Restructuring** – A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not



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

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otherwise consider. Whatever the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to make the best of a difficult situation. That is, the creditor expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, by granting the concession than by not granting it.

Interest income is recognized using the new interest rate after restructuring, which approximates the effective interest rate. Additional information is disclosed in the loans receivable see note 3.

**Capital Assets** – The Authority's capital assets consist of two groups. Corporate capital assets include those capital assets other than those used in its RAP activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower- and moderate-income families. The Authority has acquired and rehabilitated these properties with a combination of sources of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the Authority's general operating account. As of December 31, 2011, the Authority owned a total of four RAP projects, including its three component units, containing 917 units. These properties were sold subsequent to year-end, see note 15.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$2,500 in the case of corporate capital assets and \$1,500 in the case of RAP capital assets. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives, which are 30 years for buildings and from 3 to 10 years for furniture and equipment.

**Other Assets** – The major other assets are:

- *Mortgage servicing rights (servicing release premiums)*: amortized over the life of the related loans using the effective interest method. Unamortized costs totaling \$21,520,000 and \$21,705,000 were outstanding at December 31, 2011 and 2010, respectively. Included in these amounts are mortgage servicing rights of \$9,502,000 and \$6,765,000, as of December 31, 2011 and 2010, respectively, related to loans sold by the Authority for which the Authority retained the mortgage servicing rights. These mortgage servicing rights are reported at the lower of cost or fair value. In 2011, the Authority recognized an impairment loss of \$635,000. The impairment loss is reported in general operating expense on the Statement of Revenues, Expenses and Changes in Net Position. No impairment was recognized in 2010.
- *Other real estate owned (REO)*: represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value, which equals estimated fair value minus closing costs.
- *Bond and note issuance costs*: costs of debt issuance are deferred and amortized to interest expense over the lives of the bond issues using the effective interest method.

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

The Authority issues fixed rate and variable rate bonds. The rate on the fixed rate bonds is set at bond closing. The variable rate bonds bear interest at either a monthly or a weekly rate until maturity or earlier redemption. For bonds that pay weekly rates, the remarketing agent for each bond issue establishes the weekly rate according to each indenture's remarketing agreement. The weekly rates are communicated to the various bond trustees for preparation of debt service payments. The weekly rate, as set by the remarketing agent, allows the bonds to trade in the secondary market at a price



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

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equal to 100% of the principal amount of the bonds outstanding, with each rate not exceeding maximum rates permitted by law. The variable rate bonds that bear interest monthly are based on the 1-month London Interbank Offered Rate (LIBOR).

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

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

**Debt Refundings** – For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method, with the exception of the amount relating to deferred loss on interest rate swap hedging relationship termination, which are amortized on a straight-line basis. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

**Derivative Instruments** – Derivative instruments, as defined in GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, are measured on the Statement of Net Position at fair value. Changes in fair value for those derivative instruments that meet the criteria for hedging instruments under GASB No. 53 are reported as deferred inflows and outflows. Changes in fair value of investment derivative instruments, which are ineffective derivative instruments, are reported within investment derivative activity loss in the period of change.

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

**Derivative Instruments - Forward Sales Contracts** – Forward sales securities commitments and private investor sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At December 31, 2011, the Authority had executed 34 forward sales transactions with an \$82,392,000 notional amount with three counterparties with concentrations and ratings (Standard and Poor's / Moody's Investors Service) as shown in note 8. The forward sales will all settle by March 19, 2012. These contracts are considered investment derivative instruments.

**Hybrid Instrument Borrowings** – Hybrid instrument borrowings represent cash premiums received on interest rate swaps that had a fair value other than zero at the date of execution, generally because the fixed rates were different than market rates at that date. Interest expense is imputed on these borrowings, which is reported at amortized cost.

**Other Liabilities** – The major other liabilities are:

- *Servicing escrow*: the net amount of collected escrow funds currently being held to pay future obligations of property taxes and insurance premiums due on real properties. The Authority has a corresponding asset that is recorded in restricted cash.





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

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- *Alternative Dispute Resolution*: amounts due to Lehman Brothers Financial Products, Inc. and Lehman Brothers Special Financing, Inc. (the "Lehman Debtors") to resolve a dispute relating to the termination value of certain derivative contracts between the Authority and the Lehman Debtors. It is anticipated that the amounts will be paid in full during 2012.
- *Deferred Low Income Housing Tax Credit (LIHTC) Income*: compliance monitoring fees collected in advance on multi-family properties that have been awarded low-income housing tax credits to be used over a 15-year period. These fees cover the ongoing cost the Authority incurs to certify that these properties remain low-income compliant during the 15-year period and continue to be eligible to use the tax credits awarded.
- *Compensated Absences*: employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over a maximum of 150% of their annual paid time off benefit. The liability for compensated absences is based on current salary rates and is reported in the Statement of Net Position.

**Classification of Revenues and Expenses** - The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest income on loans and investment income. The Authority also recognizes revenues from rental operations and other revenues, which include loan servicing fees and other administrative fees. Operating expenses include interest expense, administrative expenses, depreciation, and the provision for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In addition, under the federal government's American Recovery and Reinvestment Act (ARRA), passed in February 2009, the Authority became the allocator of the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). The two programs were created to assist developers holding allocations of federal LIHTC. In 2009, the Authority received an allocation of over \$60 million in federal funds to distribute to projects already underway across the State. As of December 31, 2011, all TCEP and TCAP funds have been distributed, and the Authority has no remaining obligations under the program.

**New Accounting Principles** - The Authority has evaluated the financial statement impact and adopted several new Statements issued by the Governmental Accounting Standards Board (GASB) in its current fiscal year ended December 31, 2011.

GASB issued GASB Statement No. 62, which improves financial reporting by incorporating into GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and the American Institute of Certified Public Accountants ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB No. 62 will supersede Statement No. 20. The requirements of GASB No. 62 are effective for financial statements for periods beginning after December 15, 2011, although earlier application is encouraged. There was no material impact to the Authority's financial statements from the early adoption of this standard in 2011.

GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63"), which provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. These elements were previously identified and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. They are required to be reported in the statement of financial position in a separate section following assets. Similarly,



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

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deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. They should be reported in the statement of financial position in a separate section following liabilities. Additionally, GASB No. 63 renames the statement of net assets as the statement of net position. The statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. There was no material impact to the Authority's financial statements from the early adoption of this standard in 2011.

GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* ("GASB No. 64"), which designates specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. Under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB No. 53), a government is to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows or inflows of resources as a component of investment income. However, in many instances, governments have managed to replace their swap counterparty or swap counterparty's credit support providers by amending existing swap agreements or by entering into new swap agreements. Therefore, GASB No. 64 was issued to clarify the circumstances in which an effective hedging relationship continues after these events occur.

Under GASB No. 64, a hedging derivative instrument is considered terminated unless an effective hedging relationship continues when all of the following criteria are met: 1) collectability of swap payments is considered to be probable, 2) the swap counterparty of the interest rate swap or commodity swap, or the swap counterparty's credit support provider, is replaced with an assignment or in-substance assignment, and 3) the government enters into the assignment or in-substance assignment in response to the swap counterparty, or the swap counterparty's credit support provider, either committing or experiencing an act of default or a termination event as both are described in the swap agreement. The early adoption of this statement in 2011 required adjustment to prior periods.

The early adoption of GASB No. 64, in 2011 allowed the Authority to continue hedge accounting on certain interest rate swaps that were replaced in prior years. Prior to the adoption of GASB No. 64, the hedging associations for these interest rate swaps were considered terminated. Upon adoption of GASB No. 64, the Statement of Net Position as of December 31, 2010 was retroactively restated as follows: deferred outflows increased by \$36,462,000, deferred inflows decreased by \$6,168,000, beginning net position increased by \$44,778,000, and ending net position increased by a net \$42,630,000. Hybrid instrument borrowing amortization, which is reported in interest on debt on the 2010 Statement of Revenues, Expenses and Changes in Net Position, decreased by \$2,148,000.

**Change in Accounting** – Prior to the year ended December 31, 2011, the Authority presented three separate funds along with the combined total thereof in its basic financial statements. In the current year, the Authority has changed the presentation to include only the combined total of its programs, along with comparative prior year information. The total amounts are otherwise unchanged, from the prior year presentation as a result of this accounting change.

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

## **(2) Cash and Investments**

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



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

fund proceeds, which may be more or less restrictive than the Authority's investment policy. These investments are included in the disclosures below under State and political subdivision obligations.

**Interest Rate Risk**

As of December 31, 2011, the Authority had the following investment maturities:

Investment Type	Investment Maturities (In Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Certificates of Deposits	\$ 2,700	\$ -	\$ -	\$ -	\$ 2,700
External investment pool (COLOTRUST)	100,336	-	-	-	100,336
Investment agreements - uncollateralized	105,364	-	-	33,481	138,845
Money market mutual fund	275,372	-	-	-	275,372
Repurchase agreements	52,369	-	-	15,107	67,476
State and political subdivision obligations	-	-	-	2,587	2,587
U.S. government agencies	110,091	13,852	56,212	116,541	296,696
U.S. Treasury	-	-	-	658	658
<b>Total</b>	<b>\$ 646,232</b>	<b>\$ 13,852</b>	<b>\$ 56,212</b>	<b>\$ 168,374</b>	<b>\$ 884,670</b>

As of December 31, 2010, the Authority had the following investment maturities:

Investment Type	Investment Maturities (In Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Certificate of Deposit	\$ 47,200	\$ -	\$ -	\$ -	\$ 47,200
External investment pool (COLOTRUST)	105,079	16	-	-	105,095
Investment agreements - collateralized	23,967	-	-	6,875	30,842
Investment agreements - uncollateralized	121,991	-	-	40,277	162,268
Money market mutual fund	318,150	507	-	-	318,657
Repurchase agreements	2,162	-	-	2,151	4,313
State and political subdivision obligations	-	-	-	3,038	3,038
U.S. government agencies	22,561	6,897	65,961	105,441	200,860
U.S. Treasury	-	-	-	588	588
<b>Total</b>	<b>\$ 641,110</b>	<b>\$ 7,420</b>	<b>\$ 65,961</b>	<b>\$ 158,370</b>	<b>\$ 872,861</b>

General Program investments of \$9,716,000 include investments pledged as of December 31, 2011 as follows: a \$2,700,000 certificate of deposit pledged to the FHLB line of credit and COLOTRUST investments of RDLP, RDLP II & RDLP V in the amounts of \$152,000, \$511,000 and \$18,000, respectively; each pledged as collateral for the Rural Development Loan Program (RDLP) notes payable.



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

General Program investments of \$75,900,000 include investments pledged as of December 31, 2010 as follows: a \$47,200,000 certificate of deposit pledged to the FHLB line of credit, \$3,581,000 GNMA security, COLOTRUST investments of RDLP, RDLP II & RDLP V in the amounts of \$247,000, \$482,000 and \$5,325, respectively; each pledged as collateral for the of Rural Development Loan Program (RDLP) notes payable.

All Single-Family and Multi-Family/Business Program investments, which total \$874,954,000, are restricted under bond indentures or other debt agreements, or otherwise pledged as collateral for borrowings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations, and 4) diversification to avoid overweighting in any one type of security.

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

Investment Type	2011		2010	
	Rating	Total	Rating	Total
Certificate of Deposit	Not Rated	\$ 2,700	Not Rated	\$ 47,200
External investment pool	AAA	100,336	AAA/Aaa	105,095
Investment agreements - collateralized	-	-	Not Rated	30,842
Investment agreements - uncollateralized	AA/Aa	49,840	N/A	-
Investment agreements - uncollateralized	A/Aa	45,533	N/A	-
Investment agreements - uncollateralized	AAA/Aaa	27,970	N/A	-
Investment agreements - uncollateralized	AA/Aaa/Aa/Baa/NR	15,502	Not Rated	162,268
Money market mutual fund	AAA/Aaa/NR	275,372	AAA/Aaa/Aa/NR	318,657
Repurchase agreements	Not Rated	67,476	Not Rated	4,313
State and political subdivision obligations	AAA/Aaa/AA	2,587	AAA/Aaa/AA/Baa/Aa	3,038
U.S. government agencies	AA/Aaa/U.S. Treasury	296,696	AAA/Aaa	200,860
U.S. Treasury	AA/Aaa	658	AAA/Aaa	588
<b>Total</b>		<b>\$ 884,670</b>		<b>\$ 872,861</b>

Of the investments in securities issued by state and political subdivisions, 47% are rated AAA. Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue and of the Board's investment policy.

As of December 31, 2011 and 2010, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share's fair value is \$1.00.



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

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**Concentration of Credit Risk** – The Authority has various maximum investment limits both by type of investment and by issuer to prevent inappropriate concentration of credit risk. The following table provides information on issuers in which the Authority has investments representing more than 5% of its total investments or of the respective funds, as of December 31, 2011 and 2010.

<b>Issuer</b>	<b>2011</b>	<b>2010</b>
Certificate of deposit - FHLB	2.79%	7.82%
U.S. government agencies - FHLMC	6.76%	5.94%
U.S. government agencies - FNMA	5.93%	5.50%
Investment agreements - uncollateralized - IXIS	14.01%	10.83%
Investment agreements - uncollateralized - Trinity	4.74%	6.30%

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

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

Included in cash deposits are escrow deposits in the amount of \$24,652,000 and \$25,586,000 held in a fiduciary capacity as of December 31, 2011 and 2010, respectively. These escrow deposits are primarily held for the payment of property taxes and insurance on behalf of the mortgagors whose loans are owned or serviced by the Authority.



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

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

Loans receivable and loans receivable held for sale at December 31, 2011 and 2010 consist of the following:

	2011	2010
General Programs	\$ 222,249	\$ 233,313
Single Family Programs:		
Program Senior and Subordinate	54,300	63,267
Mortgage	1,285,980	1,569,295
Total Single Family Program loans	1,340,280	1,632,562
Multi-Family/Business Programs:		
Insured Mortgage Revenue	49,697	74,039
Multi-Family/Project	727,057	751,656
Total Multi-Family/Business Program loans	776,754	825,695
Less intercompany loans, included in Multi-Family/Project above	(16,852)	(17,640)
Total	2,322,431	2,673,930
Payments in process	111	(2,407)
Deferred cash assistance expense	6,082	6,635
Deferred fee income	(8,150)	(8,960)
Allowance for loan losses	(17,423)	(19,737)
Total loans receivable, net and loans receivable held for sale	\$ 2,303,051	\$ 2,649,461

Substantially all loans are restricted by bond indentures or other debt agreements.

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

During 2011, the Authority securitized and sold \$46.6 million single family loans for a gain. The gain is reported in gain on sale of loans in the accompanying statement of revenue, expense and changes in net position.

General Program loans include single-family, multi-family and business finance loans acquired under various programs of the General Program, loans to be sold through the issuance of GNMA securities, loans held as investments, and loans backed by bonds within the General Program. These loans are typically collateralized by mortgages on real property and improvements. Certain of these loans are also guaranteed by agencies of the U.S. government.

Single-family bond program loans are collateralized by mortgages on applicable real property, and in the case of loans with an initial loan-to-value ratio of 80% or more, are generally either insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA) or Rural Economic and Community Development Department (RD) or insured by private mortgage insurance.

The single-family loan portfolio included in the general and single-family programs as of December 31, 2011 comprised of \$926 million of FHA insured loans, \$84 million of VA guaranteed loans, \$39 million of RD loans, \$249 million of conventional insured loans with the balance of \$168 million made up of uninsured conventional and second mortgage loans. The single-



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

family loan portfolio included in the general and single-family programs as of December 31, 2010 comprised of \$1.1 billion of FHA insured loans, \$110 million of VA guaranteed loans, \$46 million of RD loans and \$292 million of conventional insured loans with the balance of \$202 million made up of uninsured conventional and second mortgage loans. The Authority is exposed to operational risk, which makes it subject to loss or repurchase of insured FHA loans if specific guidelines are not met. In 2011, the Authority recorded a reserve of \$458 thousand for claim refunds to be paid to the U.S. Department of Housing and Urban Development ("HUD"). No reserve was recorded in 2010.

As of December 31, 2011 and 2010, single-family mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$96.6 million and \$61.7 million, respectively. As of December 31, 2011 and 2010, the aggregate principal balance of single-family mortgage loans delinquent 60 days or greater, excluding REOs, was approximately \$136.6 million and \$137.3 million, respectively.

The Multi-family/Business Program loans and a portion of General Program loans are commercial loans. Commercial loans are collateralized by mortgages on applicable real estate and, in some cases, are insured by an agency of the U.S. government, which reduces the credit risk exposure for that type of insured loan.

As of December 31, 2011, approximately \$530 million, or 75%, of the commercial loan balances are not covered by insurance. As of December 31, 2011, the insured loans comprised of \$240 million of Section 542(c) risk share loans, which are 50% insured, and \$40 million of Sections 221(d) and 223(f) new construction and rehabilitation loans, which are 99% insured.

As of December 31, 2010, the insured loans are comprised of \$253 million of Section 542(c) risk share loans, which are 50% insured, and \$58 million of Sections 221(d) and 223(f) new construction and rehabilitation loans, which are 99% insured. The remaining balances were uninsured.

As of December 31, 2011 and 2010, commercial loans with pending foreclosure actions have aggregate principal balances of approximately \$0.0 million and \$4.5 million, respectively. As of December 31, 2011 and 2010, commercial loans delinquent 60 days or greater aggregate principal balances were approximately \$4.1 million and \$6.1 million, respectively.

Activity in the allowance for loan loss for the years ended December 31, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 19,737	\$ 20,759
Provision	9,036	6,521
Net charge-offs		
Single-family	(8,568)	(3,840)
Multi-family/Business	(2,782)	(3,703)
Ending balance	<u>\$ 17,423</u>	<u>\$ 19,737</u>

The Authority services loans on the behalf of others, primarily for Ginnie Mae, which are not reported on the Statement of Net Position. As of December 31, 2011 and 2010, these outstanding loan balances were \$1.0 billion and \$695.3 million, respectively.



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

The Authority has granted terms and interest rate concessions to Debtors, which are considered troubled debt restructuring, as of December 31, 2011 and 2010, as summarized below:

<b>Single Family Program Loans:</b>	<b>2011</b>	<b>2010</b>
Aggregate Recorded Balance - TDRs	\$51,775	\$15,368
Number of TDR Loans	347	116
Gross Interest Revenue if Receivables had been current	\$3,124	\$957
Interest Revenue included in Changes in Net Position	\$1,936	\$855

Single Family Program TDRs increased due to continuing difficult economic conditions for borrowers.

<b>Multi-Family/Business Program Loans:</b>	<b>2011</b>	<b>2010</b>
Aggregate Recorded Balance - TDRs	\$29,008	\$42,711
Number of TDR Loans	35	37
Gross Interest Revenue if Receivables had been current	\$1,803	\$2,922
Interest Revenue included in Changes in Net Position	\$1,748	\$2,681

Multi-Family/Business Program TDRs decreased primarily due to loan payoffs.





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

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

Capital asset activity for the year ended December 31, 2011 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Non-depreciable capital assets:</b>				
Land	\$ 4,785	\$ -	\$ -	\$ 4,785
Construction in progress	762	619	(1,140)	241
Total non-depreciable capital assets	5,547	619	(1,140)	5,026
<b>Depreciable capital assets:</b>				
Computer equipment/software	12,416	1,107	-	13,523
Furniture and equipment	995	72	-	1,067
Rental property - non-building related	2,021	421	(271)	2,171
Buildings and related improvements	27,718	54	-	27,772
Total depreciable capital assets	43,150	1,654	(271)	44,533
Less accumulated depreciation:				
Computer equipment/software	(7,571)	(2,226)	-	(9,797)
Furniture and equipment	(398)	(115)	-	(513)
Rental property - non-building related	(816)	(242)	241	(817)
Buildings and related improvements	(13,171)	(1,101)	-	(14,272)
Total accumulated depreciation	(21,956)	(3,684)	241	(25,399)
Total depreciable capital assets, net	21,194	(2,030)	(30)	19,134
Total capital assets, net	\$ 26,741	\$ (1,411)	\$ (1,170)	\$ 24,160



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

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

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



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

As discussed in note 1(c), the Authority's capital assets consist of two groups; corporate capital assets and RAP capital assets. Summary of capital asset activity for these two groups for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Corporate activities:</b>				
Cost	\$ 23,501	\$ 1,834	\$ (1,140)	\$ 24,195
Accumulated depreciation	(11,216)	(2,745)	-	(13,961)
Net	12,285	(911)	(1,140)	10,234
<b>RAP activities:</b>				
Cost	25,196	439	(271)	25,364
Accumulated depreciation	(10,740)	(939)	241	(11,438)
Net	14,456	(500)	(30)	13,926
Total capital assets, net	\$ 26,741	\$ (1,411)	\$ (1,170)	\$ 24,160

Summary of capital asset activity for these two components for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Corporate activities:</b>				
Cost	\$ 22,344	\$ 2,072	\$ (915)	\$ 23,501
Accumulated depreciation	(8,696)	(2,749)	229	(11,216)
Net	13,648	(677)	(686)	12,285
<b>RAP activities:</b>				
Cost	25,077	760	(641)	25,196
Accumulated depreciation	(10,139)	(1,024)	423	(10,740)
Net	14,938	(264)	(218)	14,456
Total capital assets, net	\$ 28,586	\$ (941)	\$ (904)	\$ 26,741



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

Summary of financial information for the Authority's RAP activities as of December 31, 2011 and 2010 was as follows:

<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010</b>
Property, net of accumulated depreciation	\$ 13,926	\$ 14,456
Total assets	19,334	18,210
Total liabilities	14,348	14,754
Net position	4,986	3,456

<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010</b>
Rental income	\$ 8,096	\$ 7,656
Gain (loss) on sale of capital assets	(30)	128
Interest income	7	7
General operating expenses	(4,544)	(5,176)
Depreciation expense	(939)	(1,024)
Interest expense	(1,060)	(1,093)
Operating income	\$ 1,530	\$ 498

**(5) Short-Term Debt**

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for collateralized borrowings in an amount not to exceed the lending limit internally established by the FHLB, which is 40% of the Authority's total assets, or \$1.3 billion. As of December 31, 2011 and 2010, the Authority had \$46.1 million and \$87.9 million of short-term debt outstanding with the FHLB, respectively. Borrowings under these agreements are used to support the Authority's various lending programs, to purchase loans to be sold through the issuance of GNMA securities and activities related to the Authority's private activity bond volume cap preservation program. Amounts drawn under the agreements bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and investments. There are no commitment fees associated with these agreements.

The Authority also has a revolving, unsecured, commercial bank line of credit agreement for borrowings of up to \$30.0 million. Amounts drawn under the agreement bear interest fixed at 1.95% per annum above the daily One-Month LIBOR. This line of credit agreement terminates on September 30, 2012. The Authority pays an unused line fee at the rate of 0.25% per annum, payable in arrears on the first business day after each calendar quarter. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit.



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

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Short-term debt activity for the years ended December 31, 2011, and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ 87,900	\$ 73,250
Additions	5,228,735	4,467,100
Repayments	<u>(5,270,535)</u>	<u>(4,452,450)</u>
Ending Balance	<u>\$ 46,100</u>	<u>\$ 87,900</u>

**(6) Bonds, Notes Payable and Other Liabilities**

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business bonds are used for funding of single-family, multi-family and business loans. Long-term debt of the General Programs (including notes payable) is used to finance single-family and business loans related to various private placements, the Authority's RAP activities and general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2011 and 2010, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on most of the variable rate debt reset on a weekly basis by the remarketing agents. At December 31, 2011 these rates ranged from 0.08% to 1.85%. At December 31, 2010 these rates ranged from 0.27% to 0.54%. Three of the bond series reset on a monthly basis based on LIBOR, and one bond sub-series resets monthly based on the Securities Industry Financial Markets Association Municipal Swap Index (SIFMA).



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

Description and Maturity Date	Interest rate (%)	2011	2010
<b>Bonds payable:</b>			
<b>General Programs - All General Program bonds carry the Authority's general obligation pledge:</b>			
Single Family:			
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A* 2012 - 2020	6.91	\$ 358	\$ 384
2001 Series AP* 2012 - 2021	6.14	1,220	1,287
2004 Series A* 2012 - 2024	4.95	815	1,043
2004 Series B* 2012 - 2035	4.98	2,075	2,337
2004 Series CV* 2012 - 2035	5.14	1,146	1,494
2005 Series A* 2012 - 2035	5.17	5,135	6,252
2005 Series B* 2012 - 2036	5.32	4,651	5,353
2006 Series A* 2012 - 2036	5.92	5,774	6,786
2007 Series A* 2012 - 2037	5.50	4,672	5,704
2011 Series A* 2012 - 2031	2.92	4,678	-
<b>Total Single Family</b>		<b>30,524</b>	<b>30,640</b>
Multi-Family/Business Finance:			
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
1999 Series A 2012-2024	5.71	491	521
2003 Series A* 2012-2023	5.00	193	1,539
2004 Series A* 2012-2024	4.62	935	1,995
2004 Series B* 2012-2024	4.88	4,652	5,991
2005 Series A* 2012-2025	4.81	2,241	2,524
2006 Series A* 2012-2026	5.98	2,366	3,158
2007 Series A* 2012-2027	5.89	1,933	3,290
<b>Total Guaranteed Loan Participation Purchase Bonds</b>		<b>12,811</b>	<b>19,018</b>
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
2004 Series AP* 2012-2024	4.90	3,556	4,497
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A 2012-2020	6.15	3,799	3,844
2002 Series AV* 2012-2022	5.55	5,176	5,476
2003 Series AV* 2012-2024	5.19	3,332	3,428
2004 Series A* 2012-2024	4.90	11,087	11,483
<b>Total Taxable Rental Project Revenue Bonds</b>		<b>23,394</b>	<b>24,231</b>
<b>Total Multi-Family/Business Finance</b>		<b>39,761</b>	<b>47,746</b>
<b>Total General Programs</b>		<b>70,285</b>	<b>78,386</b>

Table continued on following page.



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

Description and Maturity Date	Interest rate (%)	2011	2010
<b>Single Family Program:</b>			
Single Family Program Senior and Subordinate Bonds:			
1998 Series A 2012 - 2029	6.50 - 6.60	1,820	2,365
1998 Series B 2012 - 2029	5.50	2,198	2,748
1998 Series C 2012 - 2029	5.63	3,698	3,900
1998 Series D 2012 - 2029	6.13 - 6.35	2,935	3,815
1999 Series A 2012 - 2030	6.05 - 6.45	3,340	4,300
1999 Series B 2012 - 2030	6.50 - 6.80	1,075	1,660
1999 Series C 2012 - 2031	6.75 - 7.05	2,810	3,715
2000 Series A 2012 - 2031	7.35 - 7.50	1,480	1,730
2000 Series B 2012 - 2031	6.70 - 7.25	1,630	1,905
2000 Series C 2012 - 2031	5.70 - 8.40	1,040	1,355
2000 Series D 2012 - 2032	5.40 - 6.90	1,905	2,620
2000 Series E 2012 - 2032	5.38 - 7.00	1,780	1,980
2001 Series A 2012 - 2032	5.00 - 6.50	4,345	4,715
2001 Series B 2012 - 2033	5.00 - 6.80	5,160	5,870
2001 Series C 2012 - 2033	4.88 - 6.60	6,505	7,610
Total Single Family Program Senior and Subordinate Bonds		41,721	50,288
Single Family Mortgage Bonds: (* rates on the 2011 Series D bonds increase if the bond rating is downgraded)			
2001 Series AA 2012 - 2041	Variable & 5.25	111,840	111,840
2002 Series A 2012 - 2032	Variable & 5.00 - 5.65	33,895	36,190
2002 Series B 2012 - 2032	Variable & 4.80 - 5.40	31,765	58,400
2002 Series C 2012 - 2036	Variable & 4.40 - 4.95	39,485	67,550
2003 Series A 2012 - 2032	Variable & 4.75 - 5.15	29,065	33,170
2003 Series B 2012 - 2033	Variable & 5.00	102,845	120,385
2003 Series C 2012 - 2032	Variable & 5.00	43,125	62,765
2004 Series A 2012 - 2034	Variable & 5.25	42,190	72,900
2004 Series B 2012 - 2034	Variable & 5.25	34,585	64,615
2005 Series A 2012 - 2035	Variable & 5.25	38,095	64,890
2005 Series B 2012 - 2036	Variable & 4.98 - 5.22	68,490	124,770
2006 Series A 2012 - 2036	Variable & 5.00	77,350	82,600
2006 Series B 2012 - 2036	Variable & 5.10	115,520	145,495
2006 Series C 2012 - 2036	Variable & 4.63	97,830	125,125
2007 Series A 2012 - 2037	Variable & 4.80	100,295	145,115
2007 Series B 2012 - 2038	Variable	136,370	174,780
2008 Series A 2012 - 2038	Variable & 5.00 - 5.75	194,790	302,420
2009 Series A 2012 - 2029	2.95 - 5.50	69,570	78,900
2011 Series AA 2012 - 2041	0.60 - 5.00	96,415	-
2011 Series B 2012 - 2014	Variable = 1 month LIBOR + (0.70 - 0.90)	64,180	-
2011 Series C 2012 - 2013	Variable = 1 month LIBOR + 0.60	108,970	-
2011 Series D 2012 - 2016	Variable & SIFMA + 0.70, 75% LIBOR + 0.80*	54,085	-
Total Single Family Mortgage Bonds		1,690,755	1,871,910
Single Family Program Bonds:			
2009 Series AA 2015	Variable - NIBP	216,410	275,210
<b>Total Single Family Program</b>		<b>1,948,886</b>	<b>2,197,408</b>

Table continued on following page.



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

Description and Maturity Date	Interest rate (%)	2011	2010
<b>Multi-Family/Business Program:</b>			
Multi-Family Housing Insured - Mortgage Revenue Bonds:			
1997 Series A 2012-2038	5.75 - 7.13	-	1,540
1997 Series B 2012-2038	5.70 - 5.90	3,915	10,220
1997 Series C 2012-2039	5.60 - 5.75	8,715	20,965
1998 Series A 2012-2039	5.35 - 6.70	9,220	15,050
1998 Series B 2012-2040	5.45 - 7.00	1,525	6,750
1999 Series A 2012-2041	4.55 - 6.65	17,920	18,130
1999 Series B 2012-2041	5.25 - 5.85	5,075	5,135
1999 Series C 2012-2041	6.05 - 6.20	5,565	5,610
2002 Series AA 2012-2030	Variable	25,420	26,820
Total Multi-Family Housing Insured - Mortgage Revenue Bonds		77,355	110,220
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)			
2000 Series A 2012 - 2030	Variable	18,110	21,715
2000 Series B* 2012 - 2042	Variable & 5.90 - 6.10	25,410	25,790
2001 Series A 2012 - 2043	5.30 - 5.65	22,710	24,560
2002 Series A 2012 - 2042	Variable & 5.70	22,150	22,585
2002 Series C 2012 - 2042	Variable & 4.20 - 5.30	108,660	111,575
2003 Series A 2012 - 2033	Variable	37,210	38,235
2004 Series A 2012 - 2045	Variable & 3.60 - 4.80	73,255	76,470
2005 Series A 2012 - 2040	Variable	63,730	65,390
2005 Series B 2012 - 2040	Variable	25,065	25,650
2006 Series A 2012 - 2036	Variable	51,815	53,305
2007 Series B 2012 - 2038	Variable	78,545	84,000
2008 Series A 2012 - 2043	Variable	30,775	31,470
2008 Series B 2012 - 2052	Variable	163,505	164,905
2008 Series C 2012 - 2038	Variable	34,650	34,940
2009 Series A 2012 - 2041	Variable & 1.30 - 5.40	41,630	44,605
Total Multi-Family/Project Bonds		797,220	825,195
<b>Total Multi-Family/Business Program</b>		<b>874,575</b>	<b>935,415</b>
<b>Total bonds payable</b>		<b>2,893,746</b>	<b>3,211,209</b>
<b>Premiums and losses classified as bonds payable</b>			
Deferred premiums		3,273	3,311
Deferred losses on refunding		(15,147)	(5,004)
<b>Bonds payable, net</b>		<b>2,881,872</b>	<b>3,209,516</b>
<b>Notes payable</b>		<b>7,535</b>	<b>6,252</b>
<b>Bonds and notes payable, net</b>		<b>\$ 2,889,407</b>	<b>\$ 3,215,768</b>
<b>Statement of Net Position Summary</b>			
<b>Current:</b>			
Bonds payable		321,512	299,187
Notes payable		104	79
<b>Noncurrent:</b>			
Bonds and notes payable, net		2,567,791	2,916,502
<b>Total</b>		<b>\$ 2,889,407</b>	<b>\$ 3,215,768</b>





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

A breakdown of bonds payable as of December 31, 2011 and 2010, by fixed and variable interest rates, follows in the table below. Certain of the Authority's variable rate debt has been hedged by entering into pay fixed/receive variable rate interest rate swap agreements as further described in note 8. Such debt is referred to in the table as synthetic fixed rate debt.

<b>Description</b>	<b>2011</b>	<b>2010</b>
Fixed rate debt	\$ 552,332	\$ 555,879
Hedged variable rate (synthetic fixed) debt	1,944,459	2,088,735
Unhedged variable rate debt	396,955	566,595
<b>Total</b>	<b>\$ 2,893,746</b>	<b>\$ 3,211,209</b>

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Position at December 31, 2011, are as follows:

<b>Description and due date</b>	<b>Interest Rate (%)</b>	<b>Appreciated Balances</b>	
		<b>Maturity</b>	<b>2011</b>
Single Family Program Senior and Subordinate Bonds:			
1998 Series B - 2025-2029	5.50	\$ 5,046	\$ 2,198
1998 Series C - 2020-2029	5.63	7,459	3,698
			<u>\$ 5,896</u>

The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Position at December 31, 2010, are as follows:

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



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

Also included in the table of bonds and notes payable outstanding are certain Single-Family and Multi-Family/Project bonds, which carry the Authority's general obligation pledge. These general obligation bonds are presented in the following table as of December 31, 2011 and 2010:

Description	2011	2010
General Fund Program Bonds	\$ 70,285	\$ 78,386
Single Family Program Subordinate Bonds	310	505
Single Family Mortgage Bonds, Class III	53,480	63,525
Multi-Family/Project Bonds, Class I	265,430	272,145
Multi-Family/Project Bonds, Class II	22,095	22,625
Multi-Family/Project Bonds, Class III	1,700	2,040
Total	\$ 413,300	\$ 439,226

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees vary by agreement and are based on a percentage of the outstanding bond balance, payable semi-annually. Liquidity fees for the years ended December 31, 2011 and 2010 were \$10.2 and \$8.5 million, respectively. A schedule of providers and maturities is presented below, as of December 31, 2011:

Liquidity Expiration	Barclays Bank PLC. (1)	Credit Agricole - CIB (2)	FHLB (3)	KBC Bank N.V. (4)	Royal Bank of Canada (5)	TCLP (6)	Grand Total
04/12	\$ -	\$ -	\$ 29,950	\$ -	\$ -	\$ -	\$ 29,950
08/12	-	78,545	-	-	-	-	78,545
09/12	106,320	-	-	-	-	-	106,320
09/12	-	-	64,925	-	-	-	64,925
10/12	-	-	-	50,000	-	-	50,000
04/13	-	-	45,875	-	-	-	45,875
04/13	-	-	30,775	-	-	-	30,775
05/13	-	-	16,425	-	-	-	16,425
06/13	-	-	163,505	-	-	-	163,505
09/13	-	-	37,210	-	-	-	37,210
10/13	-	-	1,720	-	-	-	1,720
11/13	-	-	100,640	-	-	-	100,640
12/13	-	-	25,065	-	-	-	25,065
12/13	-	-	94,650	-	-	-	94,650
03/14	-	-	18,110	-	-	-	18,110
05/14	-	-	62,140	-	-	-	62,140
06/14	-	-	112,270	-	-	-	112,270
06/14	-	-	171,315	-	-	-	171,315
10/14	-	-	-	-	190,930	-	190,930
12/15	-	-	-	-	-	492,305	492,305
Total	\$ 106,320	\$ 78,545	\$ 974,575	\$ 50,000	\$ 190,930	\$ 492,305	\$ 1,892,675

The following provides the terms of the debt service requirements that would result if the SBPA commitments were to be exercised (bank bond rate, accelerated payment schedule, and lien):

- (1) (a) Bank Rate: for the first 30 days following the purchase date, the "Base Rate" which equals the highest of the Fed funds plus 5%, prime rate plus 5% and Three-Month LIBOR plus 5%; then for the period 31-90 days following the purchase date, the Base Rate plus 2.00%; then for the period 91 days and higher following the purchase date, 12%.
  - (b) Term out provisions: accelerated principal payment due in full on the date which is three years following the purchase date. Class III lien/General Obligation.
- (2) (a) Bank Rate: the higher of (a) prime rate or (b) Fed funds rate plus 1%.
  - (b) Term out provisions: repayments due 90 days following purchase date in equal semiannual installments until fifth anniversary of the purchase date. Class I lien.



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

- (3) (a) Bank Rate: One-Month LIBOR plus 2.00% (1.50% for 2003 Series B-3 Bonds).  
 (b) Term out provisions: repayments due 90 days following purchase date in equal semiannual installments until fifth anniversary of the purchase date. Class III lien/General Obligation.
- (4) (a) Bank Rate: the higher of (a) prime rate or (b) Fed funds rate plus 1%.  
 (b) Term out provisions: 10 equal semiannual installments following the purchase date. Class III lien/General Obligation.
- (5) (a) Bank Rate: for the first 90 days following the purchase date, the "Base Rate" which equals the highest of (i) the prime rate plus 2.50%, (ii) the Fed funds rate plus 3.00% and (iii) 8.00%; then for the period 91-180 days following the purchase date, the Base Rate plus 1.00%; then for the period 181 days and higher following the purchase date, the Base Rate plus 2.00%.  
 (b) Term out provisions: repayments due on the first business day of February, May, August or November on or following 90 days following purchase date and thereafter quarterly on each such dates in equal installments to the third anniversary of such purchase date. Class I lien.
- (6) (a) Bank Rate: prime rate (based on JPMorgan Prime Rate) plus 1.00%.  
 (b) Term out provisions: accelerated principal payment due in full on tenth anniversary of the purchase date. Class I lien.

Bonds, notes payable and other noncurrent liability activity for the year ended December 31, 2011 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 2,911,864	\$ 266,435	\$ (606,758)	\$ 2,571,541	\$ 322,205
Deferred premiums	3,002	-	(95)	2,907	366
Deferred losses on refunding	(4,537)	(11,450)	1,899	(14,088)	(1,059)
Net bonds payable	2,910,329	254,985	(604,954)	2,560,360	321,512
Notes payable	6,173	1,388	(130)	7,431	104
Arbitrage rebate payable	2,942	1,006	(2,469)	1,479	-
Deferred income	3,041	12	(331)	2,722	195
Other liabilities	2,784	19,006	(2,050)	19,740	17,009
	8,767	20,024	(4,850)	23,941	17,204
	\$ 2,925,269	\$ 276,397	\$ (609,934)	\$ 2,591,732	\$ 338,820



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

Bonds, notes payable and other noncurrent liability activity for the year ended December 31, 2010 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 3,164,517	\$ 275,210	\$ (527,863)	\$ 2,911,864	\$ 299,345
Deferred premiums	4,458	-	(1,456)	3,002	309
Deferred losses on refunding	(5,425)	-	888	(4,537)	(467)
Net bonds payable	3,163,550	275,210	(528,431)	2,910,329	299,187
Notes payable	20,968	125	(14,920)	6,173	79
Arbitrage rebate payable	3,731	(757)	(32)	2,942	-
Deferred income	3,176	228	(363)	3,041	217
Other liabilities	2,996	-	(212)	2,784	35,009
	9,903	(529)	(607)	8,767	36,258
	\$ 3,194,421	\$ 274,806	\$ (543,958)	\$ 2,925,269	\$ 335,524

Bonds and notes payable sinking fund installments and contractual maturities subsequent to December 31, 2011, using rates in effect as of December 31, 2011, are as follows:

Years Ending December 31,	General Program		Single Family		Multi-Family		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2012	\$ -	\$ 3,633	\$ 312,540	\$ 20,389	\$ 9,665	\$ 9,068	\$ 104	\$ 11
2013	-	3,633	100,655	19,407	10,175	8,867	104	10
2014	90	3,633	72,125	18,347	11,385	8,680	5,342	9
2015	179	3,625	55,005	17,754	11,895	8,553	106	8
2016	186	3,614	85,625	17,312	12,620	8,426	1,302	7
2017-2021	4,922	17,543	296,232	77,397	87,335	39,670	442	18
2022-2026	34,844	11,868	179,679	63,427	74,965	34,132	135	3
2027-2031	6,611	7,129	251,228	43,324	126,030	27,519	-	-
2032-2036	18,781	5,386	350,970	20,142	235,365	20,136	-	-
2037-2041	4,672	236	251,435	10,991	125,205	8,516	-	-
2042-2046	-	-	-	-	6,430	1,438	-	-
2047-2051	-	-	-	-	-	1,308	-	-
2052	-	-	-	-	163,505	152	-	-
T total	\$ 70,285	\$ 60,300	\$ 1,955,494	\$ 308,490	\$ 874,575	\$ 176,465	\$ 7,535	\$ 66

\* Includes \$6.6 million of future accretion of principal value on capital appreciation bonds.

In response to capital market disruptions nationally, in late 2009 the U.S. Department of the Treasury announced a plan to assist Housing and Finance Authorities (HFAs) through a two-part initiative: a new bond purchase program called the New



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

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Issue Bond Program ("NIBP") to support new lending by HFAs and a temporary credit and liquidity program ("TCLP") to improve the access of HFAs to liquidity for outstanding HFA bonds.

The NIBP provided financing for HFAs to issue new mortgage revenue bonds no later than December 31, 2011. Pursuant to the NIBP, the Authority issued its Single Family Program Class I Bonds in the amount of \$275,210,000 on January 12, 2010. Using authority under the Housing and Economic Recovery Act of 2008 ("HERA"), Treasury purchased securities of Fannie Mae and Freddie Mac backed by these mortgage revenue bonds. The bonds initially carry variable interest rates that approximate the investment interest rates earned from the investment of bond proceeds. The bonds must to be converted to fixed rate debt, concurrent with the issuance of other mortgage revenue bonds by the Authority or redeemed no later than December 31, 2015. As of December 31, 2011, \$216,410,000 NIBP bonds had not been converted.

The TCLP allows Fannie Mae and Freddie Mac to provide replacement credit and liquidity facilities to HFAs. The Treasury will backstop the replacement credit and liquidity facilities for the HFAs by purchasing an interest in them using HERA authority. The TCLP was set to expire December 31, 2012 but was extended to December 31, 2015 subject to submission and acceptance of a plan to extinguish TCLP facilities by the new expiration date. Plans are due in 2012 and CHFA is in the process of submitting its plan to the sponsoring entities. Pursuant to the TCLP, the Authority utilized \$903,685,000 to replace Standby Purchase Agreements on its variable rate bonds that are remarketed weekly, of which \$492,305,000 and \$814,085,000 was outstanding as of December 31, 2011 and 2010, respectively. The Authority plans to replace the TCLP facility with liquidity facilities provided by other banks or convert the underlying variable rate bonds to fixed rate bonds or to variable-rate debt that does not require standby liquidity.

#### **(7) Conduit Debt Obligation**

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

As of December 31, 2011, there were 68 series of bonds outstanding, with an aggregate principal amount outstanding of \$407,326,000. As of December 31, 2010, there were 67 series of bonds outstanding, with an aggregate principal amount outstanding of \$412,413,000.

#### **(8) Derivative Instruments**

The Authority reports derivative instruments at fair value. The fair value of all derivatives is reported on the Statement of Net Position as a derivative instrument at the end of the year. If the interest rate hedge is considered ineffective, an investment derivative, the change in fair value is reported on the Statement of Revenues, Expenses and Changes in Net Position as investment derivative activity loss. The annual changes in the fair value of effective hedging derivative instruments are reported as deferred inflows and outflows, as appropriate, on the Statement of Net Position.

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

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best



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

estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon rate bonds due on the date of each future net settlement payment on the swaps.

- (a) The Authority's interest rate swaps, which were used to hedge interest rate risk, are considered to be hedging derivative instruments under GASB No. 53, with the exception of Single Family Swap 2001-AA which is considered to be an investment derivative instrument.
- (b) In 2011, the Authority early adopted GASB No. 64, which designates specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. As a result, the 2010 financial statements were restated; see New Accounting Principles in note 1.
- (c) On November 10, 2011, the Authority partially refunded certain single family bonds that were subject to existing interest rate swap agreements that were considered effective interest rate hedges. As a result of the partial refunding, deferred outflows related to those hedges in the amount of \$10.3 million has been reclassified to deferred refunding loss, which is presented as part of bonds and notes payable in the basic financial statements. The deferred refunding loss is amortized to interest expense over the life of the new debt using the straight line method. The interest expense is offset by an equal amount that is accreted to deferred outflows over the remaining life of the respective swap.

A summary of interest rate swaps for the years ended December 31, 2011, and 2010, was as follows:

<b>Summary of Interest Rate Swaps</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Par optional termination right with trigger	\$ 99,781	\$ 76,429
Par optional termination right	68,925	47,295
Trigger	20,665	8,770
Plain	91,853	50,906
<b>Total fair value</b>	<b>\$ 281,224</b>	<b>\$ 183,400</b>

*Trigger:* The variable rate received on these swaps is 68% of the one month LIBOR, if LIBOR is equal to or greater than 3.5%. The variable rate received on these swaps is SIFMA plus a spread if the one month LIBOR is less than 3.5%. See further discussion in the basis risk section below.

*Par optional termination right:* Certain swaps contain a cancellation clause that provides the Authority the option to cancel a certain amount of the swaps on certain dates. The Authority may cancel the optional termination amount for no payment (callable at par). The optional termination dates coincide with the debt service dates on the associated hedged bonds payable. These dates and amounts are provided in the table below.

**Detail of Outstanding Interest Rate Swaps** - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2011, are shown in the table below. The notional amounts of the swaps approximate the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable. Based on the standard swap agreement, payments are settled on a net basis.

The Authority enters into master netting arrangements with each of its swap counterparties. All of the agreements provide for the netting of the value of assets and liability positions of all transactions with the respective counterparty. There are no



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

other significant transactions with these counterparties outside of these swap agreements, such that the aggregate amount of liabilities included in the master netting arrangements is equal to the net fair value of the swaps.

**Outstanding Swaps at December 31, 2011:**

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating S&P/Moody's	2010 Fair Value **	Change in Fair Value	2011 Fair Value **
<b>Single Family:</b>												
<b>Investment derivative:</b>												
2001-AA ****	\$ 30,000	12/1/2009	11/1/2038	4.4850%	Trigger, SIFMA + .05% or 68% LIBOR	***	1) 11/1/2015 2) 11/1/2017 3) 11/1/2019	Up to: 1) 7,500 2) 15,000 3) all remaining	A+/Aa3	\$ (359)	\$ (1,311)	\$ (1,670)
<b>Hedging derivatives:</b>												
2001-AA2 ****	46,840	12/4/2008	5/1/2031	4.6000%	Trigger, SIFMA + .05% or 68% LIBOR				A+/Aa3	(1,620)	(5,425)	(7,045)
2001-AA1	15,340	12/2/2008	5/1/2018	5.5260%	Trigger, SIFMA + .05% or 68% LIBOR				A+/Aa3	(1,753)	(441)	(2,194)
2002-A3 ****	17,815	12/4/2008	11/1/2021	4.7490%	Trigger, SIFMA + .05% or 68% LIBOR				A+/Aa3	(895)	(726)	(1,621)
2002-B3 ****	38,125	12/4/2008	11/1/2021	4.5060%	Trigger, SIFMA + .05% or 68% LIBOR				A+/Aa3	(1,824)	(1,850)	(3,674)
2002-C3 ****	40,000	12/4/2008	5/1/2022	4.4220%	Trigger, SIFMA + .15% or 68% LIBOR				A+/Aa3	(1,791)	(2,371)	(4,162)
2003-A2 ****	19,455	12/2/2008	11/1/2021	4.1600%	Trigger, SIFMA + .05% or 68% LIBOR				A+/Aa3	(887)	(1,082)	(1,969)
2003-B1 ****	32,760	12/2/2008	11/1/2026	4.8510%	LIBOR + .05%	***	5/1/2015	27,305	A+/Aa3	(2,703)	(939)	(3,642)
2003-B-2	20,915	10/29/2008	5/1/2028	4.9380%	LIBOR + .05%	***	11/1/2018	all remaining	AA-/Aa1	(2,171)	(587)	(2,758)
2003-B3 ****	60,000	12/2/2008	11/1/2026	4.3840%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2015	43,170	A+/Aa3	(2,019)	(383)	(2,402)
2003-C1	3,585	12/3/2003	5/1/2012	4.0330%	Bayerische + .05%				NR/Baa1	(308)	263	(45)
2003-C2 ****	40,000	12/2/2008	11/1/2026	4.5950%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2015	28,780	A+/Aa3	(1,359)	(187)	(1,546)
2004-A1	2,820	9/1/2004	5/1/2012	4.4600%	Bayerische + .05%				NR/Baa1	(273)	234	(39)
2004-A2	50,000	7/28/2004	11/1/2026	4.3685%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2015	35,970	A-/WR	(4,869)	162	(4,707)
2004-B1	2,170	12/1/2004	5/1/2012	4.0520%	LIBOR + .05%				A/Aa3	(197)	170	(27)
2004-B2	40,000	11/1/2004	11/1/2026	4.1220%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2015	28,780	A-/WR	(3,388)	(75)	(3,463)
2005-A1	6,710	5/1/2005	5/1/2013	4.3555%	LIBOR + .05%				A/Aa3	(548)	335	(213)
2005-A2	40,000	3/16/2005	11/1/2027	4.0710%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2015	32,290	A-/WR	(3,320)	(255)	(3,575)
2005-B2	75,850	7/20/2005	5/1/2034	4.1693%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2015	48,650	A-/WR	(6,743)	130	(6,613)
2006-A1	4,550	3/1/2006	11/1/2013	5.1610%	LIBOR + .05%				A+/Aa1	(467)	244	(223)
2006-A3	40,000	1/18/2006	11/1/2036	4.3129%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2019	37,810	A/A2	(4,634)	(2,148)	(6,782)
2006-B1	21,440	11/1/2006	11/1/2014	5.6685%	LIBOR + .05%				A+/Aa1	(2,664)	1,025	(1,639)
2006-B2	49,325	7/26/2006	11/1/2034	4.1951%	Trigger, SIFMA + .05% or 68% LIBOR	***	5/1/2019	16,700	A/A2	(5,827)	(1,718)	(7,545)
2006-B3	62,945	7/26/2006	11/1/2036	4.5445%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2019	59,190	A/A2	(8,656)	(3,247)	(11,903)
2006-C1	21,420	1/2/2007	11/1/2014	5.3143%	LIBOR + .05%				A+/Aa1	(2,455)	933	(1,522)
2006-C2	14,140	12/20/2006	5/1/2016	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	5/1/2012	7,050	A/A2	(1,134)	81	(1,053)
2006-C2	10,605	12/20/2006	11/1/2016	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	11/1/2012	5,300	A/A2	(949)	(1)	(950)
2006-C2	10,605	12/20/2006	11/1/2017	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	11/1/2013	5,300	A/A2	(1,116)	(134)	(1,250)
2006-C2	35,350	12/20/2006	11/1/2034	4.2884%	Trigger, SIFMA + .05% or 68% LIBOR	***	11/1/2019	21,210	A/A2	(4,217)	(1,592)	(5,809)
2007A-1	30,045	6/1/2007	5/1/2015	5.1911%	LIBOR + .05%				A+/Aa1	(3,444)	1,099	(2,345)
2007A-2	70,000	5/9/2007	11/1/2037	4.1530%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2019	62,910	A/A2	(7,072)	(3,773)	(10,845)
2007B-1	58,985	11/1/2007	11/1/2026	5.5800%	LIBOR + 0.05%	***	11/1/2017	24,610	A+/Aa1	(8,152)	(628)	(8,780)
2007B-2	50,000	10/18/2007	5/1/2038	4.5075%	Trigger, SIFMA + .15% or 68% LIBOR	***	5/1/2019	46,545	A/A2	(6,453)	(2,511)	(8,964)
2007B-3 ****	50,000	12/2/2008	5/1/2038	4.4050%	Trigger, SIFMA + .15% or 68% LIBOR	***	1) 11/1/2013 2) 11/1/2015 3) 11/1/2017	Up to: 1) 12,500 2) 25,000 3) 50,000	A+/Aa3	(3,734)	(823)	(4,557)
2008A-3	42,800	6/4/2008	5/1/2038	4.4140%	Trigger, SIFMA + .05% or 68% LIBOR	***	1) 5/1/2014 2) 5/1/2016 3) 5/1/2018	Up to: 1) 20,000 2) 40,000 3) 80,000	A+/Aa1	(4,990)	(1,346)	(6,336)
2008A-1	80,000	6/4/2008	5/1/2038	5.4450%	LIBOR +.05%	***	1) 11/1/2011 2) 11/1/2013 3) 11/1/2016 4) 11/1/2018	Up to: 1) 14,260 2) 27,440 3) 38,340 4) all remaining	A-/WR	(6,601)	(1,810)	(8,411)
2008A-2	80,100	6/4/2008	11/1/2027	4.5960%	LIBOR +.05%	***	5/1/2018	all remaining	AA-/Aaa	(6,943)	(2,356)	(9,299)

Table continued on following page.



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(tabular dollar amounts are in thousands)

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating S&P/Moody's	2010 Fair Value **	Change in Fair Value	2011 Fair Value **
<b>Multi-Family/Business:</b>												
2000-A1 ****	12,750	11/21/2008	10/1/2020	5.2350%	SIFMA + .05				A+/Aa3	(1,803)	(562)	(2,365)
2000-A2 ****	7,080	11/21/2008	4/1/2015	5.8000%	SIFMA + .05				A+/Aa3	(570)	147	(423)
2000-B1 (SPV)	5,095	10/19/2000	7/1/2020	7.3900%	Citigroup 3 month + .25%				A-/A2	(1,262)	(102)	(1,364)
2002-A1 ****	9,410	11/21/2008	10/1/2022	5.1000%	SIFMA + .15				A+/Aa3	(1,244)	(461)	(1,705)
2002AA ****	25,420	11/21/2008	10/1/2023	6.0350%	SIFMA + .05				A+/Aa3	(3,651)	(1,412)	(5,063)
2002-C2 ****	70,715	11/21/2008	10/1/2032	5.1240%	Trigger, SIFMA + .15% or 68% LIBOR	***	4/1/2018	59,340	A+/Aa3	(3,783)	(2,843)	(6,626)
2002-C4 ****	31,960	11/21/2008	10/1/2032	5.0440%	Trigger, SIFMA + .05% or 68% LIBOR	***	4/1/2018	26,785	A+/Aa3	(1,807)	(1,378)	(3,185)
2003-A1 ****	2,124	12/3/2008	10/1/2013	4.5550%	LIBOR + .05%	***	10/1/2009	16,576	A+/Aa3	(296)	226	(70)
2004-A1	40,675	11/1/2004	10/1/2025	5.5281%	LIBOR + .05%	***	10/1/2014	all remaining	A-/WR	(4,552)	(170)	(4,722)
2004-A1 ****	10,000	5/29/2009	5/1/2013	5.3640%	LIBOR				AA-/Aa1	(590)	194	(396)
2004-A2	10,785	9/22/2004	4/1/1945	4.8840%	SIFMA + .15%	***	10/1/2019	all remaining	A-/WR	(1,138)	(817)	(1,955)
2005-A1 (A)	4,755	8/1/2005	10/1/2035	5.8200%	LIBOR + .05%	***	4/1/2015	all remaining	A-/WR	(561)	(111)	(672)
2005-A1 (B)	3,005	8/1/2005	10/1/2020	5.2050%	LIBOR + .05%				A-/WR	(469)	(274)	(743)
2005-A1 (C)	9,925	8/1/2005	10/1/2025	5.7120%	LIBOR + .05%	***	4/1/2015	all remaining	A-/WR	(1,100)	(238)	(1,338)
2005-A1 (D)	-	8/1/2005	10/1/2025	5.5730%	LIBOR + .05%	***	10/1/2011	all remaining	A-/WR	(129)	129	-
2005-A2	17,855	7/1/2005	4/1/2036	4.2850%	SIFMA + .05%	***	4/1/2015	all remaining	A-/WR	(1,322)	(311)	(1,633)
2005-A3 (A)	6,280	4/13/2005	4/1/2040	4.6560%	SIFMA + .15%	***	10/1/2020	all remaining	A-/WR	(694)	(464)	(1,158)
2005-A3 (B)	6,120	10/1/2005	4/1/2032	4.4800%	SIFMA + .15%	***	4/1/2015	all remaining	A-/WR	(429)	(140)	(569)
2005-B1	13,180	3/1/2006	4/1/2036	5.2350%	LIBOR + .05%	***	10/1/2015	11,125	A/A2	(1,453)	(369)	(1,822)
2005-B2 (A)	3,495	1/2/2006	10/1/2040	4.7350%	SIFMA + .15%	***	10/1/2015	3,305	A/A2	(227)	(121)	(348)
2005-B2 (B)	5,845	9/1/2006	10/1/2038	4.5270%	SIFMA + .15%	***	10/1/2021	4,520	A/A2	(569)	(490)	(1,059)
								Up to:				
								1) 10/1/2011				
2006A-1 ****	30,350	12/3/2008	4/1/2027	5.7100%	LIBOR + .05%	***	2) 10/1/2016	2) 12,305	A+/Aa3	(676)	(2,021)	(2,697)
2006A-1	11,200	12/1/2006	10/1/2036	5.3420%	LIBOR + .05%	***	4/1/2021	8,040	A/A2	(1,583)	(1,153)	(2,736)
								Up to:				
								1) 10/1/2012				
								2) 10/1/2017				
2007B-1 ****	36,135	12/3/2008	4/1/2038	5.6400%	LIBOR + .05%	***	3) 4/1/2022	3) 16,925	A+/Aa3	(412)	(2,573)	(2,985)
2007B-1	7,525	10/1/2007	4/1/2028	5.2200%	LIBOR + .05%	***	4/1/2028	6,190	A/A2	(927)	(1,006)	(1,933)
2007B-2 ****	2,660	12/3/2008	10/1/2036	4.2870%	SIFMA + .15%	***	10/1/2017	2,040	A+/Aa3	(112)	(130)	(242)
2007B-2 ****	2,040	12/3/2008	4/1/2038	4.5350%	SIFMA + .15%	***	10/2/2017	1,780	A+/Aa3	(89)	(108)	(197)
2007B-2 ****	4,760	12/3/2008	4/1/2038	4.4700%	SIFMA + .15%	***	10/2/2017	4,395	A+/Aa3	(366)	(255)	(621)
2007B-2 ****	4,730	12/3/2008	4/1/2028	4.6510%	SIFMA + .15%	***	4/1/2023	3,835	A+/Aa3	(538)	(475)	(1,013)
2007B-3 ****	2,480	12/3/2008	10/1/2037	4.2970%	SIFMA + .05%	***	10/1/2017	2,065	A+/Aa3	(106)	(129)	(235)
2007B-3 ****	4,695	12/3/2008	10/1/2019	4.0967%	SIFMA + .05%	***	10/1/2014	4,430	A+/Aa3	(274)	(75)	(349)
2007B-3 ****	2,285	12/3/2008	4/1/2038	4.8805%	SIFMA + .05%	***	10/1/2017	2,205	A+/Aa3	(212)	(120)	(332)
								Up to:				
								1) 4/1/2018				
2008A1 ****	15,200	12/3/2008	4/1/2029	5.1300%	LIBOR + .05%	***	2) 4/1/2019	2) all remaining	A+/Aa3	(160)	(1,206)	(1,366)
2008A2 ****	7,630	12/3/2008	4/1/2043	4.5400%	SIFMA + .15%	***	4/1/2019	6,340	A+/Aa3	(468)	(513)	(981)
2008B (a) ****	116,080	12/3/2008	10/1/2044	5.1722%	LIBOR				AA-/Aa1	(21,605)	(29,176)	(50,781)
2008B (b) ****	46,605	12/3/2008	3/1/1947	5.2071%	LIBOR				AA-/Aa1	(9,356)	(13,604)	(22,960)
2008C3 ****	7,700	12/3/2008	10/1/2038	4.3400%	SIFMA + .05%	***	4/1/2019	6,500	A+/Aa3	(585)	(503)	(1,088)
								Up to:				
								1) 10/1/2014				
								2) 4/1/2024				
2009A1 ****	31,215	6/24/2009	10/1/2041	4.7900%	SIFMA + .05%	***	2) all remaining		A+/Aa3	(1,747)	(2,167)	(3,914)
Total	629,764									(66,865)	(64,781)	(131,646)
Total	\$ 1,944,459									\$ (183,400)	\$ (97,824)	\$ (281,224)

(\*) SIFMA is the Securities Industry Financial Markets Association Municipal Swap Index. LIBOR is the London Interbank Offered Rate.

(\*\*) All fair values include the effect of any related embedded option.

(\*\*\*) Par optional termination right.

(\*\*\*\*) Swaps for which cash premiums were received in 2008. The outstanding unamortized balance of the premium is reported on the Statement of Net Position as hybrid instrument borrowings.

(SPV) Counterparty operates as a special purpose vehicle

**Risk Disclosure**

**Credit Risk:** All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result, the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the outstanding swaps table above. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2011, the Authority was





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*(tabular dollar amounts are in thousands)*

exposed to minimal credit risk to any of its counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the AA/Aa or higher category by either Standard & Poor's (S&P) or Moody's Investors Service (Moody's), respectively, at the time the contract is executed.

At December 31, 2011, the Authority had executed 74 swap transactions with nine counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in the following table:

<b>Swap Count</b>	<b>Notional Amount</b>	<b>Concentration</b>	<b>Counterparty Rating (S&amp;P / Moody's)</b>
14	\$ 384,215	19.8%	A / A2
2	8,880	0.5%	A / Aa3
13	385,250	19.8%	A- / WR
6	179,240	9.2%	A+ / Aa1
31	701,674	36.0%	A+ / Aa3
4	193,600	10.0%	AA- / Aa1
1	80,100	4.1%	AA- / Aaa
1	5,095	0.3%	AAA /
2	6,405	0.3%	NR / Baa1
<b>74</b>	<b>\$ 1,944,459</b>	<b>100%</b>	

At December 31, 2010, the Authority had executed 75 swap transactions with nine counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in the following table:

<b>Swap Count</b>	<b>Notional Amount</b>	<b>Concentration</b>	<b>Counterparty Rating (S&amp;P / Moody's)</b>
1	\$ 94,815	4.5%	A+/A1
2	18,385	0.9%	NR/A1
1	5,475	0.3%	A/A2
10	436,695	20.9%	AA-/Aa1
16	403,405	19.3%	A+/Aa3
31	733,495	35.1%	AA-/Aa3
14	396,465	19.0%	A-/A3
<b>75</b>	<b>\$ 2,088,735</b>	<b>100%</b>	

*Interest Rate Risk:* The Authority is exposed to interest rate risk in that as the variable rates on the swaps agreements decrease the Authority's net payment on the swap agreement could increase.

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

The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the SIFMA rate (plus a trading spread). Certain tax-exempt swaps, as indicated in the table above, contain a trigger feature in which the Authority



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

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receives a rate indexed on SIFMA should LIBOR be less than a predetermined level (the trigger level, 3.5%), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority would be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and SIFMA converge.

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

*Termination Risk:* The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Authority or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

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

*Rollover Risk:* The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2011 and 2010, the Authority was not exposed to rollover risk.

*Amortization Risk:* The Authority is exposed to amortization risk in the event that the swap amortization schedules fail to match the actual amortization of the underlying bonds as a result of loan prepayments, which significantly deviate from expectations. If prepayments are significantly higher than anticipated, the Authority would have the option of reinvesting or recycling the prepayments, or calling unhedged bonds. Alternatively, if the Authority chose to call bonds associated with the swap, the Authority could elect an early termination of the related portions of the swap at a potential cost to the Authority. If prepayments are significantly lower than anticipated and the associated bonds remained outstanding longer than the relevant portion of the swap, the Authority could experience an increase in its exposure to unhedged variable rate bonds. Alternatively, the Authority could choose to enter into a new swap or an extension of the existing swap. If interest rates are higher at the time of entering into a new swap or swap extension, such action would result in an increased cost to the Authority.

*Collateral Requirements:* The Authority is subject to a contingency feature that would require the Authority to post collateral on swap agreements if the Class I obligations credit rating falls to a Moody's A1, or equivalent ratings by S&P, and Fitch and is greater than the established thresholds. As of December 31, 2011, all agreements were rated higher than the Moody's A1 and did not require collateral.

The majority of the class 1 bonds are rated AAA by both rating agencies. The bond indentures for these swaps are over collateralized and the underlying assets are insured. The likelihood that the bonds would be downgraded by four categories is considered remote, but if it were to occur it would require the Authority to post collateral approximately equal to the fair value of the interest rate swap.

**Swap Payments** - Using interest rates as of December 31, 2011, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments were as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.



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(tabular dollar amounts are in thousands)

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2012	\$ 104,355	\$ 5,707	\$ 81,973	\$ 192,035
2013	113,619	5,197	76,967	195,783
2014	106,740	4,763	71,878	183,381
2015	93,610	4,380	67,150	165,140
2016	120,640	4,156	62,974	187,770
2017-2021	429,715	17,603	251,605	698,923
2022-2026	315,705	12,983	175,168	503,856
2027-2031	261,880	8,044	115,594	385,518
2032-2036	266,500	3,841	60,822	331,163
2037-2041	88,665	703	19,038	108,406
2042-2046	34,830	181	5,609	40,620
2047	8,200	5	168	8,373
Total	\$ 1,944,459	\$ 67,563	\$ 988,946	\$ 3,000,968

**Hybrid instrument borrowings** - Certain interest rate swaps, as identified on the detailed swap table above, include fixed rates that were off-market at the execution of the interest rate swaps. For financial reporting purposes these interest rate swaps are considered hybrid instruments and are bifurcated between borrowings, with an aggregate original amount of \$73.4 million reflecting the fair value of the instrument at its execution, and an interest rate swap with a fixed rate that was considered at-the market at execution. Activity for the hybrid instrument borrowings for the year ended December 31, 2011 was as follows:

	2011	2010
Beginning balance	\$ 59,972	\$ 66,441
Additions	-	-
Reductions	(6,365)	(6,469)
Ending balance	\$ 53,607	\$ 59,972



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

The following table sets for as of December 31, 2011, payments of principal and interest on the hybrid instrument borrowings for the next five years and thereafter. The total payments generally reflect the difference between the stated fixed rate of the hybrid instrument and the at-the-market fixed rate at the execution of the instrument.

<b>Year Ending December 31,</b>	<b>Principal and Interest</b>
2012	\$ 4,468
2013	4,468
2014	4,424
2015	4,241
2016	4,051
2017-2021	17,125
2022-2026	11,090
2027-2031	3,740
<b>Total</b>	<b>\$ 53,607</b>

**Forward Sales Contracts** - The Authority has entered into forward sales contracts for the delivery of Ginnie Mae securities in order to lock in the sales price for the securitization of certain taxable single-family loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into Ginnie Mae securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative activity losses on the Statement of Revenues, Expenses and Changes in Net Position.

The outstanding forward contracts, summarized by counterparty as of December 31, 2011, were as follows:

Count	Par	Concentration	Original	12/31/11	Fair Value	Counterparty Rating
			Sales Price	Sales Price		
5	\$ 20,500	26.4%	\$ 21,698	\$ 21,916	\$ 218	A/A1
17	35,000	45.2%	37,346	37,654	308	A/Aa3
12	22,000	28.4%	23,348	23,549	201	AA-/Aa3
34	\$ 77,500	100.0%	\$ 82,392	\$ 83,119	\$ 727	

The outstanding forward contracts, summarized by counterparty as of December 31, 2010, were as follows:

Count	Par	Concentration	Original	12/31/10	Fair Value	Counterparty Rating
			Sales Price	Sales Price		
8	\$ 5,500	33.4%	\$ 5,806	\$ 5,706	\$ (100)	A/NR
2	1,500	9.1%	1,581	1,574	(7)	A+/Aa3
13	9,000	54.5%	9,479	9,383	(96)	AA/Aa2
1	500	3.0%	524	527	3	NR
24	\$ 16,500	100.0%	\$ 17,390	\$ 17,190	\$ (200)	



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

**Summary**

A summary of derivative instruments activity for the years ended December 31, 2011 and 2010 is as follows:

	2011				2010			
	Hedging	Investments		Total	Hedging	Investments		Total
	Swaps	Swaps	Forwards		Swaps	Swaps	Forwards	
Fair value, beginning	\$ 183,441	\$ 359	\$ (200)	\$ 183,600	\$ 138,095	\$ (38)	\$ -	\$ 138,057
Settlements	(87,108)	(1,146)	200	(88,054)	(89,679)	(1,222)	-	(90,901)
Change in fair value	183,221	2,457	727	186,405	135,025	1,619	(200)	136,444
Fair value, ending	\$ 279,554	\$ 1,670	\$ 727	\$ 281,951	\$ 183,441	\$ 359	\$ (200)	\$ 183,600

**(9) Debt Refundings**

On November 10, 2011, the Authority issued its Single Family Bonds 2011 Series B, C and D, in the aggregate principal amount of \$227,235,000. The entire proceeds of the bonds were used to refund a portion of various single family mortgage bonds. The refunding resulted in a decrease in the aggregate future debt service requirement of approximately \$1,376,000, based on the change in variable interest rates at the time of refunding and an approximate economic gain to the Authority of \$468,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$11,450,000 was deferred and is being amortized over the contractual life of the new debt.

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

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On December 31, 2011, \$58.9 million of bonds outstanding are considered defeased.

**(10) Restricted and Unrestricted Net Position**

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

Assets of the Single-Family and Multi-Family/Business bond programs are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available funds are insufficient. Such assets are segregated within the Single-Family and Multi-Family/Business Programs and are held in cash, loans receivable or investments. At December 31, 2011 and 2010, these assets were at least equal to the amounts required to be restricted.



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

The Board has designated certain amounts of the unrestricted net position of the General Programs as of December 31, 2011 and 2010, for various purposes, as indicated in the following table. These designations of net position are not binding, and can be changed by the Board.

**Unrestricted Net Position as December 31, 2011 and 2010:**

	2011	2010
Designations:		
Housing program	\$ 37,717	\$ 36,874
Commercial program	18,396	24,616
General operating and working capital	25,025	26,475
General obligation bonds	28,128	25,621
<b>Total unrestricted net position</b>	<b>\$ 109,266</b>	<b>\$ 113,586</b>

**(11) Retirement Plans**

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

The Authority contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer postemployment health care plan administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at P.O. Box 5800 Denver, Colorado 80217-5800, by calling PERA at 303-832-9550 or 1-800-759-PERA (7372) or from PERA's website at [www.copera.org](http://www.copera.org).

Plan members and the Authority are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the Authority's contribution is allocated for the Health Fund. Member contributions to the Health Fund are not required.



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

The contribution rate for members and the Authority's contributions to the Trust and Health Fund, which equaled the Authority's required contributions for each year, were as follows:

	2011	2010
<b>Contribution rate of covered salary:</b>		
Members	8.00%	8.00%
Authority:		
Trust	12.68%	12.68%
Health Fund	1.02%	1.02%
<b>Total Authority contribution rate</b>	<b>13.70%</b>	<b>13.70%</b>
<b>Contributions by the Authority:</b>		
Trust	\$ 1,730	\$ 1,548
Health Fund	139	117
<b>Total Authority contributions</b>	<b>\$ 1,869</b>	<b>\$ 1,665</b>

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual Internal Revenue Service limit of their gross salaries. The Authority contributes 1% of each participating employee's salary as part of the 401(k) match, and in addition to the 1% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Contributions by the Authority for the years ended December 31, 2011 and 2010 were \$396,000 and \$370,000, respectively. Contributions by participating employees for the years ended December 31, 2011 and 2010 were \$902,000 and \$860,000, respectively. All required contributions are paid in full annually.

### **(12) Risk Management**

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, property losses, business automobile liability, workers' compensation and public officials' liability are all managed through purchased insurance. There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

### **(13) Related-Party Transactions**

In 2011, the Authority did not enter into any related-party transactions. In 2010, the Authority entered into a transaction with Warren Village Inc., Colorado, the Chairman of the Board of Directors of which is a member of the Authority's Executive Team. Using funds granted under the Tax Credit Exchange Program of the AARA, the Authority made a \$1.1 million grant to the Warren Village. This transaction was made in the normal course of business under terms and conditions similar to other transactions with unrelated parties.

### **(14) Commitments and Contingencies**

The Authority had outstanding commitments to make or acquire single-family and multi-family/business loans of \$62,050,000 and \$2,964,000, respectively, as of December 31, 2011. The Authority had outstanding commitments to make



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

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or acquire single-family and multi-family/business loans of \$62,725,000 and \$15,819,000, respectively, as of December 31, 2010.

There are a limited number of claims or suits pending against the Authority arising in the Authority's ordinary course of business. In the opinion of the Authority's management and counsel, any losses that might result from these claims and suits are either covered by insurance or, to the extent not covered by insurance, would not have a material adverse effect on the Authority's financial position.

The Authority participates in the Ginnie Mae Mortgage-Backed Securities (MBS) Programs. Through the MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority and backed by pools of mortgage loans. If a borrower fails to make a timely payment on a mortgage loan, the Authority must use its own funds to ensure that the security holders receive timely payment. All loans pooled under the Ginnie Mae MBS Program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the VA. The Authority assesses the overall risk of loss on loans that it may be required to repurchase and repurchases the loans as necessary. The Authority repurchased \$21.3 million and \$3.3 million of these loans in 2011 and 2010, respectively.

**15) Subsequent Events**

In March 2012, the Authority completed the sale of the real estate for all Blended Component Units, which encompass the Rental Assistance Program (RAP) - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire"). In addition, the Authority completed the sale of real estate for Maple Tree Settlement, which is not a Blended Component Unit, but is part of RAP. Each of these properties was sold at a gain. These properties had net income in 2011 and 2010 of \$1.5 million and \$498 thousand, respectively.

The Authority paid in full the outstanding Lehman swap termination settlement as of March 2012.

Also in March, the Authority redeemed \$106,325,000 of NIPB bonds.





**SUPPLEMENTAL INFORMATION**

# colorado housing and finance authority



## Colorado Housing and Finance Authority Combining Schedule - Statement of Net Position

December 31, 2011

(with summarized financial information for December 31, 2010)

(in thousands of dollars)

	General Programs	Single Family	Multi-Family/ Business	Eliminations	2011	Summarized 2010
<b>Assets</b>						
Current assets:						
Cash (Note 2)						
Restricted	\$ 56,011	\$ -	\$ -	\$ -	\$ 56,011	\$ 75,483
Unrestricted	33,281	-	-	-	33,281	16,498
Investments (Note 2)	9,058	530,373	106,801	-	646,232	652,878
Loans receivable (Note 3)	43,986	44,709	25,568	(562)	113,701	134,211
Loans receivable held for sale (Note 3)	38,206	-	-	-	38,206	47,478
Accrued interest receivable	3,339	8,865	4,865	(160)	16,909	20,075
Deferred debt financing costs, net	15	478	174	-	667	778
Other assets	6,977	378	118	-	7,473	9,541
Due (to) from other programs	(27,174)	20,345	6,829	-	-	-
Total current assets	163,699	605,148	144,355	(722)	912,480	956,942
Noncurrent assets:						
Investments (Note 2)	658	154,576	83,204	-	238,438	219,983
Loans receivable, net (Note 3)	129,417	1,296,553	741,465	(16,290)	2,151,145	2,467,772
Capital assets - non-depreciable (Note 4)	5,026	-	-	-	5,026	5,547
Capital assets - depreciable, net (Note 4)	19,134	-	-	-	19,134	21,194
Other real estate owned, net	3,515	4,448	2,656	-	10,619	12,505
Deferred debt financing costs, net	263	8,605	3,138	-	12,006	13,998
Other assets	22,691	-	-	-	22,691	22,164
Total noncurrent assets	180,704	1,464,182	830,463	(16,290)	2,459,059	2,763,163
<b>Total assets</b>	344,403	2,069,330	974,818	(17,012)	3,371,539	3,720,105
<b>Total Deferred Outflows - Hedging</b>						
Accumulated decrease in fair value of hedging derivatives	-	135,763	131,647	-	267,410	180,245
<b>Liabilities</b>						
Current liabilities:						
Short-term debt (Note 5)	46,100	-	-	-	46,100	87,900
Bonds payable (Note 6)	-	311,847	9,665	-	321,512	299,187
Notes payable (Note 6)	104	-	-	-	104	79
Accrued interest payable	1,178	14,433	10,093	(160)	25,544	25,641
Federally assisted program advances	458	-	-	-	458	60
Accounts payable and other liabilities	45,605	1,071	743	-	47,419	65,063
Total current liabilities	93,445	327,351	20,501	(160)	441,137	477,930
Noncurrent liabilities:						
Bonds payable, net (Note 6)	70,285	1,629,772	860,303	-	2,560,360	2,910,329
Derivative instruments	727	149,577	131,647	-	281,951	183,600
Derivatives related borrowing	-	27,253	26,354	-	53,607	59,972
Notes payable (Note 6)	24,283	-	-	(16,852)	7,431	6,173
Other liabilities (Note 6)	22,237	872	832	-	23,941	8,767
Total noncurrent liabilities	117,532	1,807,474	1,019,136	(16,852)	2,927,290	3,168,841
<b>Total liabilities</b>	210,977	2,134,825	1,039,637	(17,012)	3,368,427	3,646,771
<b>Net position</b>						
Invested in capital assets, net of related debt	7,308	-	-	16,852	24,160	26,741
Restricted by bond indentures	-	70,268	66,828	-	137,096	113,252
Unrestricted (Note 10)	126,118	-	-	(16,852)	109,266	113,586
<b>Total net position</b>	\$ 133,426	\$ 70,268	\$ 66,828	\$ -	\$ 270,522	\$ 253,579

See accompanying independent auditors' report.

# colorado housing and finance authority



## Colorado Housing and Finance Authority

### Combining Schedule - Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2011

(with summarized financial information for the year ended December 31, 2010)

(in thousands of dollars)

	General Program	Single Family	Multi-Family/ Business	Eliminations	2011	Summarized 2010
<b>Interest income and expense:</b>						
Interest on loans receivable	\$ 12,719	\$ 75,599	\$ 47,564	\$ (1,285)	\$ 134,597	\$ 151,319
Interest on investments	735	15,154	7,534	-	23,423	18,094
Interest on debt	(6,765)	(89,676)	(43,389)	1,285	(138,545)	(141,458)
Net interest income	6,689	1,077	11,709	-	19,475	27,955
<b>Other operating income:</b>						
Rental income	8,804	-	-	-	8,804	9,306
Loan servicing income	13,633	-	(3)	-	13,630	13,058
Section 8 administration fees	5,052	-	-	-	5,052	4,629
Gain on sale of loans	16,792	-	-	-	16,792	19,817
Investment derivative activity loss	(527)	(1,188)	-	-	(1,715)	(473)
Net increase (decrease) in the fair value of investments	74	21,264	4,549	-	25,887	7,324
Other revenues (losses)	255	506	-	-	761	1,713
Total other operating income	44,083	20,582	4,546	-	69,211	55,374
Total operating income	50,772	21,659	16,255	-	88,686	83,329
<b>Operating expenses:</b>						
Salaries and related benefits	18,210	-	-	-	18,210	17,808
General operating	38,963	1,319	501	-	40,783	55,636
Depreciation	3,684	-	-	-	3,684	3,773
Provision for losses	3,791	4,746	499	-	9,036	6,521
Total operating expenses	64,648	6,065	1,000	-	71,713	83,738
<b>Net operating income (loss)</b>	<b>(13,876)</b>	<b>15,594</b>	<b>15,255</b>	<b>-</b>	<b>16,973</b>	<b>(409)</b>
<b>Nonoperating revenues and expenses:</b>						
Federal grant receipts	134,491	-	-	-	134,491	134,613
Federal grant payments	(134,491)	-	-	-	(134,491)	(134,613)
Gains on sales of capital assets	(30)	-	-	-	(30)	128
Total nonoperating revenues, net	(30)	-	-	-	(30)	128
<b>Income before transfers</b>	<b>(13,906)</b>	<b>15,594</b>	<b>15,255</b>	<b>-</b>	<b>16,943</b>	<b>(281)</b>
<b>Transfers from (to) other programs</b>	<b>7,005</b>	<b>4,049</b>	<b>(11,054)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>(6,901)</b>	<b>19,643</b>	<b>4,201</b>	<b>-</b>	<b>16,943</b>	<b>(281)</b>
<b>Net position:</b>						
Beginning of year	140,327	50,625	62,627	-	253,579	253,860
End of year	\$ 133,426	\$ 70,268	\$ 66,828	\$ -	\$ 270,522	\$ 253,579

See accompanying independent auditors' report.

# colorado housing and finance authority



## Colorado Housing and Finance Authority Combining Schedule - Statement of Cash Flows

For the year ended December 31, 2011

(with summarized financial information for the year ended December 31, 2010)

(in thousands of dollars)

	General Program	Single Family	Multi-Family/ Business	Eliminations	2011	Summarized 2010
<b>Cash flows from operating activities:</b>						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 23,786	\$ 220,862	\$ 58,654	\$ -	\$ 303,302	\$ 320,375
Interest payments received on loans receivable	12,288	79,450	47,642	(1,297)	138,083	154,818
Payments for loans receivable	(365,925)	-	(1,270)	(788)	(367,983)	(428,218)
Receipts from sales of Ginnie Mae securities	420,989	-	-	-	420,989	417,478
Receipts (payments) for loan transfers between programs	(53,809)	64,712	(10,903)	-	-	-
Receipts from rental operations	8,748	-	-	-	8,748	9,346
Receipts from other revenues	18,888	506	(3)	-	19,391	19,173
Payments for salaries and related benefits	(18,775)	-	-	-	(18,775)	(17,109)
Payments for goods and services	(39,543)	(1,318)	(501)	-	(41,362)	(19,213)
All other, net	1,046	457	-	-	1,503	(1,185)
Net cash provided (used) by operating activities	7,693	364,669	93,619	(2,085)	463,896	455,465
<b>Cash flows from noncapital financing activities:</b>						
Net increase (decrease) in short-term debt	(41,800)	-	-	-	(41,800)	14,650
Proceeds from issuance of bonds	-	266,435	-	-	266,435	275,210
Proceeds from issuance of notes payable	1,388	-	-	-	1,388	125
Receipts from federal grant programs	135,352	-	-	-	135,352	134,308
Payments for federal grant programs	(134,491)	-	-	-	(134,491)	(134,613)
Principal paid on bonds	(8,101)	(514,957)	(60,840)	-	(583,898)	(247,064)
Principal paid on notes payable	(105)	-	-	-	(105)	(17,415)
Interest paid on short-term debt	(271)	-	-	-	(271)	(226)
Interest rate swap settlements	-	(59,832)	(32,270)	-	(92,102)	(95,330)
Interest paid on bonds	(3,984)	(31,028)	(13,988)	-	(49,000)	(52,336)
Interest paid on notes payable	(756)	-	-	-	(756)	(1,004)
Bond issuance costs paid	-	(1,728)	-	-	(1,728)	(1,365)
Transfers (to) from other programs	(9,609)	12,858	(3,249)	-	-	-
Net cash used by noncapital financing activities	(62,377)	(328,252)	(110,347)	-	(500,976)	(125,060)
<b>Cash flows from capital and related financing activities:</b>						
Purchase of capital assets	(1,133)	-	-	-	(1,133)	(2,148)
Proceeds from the disposal of capital assets	-	-	-	-	-	347
Principal paid on capital-related debt	(788)	-	-	788	-	-
Interest paid on capital-related debt	(1,297)	-	-	1,297	-	-
Net cash provided (used) by capital and related financing activities	(3,218)	-	-	2,085	(1,133)	(1,801)
<b>Cash flows from investing activities:</b>						
Proceeds from maturities and sales of investments	1,696,617	1,098,355	294,369	267	3,089,608	2,897,006
Purchase of investments	(1,642,128)	(1,147,867)	(285,268)	(267)	(3,075,530)	(3,186,689)
Income received from investments	731	13,095	7,620	-	21,446	17,160
Net cash provided (used) by investing activities	55,220	(36,417)	16,721	-	35,524	(272,523)
<b>Net increase (decrease) in cash</b>	(2,682)	-	(7)	-	(2,689)	56,081
Cash at beginning of year	91,974	-	7	-	91,981	35,900
Cash at end of year	\$ 89,292	\$ -	\$ -	\$ -	\$ 89,292	\$ 91,981
Restricted	56,011	-	-	-	56,011	75,483
Unrestricted	33,281	-	-	-	33,281	16,498
Cash and cash equivalents, end of year	\$ 89,292	\$ -	\$ -	\$ -	\$ 89,292	\$ 91,981

Continued on the next page

# colorado housing and finance authority



**Colorado Housing and Finance Authority**  
**Combining Schedule - Statement of Cash Flows** *(continued)*  
**For the year ended December 31, 2011**  
*(with summarized financial information for the year ended December 31, 2010)*  
*(in thousands of dollars)*

	General Program	Single Family	Multi-Family/ Business	Eliminations	2011	Summarized 2010
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Net operating income (loss)	\$ (13,876)	\$ 15,594	\$ 15,255	\$ -	\$ 16,973	\$ (409)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	3,684	-	-	-	3,684	3,773
Amortization of service release premiums	3,538	-	-	-	3,538	2,946
Amortization of deferred loan fees/costs, net	(720)	856	(71)	-	65	115
Amortization of imputed debt associated with swaps	-	(3,524)	(2,840)	-	(6,364)	(6,469)
Provision for losses	3,791	4,746	499	-	9,036	6,521
Gain on sale of capital assets	30	-	-	-	30	-
Interest on investments	(730)	(15,154)	(7,534)	-	(23,418)	(18,087)
Interest on debt	6,765	93,201	46,228	(1,285)	144,909	147,927
Unrealized loss on derivatives	527	1,188	-	-	1,715	473
Unrealized gain on investments	(74)	(21,264)	(4,549)	-	(25,887)	(7,324)
(Gain) loss on sale of REO	2,137	(506)	-	-	1,631	413
Gain on sale of loans	(16,792)	-	-	-	(16,792)	(19,817)
Changes in assets and liabilities:						
Loans receivable and other real estate owned	19,046	286,079	46,481	(788)	350,818	306,083
Accrued interest receivable on loans and investments	610	2,995	149	(12)	3,742	3,505
Other assets	987	458	1	-	1,446	(3,983)
Accounts payable and other liabilities	(1,230)	-	-	-	(1,230)	39,798
<b>Net cash provided (used) by operating activities</b>	<b>\$ 7,693</b>	<b>\$ 364,669</b>	<b>\$ 93,619</b>	<b>\$ (2,085)</b>	<b>\$ 463,896</b>	<b>\$ 455,465</b>

See accompanying independent auditors' report.

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## APPENDIX H

### Book-Entry System

*The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Remarketing Agent as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

DTC is acting as securities depository for the Remarketed Bonds. The Remarketed Bonds have been issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate has been issued for the Remarketed Bonds, in the aggregate principal amount of the Remarketed Bonds, and has been deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The Authority, the Trustee, and the Remarketing Agent undertake no responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.*

Purchases of Remarketed Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Remarketed Bonds on DTC's records. The ownership interest of each actual purchaser of each Remarketed Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Remarketed Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will

not receive certificates representing their ownership interests in Remarketed Bonds, except in the event that use of the book-entry system for the Remarketed Bonds is discontinued.

To facilitate subsequent transfers, all Remarketed Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Remarketed Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Remarketed Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Remarketed Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Remarketed Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Remarketed Bonds, such as redemptions, tenders, defaults and proposed amendments to the Remarketed Bond documents. For example, Beneficial Owners of Remarketed Bonds may wish to ascertain that the nominee holding the Remarketed Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to Remarketed Bonds, unless authorized by a Direct Participant in accordance with DTC MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Remarketed Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Remarketed Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Trustee, the Tender Agent, the Remarketing Agent, the 2007B-3 Facility Provider or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Remarketed Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Remarketed Bonds by causing the Direct Participant to transfer the Participant's interest in the Remarketed Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Remarketed Bonds in



connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Remarketed Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such tendered Remarketed Bonds to the Tender Agent's DTC account.

THE AUTHORITY, THE TRUSTEE, THE TENDER AGENT, THE 2002B/C LIQUIDITY FACILITY PROVIDER, AND THE REMARKETING AGENT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE REMARKETED BONDS, THE DELIVERY TO ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO THE REMARKETED BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE PAYMENT TO ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE REMARKETED BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE REMARKETED BONDS ARE NOT ISSUED PURSUANT TO THE INDENTURE AND THE REMARKETED BONDS ARE REGISTERED TO DTC, THE AUTHORITY, THE 2002B/C LIQUIDITY FACILITY PROVIDER, THE TENDER AGENT, THE REMARKETING AGENT AND THE TRUSTEE SHALL TREAT DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY AS, AND DEEM DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY TO BE, THE ABSOLUTE OWNER OF THE REMARKETED BONDS FOR ALL PURPOSES WHATSOEVER, INCLUDING WITHOUT LIMITATION (1) THE PAYMENT OF PRINCIPAL AND INTEREST ON THE REMARKETED BONDS, (2) GIVING NOTICE OF REDEMPTION AND OTHER MATTERS WITH RESPECT TO THE REMARKETED BONDS, (3) REGISTERING TRANSFERS WITH RESPECT TO THE REMARKETED BONDS AND (4) THE SELECTION OF REMARKETED BONDS FOR REDEMPTION.

DTC may discontinue providing its services as securities depository with respect to the Remarketed Bonds at any time by giving reasonable notice to the Authority, the Trustee and the 2002b/c Liquidity Facility Provider. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfer through DTC (or a successor depository). In that event, Bond certificates will be printed and delivered.

**According to DTC, the foregoing information with respect to DTC and DTC's book-entry system has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.**

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## APPENDIX I

### Insurance and Guarantee Programs; Foreclosure

*The Mortgage Loans are required by the Master Indenture to be subject to mortgage insurance or guaranty to the extent required by any Series Indenture. For a description of the requirements of the Series Indenture, see "PART I – CERTAIN PROGRAM ASSUMPTIONS." The following is a description of the various insurance and guarantee programs which may be applicable in connection with certain Mortgage Loans. The following also includes a description of the Colorado foreclosure procedures which may apply to a Mortgage Loan in the case of a Mortgagor default.*

#### **FHA Insurance**

The National Housing Act (the "NHA") of 1934, as amended, provides for various FHA mortgage insurance programs. The regulations governing the single family programs under which the FHA-insured Mortgage Loans are insured provide that a Mortgage Loan will be considered to be in default if the Mortgagor fails to make any payment or perform any other obligation under the Mortgage, and such failure continues for a period of thirty days. Insurance benefits are payable to the Mortgagee upon acquisition of title (through foreclosure or otherwise) and conveyance of the Eligible Property to HUD.

HUD requires Mortgagees to explore alternatives to foreclosure. These may include a forbearance, a forbearance with a partial claim, or modification agreement, a pre-foreclosure sale, repayment plan, payment moratorium, HAMP (Home Affordable Modification Plan), or a deed in lieu of foreclosure. Utilization of certain alternatives to foreclosure may result in quicker receipt of the FHA insurance claim because the time required to complete a foreclosure is eliminated. Attempts to utilize alternatives to foreclosure which are unsuccessful may delay receipt of the FHA insurance claim due to a delay in commencement of foreclosure proceedings.

The FHA insurance claim for a Mortgage Loan will be paid in an amount equal to the outstanding principal balance plus allowable interest and, given that the Authority is ranked as a Tier 2 loan servicer, approximately sixty-seven percent (67%) of the permitted costs and expenses of acquiring title to the Eligible Property. Interest is allowed (except for two months which is disallowed) at the HUD debenture rate which may be less than the Mortgage Loan interest rate.

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

Except in limited circumstances as approved by HUD properties conveyed to HUD upon completion of the foreclosure process or other acquisition of title must be conveyed vacant. In some circumstances it may be necessary to evict a tenant or Mortgagor upon the completion of the foreclosure proceedings before the Eligible Property can be conveyed to HUD and the FHA insurance claim can be filed.

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

### **VA Guaranty**

The Veteran's Benefits Act of 1957, Public Law 85-857, as amended, permits a veteran (or in certain circumstances a veteran's spouse) to obtain a mortgage loan guaranty to finance the purchase of a one-to-four unit family dwelling at interest rates permitted by the VA.

Claims for the payment of a VA guaranty may be submitted when any default of the Mortgagor continues for a period of three months. A guaranty may be paid without the Mortgagee instituting foreclosure proceedings or otherwise acquiring title. A Mortgagee intending to institute foreclosure proceedings must send to the Administrator of Veteran Affairs a Notice of Default and Intention to Foreclose 120 days from the date of delinquency. The guaranty provisions for mortgage loans generally are as follows: (i) for home and condominium loans of \$45,000 or less, 50% of the loan is guaranteed; (ii) for home and condominium loans above \$45,000 but not more than \$56,250, \$22,500 of the loan is guaranteed; (iii) for home and condominium loans above \$56,250 but not more than \$144,000, the lesser of \$36,000 or 40% of the loan is guaranteed; and (iv) for home and condominium loans above \$144,000, the lesser of \$50,750 or 25% of the loan is guaranteed. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness. Notwithstanding the dollar and percentage limitations of the guaranty, a Mortgagee will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of any foreclosure sale of an Eligible Property is greater than the original guaranty as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a Mortgagee of unsatisfied indebtedness on a Mortgage upon the Mortgagee's obtaining title and assigning it to the VA.

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

### **Rural Housing Service Guarantee**

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

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

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

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

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

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

In the case of a Mortgage Loan originated by a Mortgage Lender, the Authority relies on the originating Mortgage Lender for proper origination of such Mortgage Loan. If a guaranty claim is denied or curtailed due to the error of the Mortgage Lender, the Authority would have recourse to such Mortgage Lender for reimbursement. See "Part II – THE SINGLE FAMILY MORTGAGE

PROGRAM." The Authority's ability to collect claims for reimbursement may depend in part on the Mortgage Lender's financial condition at the time the claim arises.

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

### *Private Mortgage Insurance*

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

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

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

Insurers may require or permit the mortgagee to forbear from foreclosing a defaulted Mortgage Loan, offer a preforeclosure sale or deed in lieu of foreclosure, or enter into an agreement modifying the terms of a Mortgage Loan in certain circumstances.

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

#### *Uninsured Mortgage Loans*

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

#### **Colorado Foreclosure Law and Procedure**

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

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

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

bond. If the mortgagee presents a copy of the evidence of debt, the mortgagee is liable to a person incurring a loss if the original evidence of debt is subsequently presented for payment. The public trustee must record the Notice of Election and Demand for Sale in the appropriate clerk and recorder's office within ten business days after receipt of a complete filing. If the property is a residence occupied by a borrower personally obligated on the debt and meeting certain additional requirements, the foreclosing mortgagee is required to post the property with notice of the foreclosure and the owner is eligible for foreclosure counseling and possible deferral of the foreclosure sale by up to approximately 90 days. The foreclosure process may also be delayed for up to 90 days under the HUD Foreclosure Deferment Program if, after meeting with a HUD counselor, it is determined that a mortgagor could potentially be eligible for long-term home retention options.

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

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

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

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

Prior to the foreclosure sale, the mortgagee must obtain an Order Authorizing Sale in an appropriate Colorado District Court pursuant to Rule 120 of the Colorado Rules of Civil Procedure. Notice of a Rule 120 hearing must be provided to the persons designated by Rule 120, and in the case of residential property, notice of the hearing must be posted in a conspicuous place on the property at least 15 days prior to the hearing. The hearing must be held no later than 16 days prior to the date of the



foreclosure sale or the mortgagee must continue the sale to a later date. An order authorizing the public trustee foreclosure sale will be issued if the court determines there is a reasonable probability that a default has occurred entitling the mortgagee to foreclose and no interested party is entitled to protection of the Servicemembers' Civil Relief Act of 1940, as amended (the "**Relief Act**"). The scope of the Rule 120 hearing is limited to determining the reasonable probability that a default has occurred, determining whether under the deed of trust foreclosure is authorized, and determination of issues related to the Relief Act.

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

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

If the Mortgage Loan is not cured, the public trustee will sell the mortgaged property at the foreclosure sale to the highest bidder. Anyone may bid at the sale. There is no obligation for the mortgagee to bid any amount in excess of the outstanding debt. Any bid by the mortgagee which is less than the outstanding debt must be at least the mortgagee's good faith estimate of the fair market value of the mortgaged property (less unpaid taxes, the amount of senior liens and estimated reasonable costs and expenses, net of income, of holding, marketing and selling such property). The failure of the mortgagee to bid a good faith estimate of the fair market value of the mortgaged property will not affect the validity of the foreclosure sale but may be raised as a defense by a person sued on a deficiency. The public trustee will issue a Certificate of Purchase to the successful bidder. Title to the property vests in the holder of the Certificate of Purchase upon the close of business, eight days after the sale date if no notice of intent to redeem was filed. If a notice of intent to redeem was filed, the title vests upon the expiration of all redemption periods. If the property is occupied at the time that title vests, the tenant is entitled to notice and may be eligible to remain in the property for the term of the lease based on protections under the Protecting Tenants at Foreclosure Act of 2009 for bona fide tenants not related to the mortgagor who are paying fair market rent.

Certain holders of recorded junior interests have redemption rights if they timely filed a Notice of Intent to Redeem. The most senior junior lienholder may redeem between 15 and 19 business days after the sale date and each subsequent junior lienholder has (in order of priority of the liens) five business days to redeem. To preserve the right to redeem, a junior lienholder must file a notice of intent to redeem and other documents with the public trustee within eight business days after the foreclosure

sale. Title to the property will vest in the holder of the Certificate of Purchase upon the close of business eight days after the sale date if no notice of intent to redeem was filed. If a notice of intent to redeem was filed, and no redemption has occurred, the title vests in the holder of the Certificate of Purchase upon the expiration of all redemption periods. The public trustee will issue a deed to, the holder of the Certificate of Purchase. The public trustee deed will convey the mortgaged property free of all junior interests except junior interests the mortgagee elected to affirm or which were not sent proper notices of the foreclosure as required by statute. Special rules apply with respect to junior liens which are held by the IRS or other federal agencies. The public trustee's deed will be junior to the lien for real property taxes and assessments and to all liens and interests, if any, which were senior to the deed of trust foreclosed.

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

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

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

## APPENDIX J

### Form of Continuing Disclosure Undertaking

#### CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "**Disclosure Certificate**") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "Authority"), in connection with the remarketing of the Authority's Single Family Mortgage Class I Adjustable Rate Bonds, 2002 Series B-3 [2002 Series C-3] (the "**Series Bonds**"). The Series Bonds have been issued pursuant to a Master Indenture of Trust dated as of October 1, 2001, as supplemented and amended (the "**Master Indenture**") and pursuant to a 2002 Series Indenture dated as of \_\_\_\_\_ 1, 2002, as amended (the "**Series Indenture**" and, together with the Master Indenture, the "**Indenture**"), each between the Authority and Zions First National Bank, Denver, Colorado, as trustee. The Authority may issue additional series of bonds under the Master Indenture upon satisfaction of the conditions set forth in the Master Indenture. All bonds and notes issued under the Master Indenture, including the Series Bonds, are referred to herein as the "**Bonds**." Capitalized terms used but not defined herein shall have meanings ascribed thereto in the Indenture. The Authority covenants and agrees as follows:

#### **BACKGROUND**

1. The Series Bonds have been issued to provide funds to finance or refinance the purchase of mortgage loans under the Authority's Single Family Mortgage Program (as defined in the Remarketing Statement), to establish necessary reserves, or to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriter (as defined in the Rule defined below) of the Series Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR § 240.15c2-12) as amended to the date hereof (the "Rule" or "Rule 15c2-12"), the Authority has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Series Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

#### **AUTHORITY COVENANTS AND AGREEMENTS**

##### Section 1. Definitions.

(a) "**Annual Financial Information**" means the financial information or operating data with respect to the Authority and any loan program financed under the Master Indenture, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, substantially similar to the type set forth in the Remarketing Statement as described in **Exhibit A** hereto, including but not limited to such financial information and operating data set forth in (i) "Part I – CERTAIN PROGRAM ASSUMPTIONS" and (ii) "Part II – COLORADO HOUSING AND FINANCE AUTHORITY" in the Remarketing Statement.

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

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

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

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

(f) "**Remarketing Statement**" means the Remarketing Statement dated December 13, 2012 delivered in connection with the remarketing of the Series Bonds.

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

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

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

(a) Commencing with the fiscal year ending December 31, 2012 and annually while the Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to EMMA (with a copy, upon request, to the Participating Underwriter) the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided not later than 240 days after the end of each fiscal year for the Authority (i.e., each December 31). If not provided at the same time as the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Authority may provide Annual Financial Information and Audited Financial Statements by specific reference to other documents, including information reports and Official Statements relating to other debt issues of the Authority, which have been submitted to each repository or repositories as required by Rule 15c2-12; provided, however, that if the document so referenced is a final Official Statement within the meaning of Rule 15c2-12, such final Official Statement must also be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference.

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

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

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

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

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

the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

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

(e) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to EMMA, with a copy to the Participating Underwriter, notice of any failure of the Authority to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission, and include such identifying information, as is requested or recommended by the MSRB unless otherwise required by law.

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

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

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

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the Series Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Authority shall provide notice of such amendment or waiver to EMMA as required by Rule 15c2-12 and the Participating Underwriter.

Section 8. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriter and the owners (including beneficial owners) from time to time of the Series Bonds, and shall create no rights in any other person or entity.

Dated as of December 19, 2012.

COLORADO HOUSING AND FINANCE  
AUTHORITY

By: \_\_\_\_\_  
Executive Director

## **EXHIBIT A**

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

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

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

(iii) The amount and type of assets (and, if applicable, the rate and maturity date of such assets) credited to the Acquisition Account, the Revenue Account, the Loan Recycling Account, the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund, the Redemption Fund, the Short Term Bond Account and the various subaccounts in each of the above-referenced funds or accounts; and the current amount of assets credited to the Debt Service Reserve Fund and its various subaccounts.

(iv) With respect to each Series of Bonds, the outstanding aggregate principal balance of Mortgage Loans, the aggregate number of outstanding Mortgage Loans, the average principal balance per Mortgage Loan, average coupon and weighted average maturity.

(v) With respect to each Series of Bonds, a breakdown of the type of housing, expressed as a percentage of Mortgage Loans outstanding, showing the extent to which: (i) the housing is single family detached, condominium/townhomes or other (specify); (ii) the housing is new construction or existing homes; and (iii) the housing is insured by the FHA, insured by private mortgage insurance, insured by the Rural Housing Service, guaranteed by the VA or uninsured.

(vi) With respect to each Series of Bonds, the number of loans financed, the number of loans prepaid in full, the number of loans foreclosed to date, the number of loans outstanding, the number of delinquent 30-90 days, the percentage of total loans delinquent 30-90 days, the number of delinquencies 90 or more days, the percentage of total loans delinquent 90 or more days, the number of loans in foreclosure, the percentage of total loans in foreclosure and the percentage of all loans delinquent.

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