

NEW ISSUE
Book Entry Only

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Offered Bonds is excluded from gross income for federal income tax purposes, except during the period when the Offered Bonds are held by a “substantial user” of the facilities financed by the Offered Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is further of the opinion that interest on the Offered Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. In addition, in the opinion of Bond Counsel, under existing statutes, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes. See “TAX MATTERS” herein.



\$4,700,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Housing Revenue Bonds
Series 2012 D (Non-AMT)

Dated: Date of Delivery

Due: as shown on inside cover page

The Series 2012 D Bonds (the “Offered Bonds”) will be fully registered bonds and initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Offered Bonds. Purchases of the Offered Bonds will be in book entry form only, in denominations of \$5,000, or any integral multiple thereof. Interest on the Offered Bonds will be paid semiannually on January 1 and July 1 of each year, commencing January 1, 2013, and at maturity or earlier redemption, by Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, as trustee and registrar (the “Trustee”), to DTC. DTC will remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the Offered Bonds. Additional information is contained under the caption “THE OFFERED BONDS” herein.

The Offered Bonds are subject to redemption prior to maturity at the times, under the conditions and at the prices set forth under the caption “THE OFFERED BONDS - Redemption Provisions” herein.

The Offered Bonds are special obligations of the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland (the “State”), payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Offered Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

The proceeds of the Offered Bonds will be applied to finance a loan for a multi-family residential rental facility and the Offered Bonds will be secured as described under the captions “INTRODUCTION” and “SECURITY FOR THE BONDS – Provisions of the Bond Resolution” and “— Credit Enhancement of the Series 2012 D Loan” herein.

The Offered Bonds are offered for delivery when, as and if issued by the Administration and accepted by the Underwriters, and the delivery of the Offered Bonds is subject to the opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel, as to the validity of, and the excludability from gross income for federal income tax purposes of interest on, the Offered Bonds. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Offered Bonds will be available for delivery to DTC on or about November 7, 2012.

BofA Merrill Lynch
J.P. Morgan **RBC Capital Markets**

Dated: October 24, 2012

MATURITY SCHEDULE

\$4,700,000 Series 2012 D \$660,000 Series 2012 D Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP¹</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP¹</u>
July 1, 2014	\$35,000	0.400%	100%	57419RAA3	July 1, 2019	\$35,000	1.800%	100%	57419RAL9
January 1, 2015	30,000	0.550	100	57419RAB1	January 1, 2020	35,000	2.100	100	57419RAM7
July 1, 2015	30,000	0.650	100	57419RAC9	July 1, 2020	35,000	2.100	100	57419RAN5
January 1, 2016	35,000	0.800	100	57419RAD7	January 1, 2021	35,000	2.350	100	57419RAP0
July 1, 2016	35,000	0.900	100	57419RAE5	July 1, 2021	35,000	2.350	100	57419RAQ8
January 1, 2017	35,000	1.125	100	57419RAF2	January 1, 2022	35,000	2.500	100	57419RAR6
July 1, 2017	35,000	1.200	100	57419RAG0	July 1, 2022	35,000	2.500	100	57419RAS4
January 1, 2018	35,000	1.450	100	57419RAH8	January 1, 2023	35,000	2.625	100	57419RAT2
July 1, 2018	35,000	1.500	100	57419RAJ4	July 1, 2023	40,000	2.625	100	57419RAU9
January 1, 2019	35,000	1.750	100	57419RAK1					

\$4,040,000 Series 2012 D Term Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP¹</u>
July 1, 2027	\$ 330,000	2.900%	100%	57419RAV7
July 1, 2032	465,000	3.250	100	57419RAW5
July 1, 2042	1,205,000	3.625	100	57419RAX3
January 1, 2054	2,040,000	3.875	100	57419RAY1

¹ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein are set forth for convenience of reference only. Neither the Administration nor the Underwriters of the Offered Bonds assume any responsibility for the selection or use of CUSIP numbers or for the accuracy of such data. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Offered Bonds.

No dealer, broker, salesman or other person has been authorized by the Administration to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to the registration or qualification under the securities laws of such jurisdiction. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Offered Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Administration since the date hereof.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or owners of any of the Offered Bonds. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OFFERED BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

No registration statement relating to the Offered Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Offered Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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OFFICIAL STATEMENT

of the Community Development Administration Maryland Department of Housing and Community Development

Relating to

**Housing Revenue Bonds
\$4,700,000
Series 2012 D (Non-AMT)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and appendices hereto, is to set forth information in connection with the sale by the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), of its Housing Revenue Bonds, Series 2012 D (the “Offered Bonds”).

Authorization

The Administration is authorized to issue the Offered Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”) and a Resolution Providing for the Issuance of Housing Revenue Bonds adopted by the Administration as of November 1, 1996, and amended and restated as of July 1, 2006 (the “Bond Resolution”). The Offered Bonds are issued pursuant to the Bond Resolution, as supplemented by a Series Resolution Providing for the Issuance and Sale of Housing Revenue Bonds, Series 2012 D, to be adopted by the Administration as of November 1, 2012 (the “2012 D Series Resolution”). The Bond Resolution, as supplemented and amended, and the 2012 D Series Resolution are collectively referred to herein as the “Resolutions.” Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is the trustee (the “Trustee”) under the Resolutions. The Trustee has not participated in the preparation of this Official Statement.

Prior Bond Issues Under Bond Resolution

The Offered Bonds are the forty-first issue of Housing Revenue Bonds issued by the Administration pursuant to the Bond Resolution. As of July 1, 2012, the Bond Resolution had outstanding Bonds (as defined below) having a principal amount of \$378,590,000. On July 26, 2012, the Administration issued its Housing Revenue Bonds Series 2012 A (Non-AMT) in the original principal amount of \$9,340,000. On August 30, 2012, the Administration issued its Housing Revenue Bonds, Series 2012 B (Non-AMT) in the original principal amount of \$5,505,000. On September 13, 2012, the Administration issued its Housing Revenue Bonds, Series 2012 C in the original principal amount of \$7,200,000. As of September 13, 2012, the Bond Resolution had outstanding Bonds having a principal amount of \$398,965,000, and such Bonds were issued to finance 62 mortgage loans for 57 multi-family residential rental facilities containing approximately 8,329 units, in addition to shared living and related facilities for special needs populations which are owned and sponsored by nonprofit organizations (“Group Homes”) and single family residences. The Bond Resolution provides for the issuance of

additional Bonds that will be on a parity with the Offered Bonds and will be equally and ratably secured under the Bond Resolution. The Bond Resolution also allows the issuance of Subordinate Bonds, which are not on a parity with the Bonds. No Subordinate Bonds are Outstanding under the Bond Resolution. The prior Series of Housing Revenue Bonds and the Offered Bonds, together with any additional bonds issued under the Bond Resolution and secured on a parity basis and any Subordinate Bonds, are referred to collectively as the “Bonds.”

Use of Proceeds of Offered Bonds

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance loans, to refund Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, to pay any Development cost (including, without limitation, capitalized interest and Bond issuance costs), to fund reserves, or to achieve any other of the Administration’s purposes. Loans financed under the Bond Resolution, including, without limitation, the loan described under the heading “THE OFFERED BONDS” below and in APPENDIX D - “DESCRIPTION OF LOANS AND DEVELOPMENTS” to this Official Statement, are referred to at various times as either the “Loans” or the “Loan” as appropriate. The Loans finance various types of housing developments, including, without limitation, multi-family residential rental facilities, single family residences and Group Homes (collectively, the “Developments”) within the State which promote sound community development and provide housing for occupancy, in substantial part, by persons or families of limited income. The Loans must also meet the requirements set forth in the Resolutions as more fully described in APPENDIX C under “THE PROGRAM – Loan Provisions.” None of the Loans financed with proceeds of or attributable to Bonds issued prior to the Offered Bonds is in default.

The Offered Bonds. The Resolutions authorize the issuance of the Offered Bonds to provide the funds being used to make the Series 2012 D Loan (as hereinafter defined).

The Administration expects to make a Loan to Colonial LLLP (the “Series 2012 D Borrower”) from the proceeds of the Offered Bonds in the aggregate principal amount of \$4,700,000 (the “Series 2012 D Loan”) to finance in part the Development known as Park View at Colonial Landing and described in Table D-1 of APPENDIX D hereto (the “Series 2012 D Development”). The Series 2012 D Loan is expected to have Credit Enhancement under the FHA Risk-Sharing Program. See “SECURITY FOR THE BONDS – Credit Enhancement of the Series 2012 D Loan” below and APPENDIX F – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – THE FHA INSURANCE PROGRAM-FHA Risk-Sharing Program.”

Additional information regarding the Series 2012 D Loan and the Series 2012 D Development is set forth in APPENDIX D - “DESCRIPTION OF LOANS AND DEVELOPMENTS.”

Security and Sources of Payment

Security for the Bonds. The Bonds (other than Subordinate Bonds) are equally and ratably secured by a pledge of and lien on: (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of bonds), (2) the Loans made or purchased from Bond proceeds, (3) revenues from Loans (primarily payments of principal and interest on Loans), (4) Prepayments, Recovery Payments and Acquired Development Receipts, and (5) all moneys, investments and other assets held in Funds and Accounts established by or pursuant to the Bond Resolution and the earnings thereon. The Administration may direct the release of amounts from such Funds and Accounts free and clear of such pledge and security interest after satisfying the then current requirements for all Funds and Accounts and certain other conditions as provided in the Resolutions. See “SECURITY FOR THE BONDS – Provisions of the Bond Resolution.”

Parity Bonds. All Bonds (other than Subordinate Bonds and any Bonds the security for which is excluded from or limited with respect to the pledge of the Bond Resolution to the extent provided in the series resolution securing such Bonds) are equally and ratably secured in the manner described under “INTRODUCTION – Security and Sources of Payment - Security for the Bonds” above, and accordingly (i) the Series 2012 D Loan secures all Bonds as well as the Offered Bonds and (ii) the Offered Bonds are secured by the Loans made or purchased with the proceeds of any Series of Bonds. The Offered Bonds may be redeemed from Recovery Payments from Loans financed with the proceeds any Series of Bonds. See “THE OFFERED BONDS - Redemption Provisions” below. In addition, the rating on the Offered Bonds is based upon the performance of the aggregate Loan portfolio and, accordingly, the rating on the Offered Bonds could be downgraded even if principal of and interest on the Series 2012 D Loan are paid when due.

Loans. The Bond Resolution does *not* require that Loans be credit enhanced. Credit Enhancement of the Loans is described in APPENDIX D and APPENDIX F hereto. Credit Enhancement of the Series 2012 D Loan is described below in “SECURITY FOR THE BONDS - Credit Enhancement of the Series 2012 D Loan.” The Bond Resolution does *not* require that a Loan be secured by a mortgage. If a Loan is secured by a mortgage, the mortgage lien need *not* be a first lien.

A portion of the Loans is insured by the Maryland Housing Fund (“MHF”), a mortgage insurance fund which is a unit of the Division of Credit Assurance of the Department. See APPENDIX F - “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – THE MHF INSURANCE PROGRAM.” For information about MHF’s financial condition, see APPENDIX J - “FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND.”

Debt Service Reserve Fund. Pursuant to the Bond Resolution, upon the issuance of any Series of Bonds, there must be deposited in the Debt Service Reserve Fund monies or Cash Equivalents in an amount sufficient to satisfy the Debt Service Reserve Requirement. No amount is required to be deposited to the Debt Service Reserve Fund with respect to the Offered Bonds. The Debt Service Reserve Requirement for other Series of Bonds, if any, shall be as set forth in the series resolution authorizing such Series. See “SECURITY FOR THE BONDS – Debt Service Reserve Fund” herein.

Series 2012 D Negative Arbitrage Account. The Series 2012 D Borrower will deliver an irrevocable, standby letter of credit to the Trustee on the date of issuance of the Offered Bonds for credit to the Series 2012 D Negative Arbitrage Account (as defined herein), to the extent amounts on deposit in the Revenue Fund are insufficient to pay interest on the Offered Bonds on any Interest Payment Date prior to commencement of principal amortization on the Series 2012 D Loan. See “SECURITY FOR THE BONDS – Series 2012 D Negative Arbitrage Account” and Table D-1 of APPENDIX D – “DESCRIPTION OF LOANS AND DEVELOPMENTS” for the identity of the issuer of the standby letter of credit and certain other information.

Limited Obligation of Administration

The Bonds are special obligations of the Administration payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution.

The Administration has no taxing power. The Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department. In addition, payment of principal of, and interest and redemption premium, if any, on the Bonds is not guaranteed by the State, the Administration, Government National Mortgage Association (“GNMA”), FHA, Fannie Mae or any other party.

Additional Information

Certain capitalized terms used herein are defined in APPENDIX A-1 - “DEFINITIONS FROM THE RESOLUTIONS” and APPENDIX A-2 - “DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS.” Capitalized terms not otherwise defined herein are used as defined in the Resolutions.

Brief descriptions of the Offered Bonds and the security for the Offered Bonds are included in this Official Statement. Descriptions of the Department and the Administration, the Administration’s program of financing Loans under the Bond Resolution (the “Program”), and the Loans and the Developments can be found in APPENDICES B, C and D, respectively. APPENDIX E contains a description of the outstanding indebtedness of the Administration. APPENDIX F summarizes certain mortgage insurance and guaranty programs of FHA, the Federal Home Loan Mortgage Corporation (“FHLMC”), GNMA, Fannie Mae and MHF, while APPENDIX G summarizes certain federal housing subsidy programs. Certain provisions of the Bond Resolution are summarized in APPENDIX H. The financial statements of the Administration’s Housing Revenue Bonds and MHF are included in APPENDICES I and J, respectively. A description of DTC’s Book Entry System is provided in APPENDIX K. The proposed form of the opinion of Bond Counsel is included as APPENDIX L.

This Introduction is only a brief description of the matters described herein. Prospective purchasers of the Offered Bonds should read this entire Official Statement, including the appendices hereto, in order to make an informed investment decision. **The appendices to and footnotes in this Official Statement constitute a part of this Official Statement and contain information that any potential investor should read in conjunction with the other parts of this Official Statement in order to make an informed investment decision.** This Official Statement speaks only as of its date and the information contained herein is subject to change.

All references herein to the Resolutions and other documents and agreements are qualified in their entirety by reference to such Resolutions, documents and agreements, and references herein to the Offered Bonds are qualified in their entirety by reference to the forms thereof, copies of which are available for inspection at the offices of the Administration located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

THE OFFERED BONDS

General Description

The Offered Bonds will be dated and will accrue interest from their date of delivery (the “Delivery Date”). The Offered Bonds will be delivered only as fully registered bonds in book entry form in the denominations of \$5,000, or any integral multiple thereof. The Offered Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Offered Bonds. The Offered Bonds will mature in the years and amounts set forth on the inside cover page of this Official Statement and will bear interest from the Delivery Date, payable semiannually on January 1 and July 1 of each year, commencing January 1, 2013, and at maturity or earlier redemption. If any such dates are not Business Days, then payments will be made on the next Business Day. Interest will be paid to the owner of record as of the date that occurs fifteen business days prior to the date on which interest is paid. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Application of Offered Bond Proceeds

The proceeds of the sale of the Offered Bonds will be applied to finance the Series 2012 D Loan. See “INTRODUCTION - Use of Proceeds of Offered Bonds.” Costs of issuance will be paid from funds provided by the Series 2012 D Borrower and from other funds of the Administration.

Redemption Provisions

Optional Redemption. The Offered Bonds maturing on and after January 1, 2023 are subject to redemption, at the option of the Administration, in whole or in part, from any source of funds, at any time on and after July 1, 2022, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon, if any, to the redemption date.

Special Optional Redemption. All Offered Bonds are subject to special redemption without premium at the principal amount thereof, plus accrued interest thereon, at the option of the Administration, in whole or in part, at any time, from:

(1) Recovery Payments relating to Loans financed by the Offered Bonds, including, but not limited to, voluntary prepayments, condemnation proceeds, mortgage insurance payments, hazard insurance proceeds, foreclosure proceeds, prepayments of Guaranteed Securities resulting from HUD’s override of prepayment restrictions in a mortgage insured by FHA in accordance with HUD’s policies and procedures, and payments accepted by the Administration in order to refinance Developments which are in default or would have been in default but for the forbearance of the Administration;

(2) amounts on deposit in the Revenue Fund in excess of accrued Debt Service on all outstanding Bonds and any account funding requirements as of the date of transfer;

(3) amounts resulting from any reduction of the amount on deposit in the Debt Service Reserve Fund; and

(4) proceeds of the Offered Bonds not used to finance Loans.

Transferred Loans and Group Home Loans. Many of the Loans that are pledged to secure the payment of the Bonds are loans that were initially financed with proceeds of bonds issued under earlier resolutions of the Administration that no longer have outstanding bonds. Such Loans, constituting the Transferred Loans, were acquired with the proceeds of the Administration’s Series 1996 A Bonds and are currently subject to prepayment at the option of their respective Borrowers at any time without payment of any premium. In addition, Group Home Loans financed with the proceeds of the Series 1996 B Bonds are subject to prepayment at any time without penalty or premium. See “SECURITY FOR THE BONDS - Single Family and Group Home Loans.”

Section 8. Bonds may be redeemed in the event the Administration receives an insurance claim payment in connection with the restructuring of a Loan for a Development receiving Section 8 assistance. See also additional information relating to recent developments affecting the Section 8 program under the heading “Section 8 Program - *Expiring HAP Contracts*” in APPENDIX G. The Administration cannot accurately predict when special redemption of Offered Bonds may occur in the future due to potential Prepayments of such Loans. For detailed information regarding all of the Loans, including the Transferred Loans and the Group Home Loans, see APPENDIX D - “DESCRIPTION OF LOANS AND DEVELOPMENTS.”

Sinking Fund Redemption. The Offered Bonds maturing July 1, 2027 are subject to mandatory redemption in part by lot on January 1, 2024, and on each July 1 and January 1 thereafter to and including July 1, 2027, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2024	\$40,000	January 1, 2026	\$40,000
July 1, 2024	40,000	July 1, 2026	40,000
January 1, 2025	40,000	January 1, 2027	45,000
July 1, 2025	40,000	July 1, 2027 [†]	45,000

[†]Final Maturity

The Offered Bonds maturing July 1, 2032 are subject to mandatory redemption in part by lot on January 1, 2028, and on each July 1 and January 1 thereafter to and including July 1, 2032, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2028	\$45,000	July 1, 2030	\$45,000
July 1, 2028	45,000	January 1, 2031	45,000
January 1, 2029	45,000	July 1, 2031	50,000
July 1, 2029	45,000	January 1, 2032	50,000
January 1, 2030	45,000	July 1, 2032 [†]	50,000

[†]Final Maturity

The Offered Bonds maturing July 1, 2042 are subject to mandatory redemption in part by lot on January 1, 2033, and on each July 1 and January 1 thereafter to and including July 1, 2042, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2033	\$50,000	January 1, 2038	\$60,000
July 1, 2033	50,000	July 1, 2038	60,000
January 1, 2034	50,000	January 1, 2039	65,000
July 1, 2034	55,000	July 1, 2039	65,000
January 1, 2035	55,000	January 1, 2040	65,000
July 1, 2035	55,000	July 1, 2040	65,000
January 1, 2036	55,000	January 1, 2041	70,000
July 1, 2036	55,000	July 1, 2041	70,000
January 1, 2037	60,000	January 1, 2042	70,000
July 1, 2037	60,000	July 1, 2042 [†]	70,000

[†]Final Maturity

The Offered Bonds maturing January 1, 2054 are subject to mandatory redemption in part by lot on January 1, 2043, and on each July 1 and January 1 thereafter to and including January 1, 2054, at the principal amount thereof, plus accrued interest thereon, if any, to the date of such redemption, on the dates and in the principal amounts as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2043	\$70,000	January 1, 2049	\$ 90,000
July 1, 2043	75,000	July 1, 2049	90,000
January 1, 2044	75,000	January 1, 2050	95,000
July 1, 2044	75,000	July 1, 2050	95,000
January 1, 2045	80,000	January 1, 2051	95,000
July 1, 2045	80,000	July 1, 2051	100,000
January 1, 2046	85,000	January 1, 2052	100,000
July 1, 2046	85,000	July 1, 2052	105,000
January 1, 2047	85,000	January 1, 2053	105,000
July 1, 2047	85,000	July 1, 2053	105,000
January 1, 2048	85,000	January 1, 2054 [†]	90,000
July 1, 2048	90,000		

[†]Final Maturity

Reduction of Sinking Fund Installments. If Offered Bonds that are subject to sinking fund redemption are purchased by the Administration or redeemed (except pursuant to a Sinking Fund Installment), the Administration shall determine which Sinking Fund Installments for such Offered Bonds are to be reduced and the amount of any such reduction, provided that the aggregate of such reductions shall equal the aggregate principal amount of Offered Bonds so purchased or redeemed.

Selection of Bonds to be Purchased or Redeemed

Any Bonds to be purchased or redeemed, except by a Sinking Fund Installment, will be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an Authorized Officer which sets forth the following:

- (1) the Series of Bonds to be purchased or redeemed;
- (2) the maturities within such Series from which Bonds are to be purchased or redeemed;
- (3) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed; and
- (4) if any of the Bonds to be purchased or redeemed are Term Bonds, the years in which the applicable Sinking Fund Installments are to be reduced.

If fewer than all of the Bonds of a Series having the same maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed are to be selected by the Trustee by lot or in such random manner of selection as the Trustee shall determine. All Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered Outstanding under the Bond Resolution, provided that funds sufficient for the redemption of those Bonds are deposited with the Trustee. Upon presentation and surrender of Bonds called for redemption at the place or places of

payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such Bonds are to be paid and redeemed.

Purchase of Bonds

The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedures as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

Notice of Redemption

Notice of redemption of the Offered Bonds is to be given not less than 30 days before the date fixed for redemption, as provided in the 2012 D Series Resolution. Failure to give any such notice, however, will not affect the validity of any proceedings for redemption of other Bonds of such Series.

DTC and Book Entry

The Offered Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Offered Bonds will only be available in book entry form. Purchasers of beneficial ownership interests in the Offered Bonds will not receive certificates representing their interests in the Offered Bonds purchased. See "APPENDIX K – BOOK ENTRY SYSTEM."

Principal of, premium, if any, and interest on the Offered Bonds are payable, so long as the Offered Bonds are in book entry form, through a securities depository as described in APPENDIX K.

SECURITY FOR THE BONDS

Provisions of the Bond Resolution

Pursuant to the Bond Resolution, the security for the Bonds (including the Offered Bonds) is a pledge of and lien on:

- (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds);
- (2) Loans made, purchased or otherwise financed from such proceeds;
- (3) Revenues (primarily payments of principal and interest on Loans);
- (4) Recovery Payments (which include Prepayments) and Acquired Development Receipts;
- (5) all money, investments and other assets held in the funds and accounts established by or pursuant to the Bond Resolution and the earnings thereon, except for any money, investments, assets or

income held in any fund or account created by a series resolution or a supplemental resolution which provides that such fund or account shall not be subject to the lien of the Bond Resolution; and

(6) any and all other property of every description and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred to the Trustee as and for additional security under the Bond Resolution by the Administration or by anyone on its behalf or with its written consent.

The pledge and security interest are subject to: (i) the power of the Administration to direct the withdrawal of amounts from such funds and accounts free and clear of such pledge and security interest upon the conditions provided in the Resolutions, (ii) other specific limitations set forth in the Bond Resolution, and (iii) with respect to one or more Series of Bonds, the power of the Administration to grant a lien on the same property and rights (or any portion thereof) on a parity with or subordinate to the lien granted to the Trustee for the benefit of the owners of Bonds and the Parties (provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider shall be available to the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider only after it has made payment under the Credit Enhancement, Credit Facility or Qualified Hedge, as appropriate) and to exclude all moneys deposited into any fund or account with respect thereto from the pledge to the Trustee securing payment of Bonds or to limit such pledge, all as provided in the series resolution executed in connection with the issuance of such Series of Bonds. Moneys necessary to pay arbitrage rebate, if any, to the United States are administered outside of, and are not subject to the lien of, the Bond Resolution. For a description of the provisions of the Bond Resolution for releasing of moneys or other assets from the lien of the Bond Resolution, see “SECURITY FOR THE BONDS - Cash Flow Statements and Certificates.”

The pledge made and security interests granted by the Bond Resolution and the covenants and agreements therein set forth are for the equal benefit, protection and security of holders of all Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other except as expressly provided or permitted therein. Subordinate Bonds need not be of equal rank with other Bonds and shall be entitled to the preferences and priorities provided in the series resolution authorizing the issuance of such Subordinate Bonds. See “SECURITY FOR THE BONDS - Additional Bonds; Subordinate Bonds.”

The Bonds are special obligations of the Administration payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

Credit Enhancement of the Series 2012 D Loan

The Series 2012 D Loan is expected to have Credit Enhancement under the FHA Risk-Sharing Program. See “Credit Enhancement of Rental Housing Loans – FHA Risk-Sharing Program” below and APPENDIX F – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – THE FHA INSURANCE PROGRAM – FHA Risk-Sharing Program.”

Series 2012 D Negative Arbitrage Account

The Series 2012 D Borrower will deliver a standby letter of credit to the Trustee on the Delivery Date to be drawn upon to the extent amounts on deposit in the Revenue Fund are insufficient to pay interest on the Offered Bonds on any Interest Payment Date prior to commencement of principal

amortization of the Series 2012 D Loan. See Table D-1 of APPENDIX D – “DESCRIPTION OF LOANS AND DEVELOPMENTS” for the identity of the issuer of the standby letter of credit and certain other information. The standby letter of credit delivered to the Trustee by the Series 2012 D Borrower will be credited to the Series 2012 D Negative Arbitrage Account established under the Revenue Fund (the “Series 2012 D Negative Arbitrage Account”) pursuant to the 2012 D Series Resolution.

Pursuant to 2012 D Series Resolution, the Trustee may draw amounts under the standby letter of credit from time to time, as directed by the Administration, in accordance with the terms thereof for deposit to the Series 2012 D Negative Arbitrage Account and application to the purposes stated below. The Trustee shall not sell, transfer or otherwise dispose of the standby letter of credit delivered to the Trustee on the Delivery Date unless (i) the Series 2012 D Borrower has delivered to the Trustee a substitute letter of credit prior to such sale, transfer or other disposition or (ii) such sale, transfer or other disposition of the standby letter of credit is directed by the Administration and is required for the purpose of providing funds for the defeasance or redemption, at par, of the allocable Offered Bonds outstanding under the 2012 D Series Resolution.

To the extent amounts in the Revenue Fund are insufficient to pay interest on Offered Bonds, on any Interest Payment Date, prior to any transfer of any amounts on deposit in the Debt Service Reserve Fund as described under “SECURITY FOR THE BONDS — Debt Service Reserve Fund,” the Trustee shall, at the written direction of the Administration, draw the requisite amount under the standby letter of credit and transfer such amount to the Revenue Fund on the Interest Payment Date (or such earlier date required under the terms of the standby letter of credit) to fund such insufficiency.

To the extent the Offered Bonds are to be redeemed as described under “THE OFFERED BONDS – Redemption Provisions – Special Optional Redemption,” the Trustee shall not later than the 5th day prior to the expiration date of the standby letter of credit (or if such 5th day is not a Business Day, the Business Day immediately prior to such 5th day) draw on the standby letter of credit as directed in writing by the Administration for all amounts available thereunder for payment of the interest component of the redemption price of the Offered Bonds to be redeemed to the extent amounts in the Revenue Fund are insufficient to pay such interest component.

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Credit Enhancement of Rental Housing Loans

As of June 30, 2012, the Loans financing rental housing developments (“Rental Housing Loans”) were insured or credit enhanced as follows:

<u>Insurer or Guarantor</u>	<u>Number of Loans</u>	<u>Number of Units</u>	<u>Percentage of Total Units</u>	<u>Outstanding Loan Amount³</u>	<u>Percent of Outstanding Loan Amount</u>
FHLMC ²	3	256	3.21%	\$ 3,204,375	0.84%
Fannie Mae	6	625	7.84	23,596,780	6.20
GNMA ⁶	29	5,410	67.85	317,192,305	83.39
MHF	10	823	10.32	6,280,465	1.65
FHA Risk-Sharing Program ¹	7	739	9.27	28,477,229	7.49
Uninsured ⁵	3	120	1.51	1,617,072	0.43
Totals:⁴	58	7,973	100.00%	\$380,368,227	100.00%

1 These Loans financed the Bolton House/Mt. Royal projects, Waverly Gardens Senior Apartments, and Stevens Forest Apartments, Weinberg Manor West Apartments, and Sierra Woods Apartments. They are insured under the FHA Risk-Sharing Program. Upon payments of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration will receive a payment from MHF on the amount of any payment made to FHA.

2 Loans insured by MHF and reinsured by FHLMC. See “FHLMC Reinsurance Agreement.”

3 The “Outstanding Loan Amount” represents amortized principal balances and bond proceeds disbursed as of June 30, 2012.

4 Amounts and percentages may not total exactly due to rounding.

5 Hickory Ridge was financed with two Loans. One Loan is credit enhanced by GNMA and the other Loan is uninsured. Units in the Hickory Ridge project are included in the GNMA totals. Oak Grove was financed with two Loans and both Loans are uninsured.

6 Sierra Woods Apartments is financed with two Loans: Tranche A is insured under the FHA Risk-Sharing Program and subsidized under HUD’s Section 8 program and Tranche B is insured under the FHA Risk-Sharing Program and subsidized under HUD’s Section 236 program.

Pursuant to the Bond Resolution, the Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

FHA Mortgage Insurance. Certain of the Loans are insured under multi-family mortgage insurance programs administered by HUD, acting through FHA, as established pursuant to Sections 221(d)(3), 221(d)(4) and 223(f) of Title II of the National Housing Act and the regulations thereunder (the “FHA Loans”). The Administration, as an FHA-approved mortgagee for the FHA Loans, is eligible to receive FHA insurance benefits in the event of a default under the FHA Loans. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements. FHA insurance benefits received in the event of any claim under the FHA insurance contract will be subject to certain deductions. In particular, the Administration is entitled to settlement of an FHA insurance claim in an amount equal to 99% of the amount of the principal balance of the defaulted FHA Loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the Administration for the benefit of the related Development and not assigned to FHA. Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest that had accrued in the month preceding the date of default and that was due and payable on such date. In addition, processing claims for FHA insurance benefits involves certain time delays. Deductions in addition to those described above, processing delays and the procedures, all of which must be followed in filing and perfecting a claim for FHA insurance benefits, are described in APPENDIX F under the caption “THE FHA INSURANCE PROGRAM.”

FHA Risk-Sharing Program. The FHA Risk-Sharing Program is administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992 (the “Risk Sharing Act”) and applicable HUD Regulations found at 24 C.F.R. Part 266. The Risk Sharing Act authorizes the Secretary of HUD (“HUD Secretary”) to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible developments. Under this program, FHA endorses mortgages on qualified multi-family projects for insurance. HUD delegates to the HFA certain loan underwriting, loan management and property disposition functions. Upon default of an insured loan, FHA is required to make an initial payment in the amount of the unpaid principal and interest due to the date of claim. The HFA is required to reimburse HUD an agreed percentage of any loss resulting upon disposition of the property (but in any event within five years, subject to extension in the discretion of HUD).

The Administration has received designation as both a Level I and a Level II participant in the FHA Risk-Sharing Program with an initial allocation of 475 affordable multifamily housing units eligible for insurance. The Administration applies for an additional allocation of multi-family units in an amount sufficient to insure units under the FHA Risk-Sharing Program that will be financed by a Loan. As a Level I participant, the Administration will assume 50% or more of the liability for any losses incurred by HUD upon payment under its insurance following disposition of the property, the exact percentage being determined separately with respect to each project. As a Level II participant, the Administration will assume (i) 25% of the liability for such losses with respect to projects having a loan to value or loan to replacement cost ratio greater than or equal to 75%, or (ii) 10% of such liability with respect to projects having a loan to value or loan to replacement cost ratio less than 75%.

The Administration currently expects that its participation in the FHA Risk-Sharing Program will be in connection with new Loans financed by Bonds on a case-by-case basis. MHF is expected to reimburse the Administration for the Administration’s share of any loss incurred under the FHA Risk-Sharing Program.

MHF Multi-Family Mortgage Insurance. Certain of the Loans are insured by MHF, a unit of the Division of Credit Assurance of the Department, pursuant to State law (the “MHF Loans”). For more information relating to the financial condition of MHF, see APPENDIX F - “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – THE MHF INSURANCE PROGRAM” and APPENDIX J - “FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND.”

The Administration, as an MHF-approved mortgagee for the MHF Loans, is eligible to receive MHF insurance benefits in the event of a default under the MHF Loans. The standard coverage for public agency mortgagees, such as the Administration, is up to 100% of the loan amount. When a public agency of the State is mortgagee, it may upon default and with MHF’s consent assign the mortgage and its rights thereunder to MHF, which shall pay the appropriate claim amount upon recordation of the assignment and upon the assignment to MHF of all claims of the mortgagee against the mortgagor. After the mortgagor has been in default for six months, either MHF or the mortgagee, without the other’s consent, may require the assignment of the mortgage to MHF. In certain cases, however, it has been the practice of MHF to defer payment of claims to the Administration pending resolution of defaults. MHF, upon such assignment, has all rights of the mortgagee to pursue the mortgagor for any deficiency, loss, or periodic payments. In those instances where the mortgagee is a public agency, if the mortgage is not assigned to MHF upon the default, MHF is obligated to make such periodic payments as are due under the terms of the insured mortgage with the exception of late charges and mortgage insurance premiums. Such periodic payments continue until the default is cured or the loan is foreclosed upon or assigned to MHF. See APPENDIX F - “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF

INSURANCE PROGRAM - Multi-Family Information - Certain Additional Expected Multi-Family Claims.”

The financial statements of MHF are contained in APPENDIX J. The financial statements of MHF are reported on a consolidated basis combining results of operations for MHF’s Multi-Family, Single Family, Revitalization and Home and Energy Mortgage Insurance Programs. An insurance claim under MHF’s Multi-Family Program is payable only from the Multi-Family Reserve, MHF operating funds and the Unallocated Reserve, and not from any other funds, assets or reserves of MHF as may be identified in the financial statements.

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody’s that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration’s outstanding parity debt, including the Bonds, MHF transferred \$10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006 or 2007. Legislation was enacted during the 2008 legislative session requiring another \$10 million to be transferred and beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than \$10 million, be transferred to the Department’s revolving housing loan funds. For the fiscal years ending on June 30, 2009, 2010, 2011, and 2012, MHF transferred \$5.7 million, \$2.7 million, \$2.1 million, and \$2.05 million, respectively, from the Unallocated Reserve to the Department’s revolving housing loan funds. For more information about the MHF Reserves, see APPENDIX F – “MORTGAGE INSURANCE AND GUARANTY PROGRAMS - THE MHF INSURANCE PROGRAM – Management’s Presentation of the MHF Program – Income and Reserves.”

FHLMC Reinsurance Agreement. On December 28, 1994, MHF, the Department and the Administration entered into a Reinsurance Agreement with the Federal Home Loan Mortgage Corporation (“FHLMC”), a corporation chartered by Congress under the laws of the United States, for the purpose of ceding to and fully reinsuring with FHLMC the mortgage insurance obligations of MHF for certain multi-family loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure loans without any contingent liability for MHF. For additional information about the FHLMC Reinsurance Agreement, see “MORTGAGE INSURANCE AND GUARANTY PROGRAMS- THE MHF INSURANCE PROGRAM – Multi-Family Information - FHLMC Reinsurance Agreement” in APPENDIX F.

GNMA Mortgage-Backed Securities. GNMA is a wholly-owned corporate instrumentality of the United States within HUD with its principal office in Washington, D.C. A security guaranteed by GNMA (a “Guaranteed Security”) is a “fully modified pass through” mortgage-backed security which requires monthly payments by an FHA-approved lender, as the issuer of the Guaranteed Security (the “Lender”), to the registered holder of the Guaranteed Security of principal of and interest on such Guaranteed Security when due, whether or not the Lender receives payments on the mortgage note underlying such Guaranteed Security, plus any prepayments of principal of the mortgage note received by the Lender. GNMA guarantees timely payment of principal of and interest on Guaranteed Securities. Section 306(g) of Title III of the National Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” See “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – THE GNMA GUARANTY PROGRAM” in APPENDIX F.

Fannie Mae Stand-by Guaranty Program. A description of this program is provided in “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – THE FANNIE MAE STAND-BY GUARANTY PROGRAM” in APPENDIX F hereto.

See APPENDIX D - “DESCRIPTION OF LOANS AND DEVELOPMENTS” for a description of the Credit Enhancement applicable to each Loan. See APPENDIX F for additional information concerning mortgage insurance and credit enhancement. **Neither MHF, FHA, GNMA, Fannie Mae, FHLMC nor any other Credit Enhancer insures or guarantees the Bonds. The assets of MHF, FHA, GNMA, Fannie Mae, FHLMC or other Credit Enhancers are not available to the Administration or the Trustee to satisfy obligations to the holders of the Bonds. The obligations of MHF, FHA, GNMA, Fannie Mae, FHLMC and other Credit Enhancers are limited to the payment of mortgage insurance claims, credit enhancement or guaranties as described herein.**

Housing Subsidy Payments for Rental Housing Developments

As of June 30, 2012, the multi-family rental housing developments financed by Rental Housing Loans (“Rental Housing Developments”) received federal housing subsidy payments under the Section 8 and Section 236 programs as follows:

<u>Housing Subsidy Program</u>	<u>Number of Rental Housing Developments</u>	<u>Number of Units</u>	<u>Subsidized Units</u>	<u>Percentage of Subsidized Units</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Outstanding Loan Amount</u>
None	24	3,984	0	0.00%	\$235,789,316	61.99%
Section 8 ^{1, 2, 4, 5}	21	2,374	2,260	95.45	96,714,035	25.43
Section 236	4	677	677	100.00	9,838,120	2.58
Sections 236 & 8	5	938	936	99.79	38,026,756	10.00
Total: ³	54	7,973	3,873	48.58%	\$380,368,227	100.00%

¹The following seven Developments have Section 8 contracts which expire before the maturity of their related Rental Housing Loans.

<u>Name</u>	<u>Current Balance</u>	<u>Credit Enhancement</u>
Air Park Apartments	\$ 9,925,368	GNMA
College Parkway Apartments	9,965,154	GNMA
Foxwell Memorial Apartment	3,095,889	GNMA
Hickory Ridge	4,793,905	GNMA
Mount Clare Overlook	6,444,168	GNMA
Spellman House	7,333,060	FNMA
Woodside Gardens	5,911,199	FNMA

²Air Park Apartments has an outstanding Loan balance of \$9,925,368 and has a Section 8 contract covering less than 100% of the units in the related Rental Housing Development. Air Park Apartments is backed by GNMA securities.

³Amounts and percentages may not total exactly due to rounding.

⁴Stevens Forest Apartments has a Section 8 contract covering less than 100% of the units. Total units are 108 and 96 are subsidized.

⁵Weinberg Manor West Apartments has a Section 8 contract which has to be renewed every year.

Section 8 Program. Under the Section 8 housing assistance payments program, housing assistance payments are disbursed by the Administration, as HUD’s agent, through payment of a “Contract Rent” for each assisted dwelling unit. The Contract Rent is generally limited by the “fair market rents” established by HUD and published in the Federal Register and by the rents of unassisted units of similar age, design, location and amenities. The Contract Rent for the assisted dwelling units in

each development is adjusted by HUD annually pursuant to an adjustment factor established by HUD. The subsidy contracts usually provide for the payment of the Section 8 subsidy for an initial term automatically renewable for additional terms of not more than five years each; however, some contracts are for terms that expire before maturity of the Loan for the related Development. **There is no assurance that a Housing Assistance Payment Contract (“HAP Contract”) will be renewed upon its expiration or that HUD will extend the term of any Section 8 subsidy for the term of or in amounts sufficient to pay the related Loan.** Payments received under the subsidy contracts constitute a primary source of revenues for many of the Rental Housing Developments receiving such assistance. Therefore, the termination of, or the reduction of payments under, a subsidy contract may have a material adverse impact on the ability of the related Rental Housing Development to generate revenues sufficient to pay the principal of and interest on a Loan.

The Department is the contract administrator under the HAP Contracts. In such capacity, the Department may be required by its responsibilities under the HAP Contracts to reduce or terminate payments under such contracts, or impose other sanctions, upon a Borrower if the Borrower fails to comply with the requirements of the Section 8 program. Any such action by the Department could adversely affect the availability of revenues to pay debt service on the related Loan.

Additional information about the Section 8 program and recent legislation regarding renewals of HAP Contracts appears in APPENDIX G - “FEDERAL HOUSING SUBSIDY PROGRAMS - Section 8 Program.”

Section 236 Program. Pursuant to Section 236(b) of the National Housing Act, the HUD Secretary may enter into Section 236 contracts for certain Rental Housing Developments (the “Section 236 Developments”) to make periodic interest reduction payments to the Administration on behalf of the mortgagors of the Section 236 Developments which were designed for occupancy by persons and families of low income. HUD’s interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal, interest and a mortgage insurance premium which a mortgagor is obligated to pay under its Loan and the monthly payment for principal and interest which a mortgagor would be obligated to pay if its Loan were to bear interest at the rate of one per centum (1%) per annum. HUD is obligated to make payments under a Section 236 contract and may not terminate or reduce such payments except under certain circumstances, including, but not limited to, certain foreclosure actions instituted by the Administration. The funds for payment of interest reduction payments under the Section 236 contracts have been appropriated by Congress but are subject to rescission by legislation. Additional information about the Section 236 program appears in APPENDIX G - “FEDERAL HOUSING SUBSIDY PROGRAMS - Section 236 Program.”

See APPENDIX G - “FEDERAL HOUSING SUBSIDY PROGRAMS” for detailed information about federal housing subsidy programs.

Single Family and Group Home Loans

In addition to the Rental Housing Loans described above, the Administration acquired or financed Loans with the proceeds of prior Series of Bonds for the following single family residences and various group housing facilities for special needs populations, including developmentally disabled individuals “Group Homes”):

<u>Type of Development</u>	<u>Number of Loans</u>	<u>Number of Units</u> ¹	<u>Type of Credit Enhancement</u>	<u>No. of Loans Credit Enhanced</u>	<u>Percentage of Total Units Credit Enhanced</u>	<u>Outstanding Loan Amount As of June 30, 2012</u>
Single Family Residences	14	14	MHF	14	100%	\$ 166,219
Group Homes	54	172	MHF	54	100%	8,524,880
Total	68	186		68	100%	\$8,691,099

1 In the case of single family residences, “units” refers to number of residences; in the case of Group Homes, “units” refers to number of individuals served.

Refer to Table D-4 of APPENDIX D for information on delinquencies.

Pursuant to the Bond Resolution, the Administration may, in its discretion, cancel or release the Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such cancellation or release into account and a certificate of an Authorized Officer to the effect that any such cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

Single Family Residences. The single family residences originally were financed with mortgage loans (“Single Family Loans”) funded from the proceeds of bonds issued by the Administration in 1977. The Single Family Loans financed single family residences in the late 1970s within the Counties of Anne Arundel, Howard, Montgomery and Prince George’s. Each Single Family Loan is secured by a first lien mortgage and insured by MHF. MHF insurance provides coverage for up to 100% of outstanding principal amount of each Single Family Loan. Any MHF mortgage insurance claims related to such Single Family Loans are payable only from MHF’s Multi-Family Reserve, MHF operating funds and certain unallocated reserves. Each Single Family Loan is subject to prepayment at any time, without premium, by its respective Borrower.

Group Homes. Proceeds of the Series 1996 B Bonds financed Group Home Loans. Group Home Loans are originated pursuant to the Administration’s Special Housing Opportunities Program. Each Group Home Loan is secured by a first lien mortgage and insured by MHF. MHF insurance provides coverage for up to 100% of the outstanding principal amount of each Group Home Loan. Any MHF mortgage insurance claims related to such Group Home Loans are payable only from MHF’s Multi-Family Reserves, MHF operating funds and certain unallocated reserves. Each Group Home Loan is subject to prepayment at any time, without premium, by its respective Borrower. Currently, the Department offers a limited program whereby MHF insures Group Home Loans. Additional information about the Group Homes program appears in APPENDIX C - “THE PROGRAM - Description of Types of Loans Under the Program - *Group Home Loans.*” See APPENDIX F for information about the MHF Multi-Family Insurance Program.

See APPENDIX D – “DESCRIPTION OF LOANS AND DEVELOPMENTS” for a description of mortgage insurance, Credit Enhancement and housing subsidies applicable to each Development. See APPENDIX F - “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS” for detailed information about mortgage insurance and Credit Enhancement. See APPENDIX G - “FEDERAL HOUSING SUBSIDY PROGRAMS” for detailed information about federal housing subsidy programs.

Debt Service Reserve Fund

The Debt Service Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified for each Series of Bonds in the applicable series resolution. As of the date of delivery of the Offered Bonds, the Debt Service Reserve Requirement is calculated to be \$4,213,167. The available balance in the Debt Service Reserve Fund as of June 30, 2012, was \$9,526,350, of which \$1,146,430 were cash equivalents. The fair value of investments was \$8,379,920, of which \$5,497,510 was the book value of investments and \$2,882,410 was the increase in fair value. No amount is required to be deposited to the Debt Service Reserve Fund with respect to the Offered Bonds.

If moneys in the Revenue Fund are insufficient to provide for the payment when due of any Principal Installment, interest on the Bonds or any Sinking Fund Installment, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Revenue Fund the amount of the deficiency then remaining. If any such withdrawal results in the balance in the Debt Service Reserve Fund falling below the amount of the Debt Service Reserve Requirement, any such deficiency shall be replenished from amounts available in the Revenue Fund following payment of Principal Installments, Sinking Fund Installments, redemption premium (if any) and interest on the Bonds. The failure of the Administration to maintain the Debt Service Reserve Requirement will not, in and of itself, constitute an Event of Default under the Bond Resolution.

The Trustee may, at the direction of an Authorized Officer, withdraw any amount in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, and any amount anticipated to be withdrawn in connection with the purchase or redemption of Bonds, and credit such amount to the Revenue Fund. The Debt Service Reserve Requirement may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction and a certificate from an Authorized Officer to the effect that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. The Debt Service Reserve Fund and the Debt Service Reserve Requirement may be funded with moneys or Cash Equivalents, in accordance with the requirements of the Bond Resolution and any Supplemental Resolution, or as determined to be deposited therein by the Administration. If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility or Credit Enhancement are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Debt Service Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider or Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Resolution.

Investment of Funds

Pending application to the purposes of each fund or account, moneys held in the various funds and accounts under the Bond Resolution will be invested in Permitted Investments. As of September 30, 2012, the amount of \$3,437,759.00 (representing the proceeds of the Administration's Housing Revenue Bonds, Series 2012 B, issued on August 30, 2012) was on deposit in the Bond Proceeds Fund. Funds held in the Revenue Fund and the Debt Service Reserve Fund are invested in Permitted Investments. In general, it is the Administration's policy to invest such monies in U.S. Treasury securities, investment contracts collateralized by Permitted Investments, accounts with financial institutions, and securities of other institutions created by the U.S. Government. As of September 30, 2012, all moneys in the Revenue Fund and the Debt Service Reserve Fund were invested in either the Federated Prime Cash Obligations Fund Institutional Capital Shares or Guaranteed Securities guaranteed as to timely payment of principal and interest by GNMA.

Any Permitted Investments described in subparagraphs (4), (5) and (8) of the definition of "Permitted Investments," i.e., U.S. dollar denominated deposit accounts, federal funds and banker's

acceptances, commercial paper and investment agreements, as set forth and more fully described in APPENDIX A-1 - "DEFINITIONS FROM THE RESOLUTIONS" and APPENDIX A-2 - "DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS" to this Official Statement, purchased by the Trustee must, as of the date of such purchase, be rated by any Rating Agency then rating the Bonds in a long-term rating category at least equal to the long-term rating of the Bonds (other than Subordinate Bonds) and a short-term rating in the highest short-term rating category (unless the Permitted Investment has a remaining term of less than one year, in which case it need only have a short-term rating in the highest short-term rating category); provided, however, that the Trustee may purchase Permitted Investments that do not meet the requirements set forth in this paragraph, so long as the purchase of such Permitted Investments does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any Rating Agency then rating the Bonds. If the rating of any Permitted Investment purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Permitted Investment. If a Rating Agency were to downgrade or withdraw the rating on any Permitted Investment previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See "RATINGS" herein.

General Bond Reserve Fund

As an additional source of funds available under certain circumstances for the payment of principal of and interest on any bonds and notes issued or to be issued by the Administration, including the Offered Bonds, the Administration has established the General Bond Reserve Fund (the "General Bond Reserve Fund") pursuant to a General Bond Reserve Fund Trust Indenture, originally adopted as of June 29, 1984, amended and restated as of February 1, 2008 (the "GBRF Indenture"), by and between the Administration and Manufacturers and Traders Trust Company, as trustee. Amounts on deposit in the General Bond Reserve Fund, to the extent available, may be used to pay the principal of and interest on bonds and notes of the Administration in the event that revenues and assets specifically pledged to such bonds and notes are not sufficient for the payment of principal of and interest on such bonds or notes. In addition, the Administration uses moneys in the General Bond Reserve Fund to reimburse costs of operation of the Administration.

As of June 30, 2012, the available balance in the General Bond Reserve Fund was \$30,991,043, of which \$23,076,797 was cash equivalents. The fair value of investments was \$7,914,246, of which \$5,560,864 was the book value of investments and \$2,353,382 was the increase in fair value of the investments. The Administration may withdraw funds from the General Bond Reserve Fund, or may pledge such funds to specific obligations, at any time for any purposes under the Act.

The Administration has restricted the following amounts in the General Bond Reserve Fund for the following purposes:

- (1) approximately \$626,000 in order to provide a reserve fund for mortgage insurance for single family program mortgage loans; and
- (2) \$818,204 as required for participation in the FHA Risk-Sharing Program.

On May 19, 1997, the Director of the Administration adopted a determination, approved by the Secretary (the "Determination"), stating the Administration's intent to use funds from the General Bond Reserve Fund to compensate for any deficiency in funds available to meet the Administration's obligations to the holders of its Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) if MHF becomes unable to or otherwise fails to pay a claim due to the Administration. The Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) have been defeased and are no longer

outstanding. Notwithstanding the foregoing, the Determination states that it is the policy of the Administration to maintain a total amount of cash, Investment Obligations and loans under the Administration's special housing opportunities program for financing Group Homes (the "Available Balance") in the General Bond Reserve Fund, as of July 1 of each year, of not less than \$20,000,000. The Determination also provides that the Administration shall provide Moody's with written notice: (i) if, as of July 1 of any year, the Available Balance in the General Bond Reserve Fund falls below \$20,000,000, such notice to be given no later than July 31 for unaudited amounts, and no later than September 30, for audited amounts; and (ii) of any event pursuant to which the Administration places or causes to be placed any lien or restriction upon all or any part of the funds held in the General Bond Reserve Fund (other than liens established in connection with the payment of principal of or interest on any of the Administration's bonds from the General Bond Reserve Fund).

Unless a default has occurred with respect to payment of any principal (or, if applicable, any redemption premium) of the Bonds or other bonds issued by the Administration, the Administration may, subject to any limitations set forth in the preceding paragraph, withdraw amounts in the General Bond Reserve Fund or may pledge amounts in the General Bond Reserve Fund to specific obligations at any time for any purposes under the Act. Upon the occurrence of an event of default with respect to any bonds secured by the General Bond Reserve Fund, the trustee for the defaulted bonds may file a claim against the General Bond Reserve Fund in an amount equal to the amount in default, and upon filing such a claim will have a lien on the General Bond Reserve Fund in the amount of such claim. In the event of multiple defaults, claims against the General Bond Reserve Fund are given priority based upon time of receipt by the General Bond Reserve Fund trustee. There can be no assurance that moneys will be available in the General Bond Reserve Fund for the payment of principal of or interest on the Bonds. The Trustee is also the trustee for the General Bond Reserve Fund.

Cash Flow Statements and Certificates

The Administration is required to file with the Trustee a current Cash Flow Statement whenever any Series of Bonds is issued, unless such filing is not required by a Rating Agency.

The Administration is also required to file with the Trustee a current Cash Flow Certificate:

(i) upon purchase or redemption of Bonds of a Series in a manner other than (a) as contemplated in the most recent Cash Flow Statement filed by the Administration with the Trustee, or (b) on a basis whereby the Bonds of each maturity of such Series are purchased or redeemed in the proportion that the amount Outstanding of such maturity bears to the total amount of all Outstanding Bonds of such Series, with respect to purchases or redemptions to be made from Recovery Payments;

(ii) prior to withdrawing moneys from the Revenue Fund for payment to the Administration free and clear of the pledge and lien of the Bond Resolution, in an amount in excess of the amounts determined to be available for such purpose in the most recent Cash Flow Statement filed with the Trustee;

(iii) prior to selling Loans not in default;

(iv) prior to (a) the initial financing of a Loan whose terms are materially inconsistent with the most recent Cash Flow Statement, or (b) subsequently materially modifying, amending or altering the terms or provisions of any Loan or releasing, altering or modifying materially the security therefor (including, without limitation, Credit Enhancement, if any);

(v) except as provided in Section 6.07(c) of the Bond Resolution (summarized in APPENDIX H), prior to the releasing of any Loan from the pledge and lien of the Bond Resolution at less than the amount specified in Section 6.06 of the Bond Resolution (summarized in APPENDIX H) for Prepayment of such Loan;

(vi) prior to the application of a Recovery Payment to any use other than the purchase or redemption of Bonds;

(vii) prior to the purchase of Bonds at a price in excess of the then applicable Redemption Price plus accrued interest to the date of purchase; or

(viii) prior to effecting any reduction in the Debt Service Reserve Requirement.

A Cash Flow Statement shall consist of a certification and calculation made by or for the Administration and signed by an Authorized Officer giving effect to the action proposed to be taken and demonstrating that:

(i) the Revenues derived with respect to each Loan, together with any other payments on such Loans;

(ii) interest and other income estimated by the Administration to be derived from the investment or deposit of money available for payment of the Bonds in any fund or account created by or pursuant to the Bond Resolution (which estimate shall be based upon the investments or deposits in any fund or account at the rate of return thereon or, in the case of future investments or investments or deposits expected to be made at the time of such certificate, at an assumed rate or reinvestment rate reasonably determined by the Administration compounded no more frequently than monthly);

(iii) any fees charged by the Administration and any other available revenues; and

(iv) any other moneys or funds pledged to the payment of the Bonds,

will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds described in the calculation in the current Bond Year and in each succeeding Bond Year. A Cash Flow Statement shall include all Outstanding Bonds, together with one or more Series of Bonds to be issued by the Administration, all as may be required by the Bond Resolution, and may exclude any or all Subordinate Bonds. To the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account when preparing a Cash Flow Statement.

In addition, the Cash Flow Statement shall demonstrate that: (1) the amount of moneys and Permitted Investments held in the Bond Proceeds Fund, the Redemption Fund, the Revenue Fund and the Debt Service Reserve Fund (valued at their cost to the Administration, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, (2) the outstanding principal balance of Loans, together with accrued but unpaid interest thereon, and (3) any other assets, valued at their realizable value, pledged for the payment of the Bonds, will equal or exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds; provided that in the event a series resolution specifies that, for purposes of the requirements of this paragraph, the Loans financed by such Series of Bonds shall be valued at other than their outstanding principal balance, then, with respect to such Loans, such other value shall be used in the calculations required by this paragraph.

A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Administration to the effect of one of the following: (1) the proposed action is consistent with the assumptions set forth in the most recent Cash Flow Statement; or (2) after giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the amounts described in clauses (i) through (iv) above will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds described in the calculation, except that to the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow Certificate; or (3) the proposed action will not in and of itself materially adversely affect the amounts described in clauses (i) through (iv) above, except with respect to such funds or accounts which may be specified in such Supplemental Resolution to not be taken into account in connection with such Cash Flow Certificate. The Administration, at its option, may file a Cash Flow Statement in lieu of a Cash Flow Certificate in any instance when it is required to file a Cash Flow Certificate.

Cash Flow Statements and Cash Flow Certificates are prepared based upon certain assumptions of and information available to the Administration at the time such a statement or certificate is prepared. Such assumptions and information are subject to change, which may materially affect the conclusions expressed in the statement or certificate. Accordingly, Bondholders should be aware that the existence of a Cash Flow Statement or Cash Flow Certificate does not assure that the conclusions expressed therein will accurately reflect future revenues or events. See APPENDIX H - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Cash Flow Statements and Certificates."

Credit Facilities

Under the Bond Resolution, payment of the principal or redemption or purchase price of and interest on each Series of Bonds issued thereunder may be, but is not required to be, secured by a Credit Facility. In connection with obtaining any such credit or liquidity facility, the Administration may under the Bond Resolution pledge to the provider thereof its interests in the Loans and the accounts created under the Bond Resolution and applicable series resolution relating to such Loans.

A Credit Facility may be: (i) an unconditional and irrevocable letter of credit in form and drawn on a bank or banks acceptable to the Administration (which bank or banks must be rated by any Rating Agency in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) or "A-1+" or "P-1," as applicable, if the Credit Facility has a remaining term at the time it is provided not exceeding one year); provided that such letter of credit may be provided by a bank or banks whose rating is lower than that set forth above, so long as the provision of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Permitted Investments or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond, or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds.

Additional Bonds; Subordinate Bonds

The Resolutions permit the issuance of additional Bonds for one or more of the following purposes: (1) to finance or refinance Qualified Loans (including, without limitation, Qualified Loans in default); (2) to refund any or all Outstanding Bonds or any other bonds, notes or other obligations; (3) to pay any "Development Cost" as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, and fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted

by the Act; (4) to fund reserves; or (5) to achieve any of the Administration's purposes. Prior to the issuance of any Series of additional Bonds, the Administration will file with the Trustee: (i) a Cash Flow Statement, and (ii) either (a) if the additional Bonds are not Subordinate Bonds, confirmation that the rating on such Series of Bonds shall not be lower than the rating on the Bonds in effect immediately prior to the issuance of such Series of Bonds, or (b) if the additional Bonds are Subordinate Bonds, confirmation that the issuance of such Series of Subordinate Bonds will not, in and of itself, result in a downgrade of the rating on any outstanding Series of Bonds which are not Subordinate Bonds in effect immediately prior to the issuance of such Series of Subordinate Bonds, unless a more restrictive requirement is established under any series resolution. The Offered Bonds and any additional Bonds issued under the Bond Resolution (except for Subordinate Bonds and any Bonds the security for which is excluded from or limited with respect to the pledge of the Bond Resolution to the extent provided in the series resolution securing such Bonds) will be on a parity and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Administration may issue Bonds to be secured by the Bond Resolution on a subordinated basis. Payment of the principal or redemption price of and interest on, and the purchase price of, each Series of Subordinate Bonds, may be secured by the pledge of funds and accounts under the Bond Resolution to the extent specified in the series resolution, which pledge is subordinate, however, to the pledge securing the Bonds which were not issued as Subordinate Bonds, and upon such terms and conditions set forth in the series resolution authorizing such Subordinate Bonds. A Series of Subordinate Bonds may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to the Bonds which are not Subordinate Bonds and with respect to any Subordinate Bonds having a higher priority to payment from such Revenues. No Subordinate Bonds are Outstanding under the Bond Resolution.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described herein, interest on the Offered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which the Offered Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Offered Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Offered Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Administration and the Series 2012 D Borrower in connection with the Offered Bonds, and Bond Counsel has assumed compliance by the Administration and the Series 2012 D Borrower with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Offered Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

Certain Parity Resolution Aspects

Each Series of Bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Offered Bonds, must satisfy the applicable requirements of the Code or the Internal Revenue Code of 1954, as amended (the "1954 Code"). The specific requirements will vary depending upon the date of issuance of the Bonds or of the original bonds that are refunded, directly or indirectly, by a series of Bonds. The Administration also is authorized to issue and may in the future issue pursuant to the Bond Resolution one or more Series of Bonds the interest on which is intended to be includable in gross income for Federal income tax purposes ("Taxable Bonds"). The applicable series resolution for any issue of Taxable Bonds will provide that proceeds from any Series of Tax-Exempt Bonds will not be used to redeem any Taxable Bonds if the redemption would cause interest on any Series of Tax Exempt Bonds to be includable in gross income for Federal income tax purposes.

In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low-income set-aside requirements under the Code. In general, certain Tax-Exempt Bonds issued before such general effective date and certain current refundings of such Tax-Exempt Bonds remain subject to certain different and typically less restrictive low-income set-aside requirements under the 1954 Code. The Offered Bonds are fully subject to the applicable low income set aside requirements of the Code. This section includes brief summaries of certain low-income set-aside requirements applicable to the Offered Bonds under the Code, and also to certain requirements applicable to other bonds issued under the Bond Resolution under the Code or the 1954 Code.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Offered Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Administration has covenanted in the Resolutions that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code. The Administration will deliver its Tax Certificate concurrently with the issuance of the Offered Bonds which will contain provisions relating to compliance with the requirements of the Code. The Administration also has required or will require the Series 2012 D Borrower to make certain covenants in the Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Administration or the owners of the Offered Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of

the exclusion from gross income of the interest on the Offered Bonds for Federal income tax purposes. Furthermore, for any Loan financed with the Offered Bonds that is insured by FHA, such Federal tax compliance covenants will be subordinate to the rights of FHA under the Loan documents and the enforcement of such covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Administration or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on such Offered Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

The Offered Bonds are subject to the low-income set-aside and other requirements for qualified residential rental projects under the Code which are described briefly in this paragraph. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide “qualified residential rental projects.” The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Offered Bonds be continuously occupied during the “qualified project period” by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Offered Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Administration will make elections on the applicable low-income set-aside requirements with respect to any Development expected to be financed with the proceeds of the Offered Bonds prior to the issuance date of the Offered Bonds. In addition, all of the units in any Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low-income set aside requirement so long as a tenant’s income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant’s income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of comparable or smaller size in the same building as the tenant whose income has increased over 140% of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Low-Income Set-Aside Requirements under the 1954 Code

Certain bonds under the Bond Resolution (not including the Offered Bonds), that were issued originally before August 16, 1986, or that represent refundings, directly or indirectly, of a series of bonds originally issued before such date that meet certain transition rules to the Tax Reform Act of 1986 are subject to the low-income set-aside and other requirements for qualified projects for residential rental property under Section 103(b)(4)(A) of the 1954 Code which are described briefly in this paragraph. Section 103(b)(4)(A) of the 1954 Code generally defines a qualified project for residential rental property

as a project in which at least 20% of the units in the applicable project (15% for certain targeted area projects located in qualified census tracts or in areas of chronic economic distress) are to be occupied at all times during the “qualified project period” by individuals whose incomes, determined in a manner consistent with Section 8 of the 1937 Housing Act, at the time of initial occupancy, do not exceed 80% of the median income for the area. In addition, all of the units of such project must be rented or available for rental on a continuous basis throughout the applicable qualified project period or for so long as any bonds that financed the project remain outstanding, whichever is longer. For bonds or other obligations issued after April 24, 1979, and before September 4, 1982, the 1954 Code defines the “qualified project period” to mean a period of 20 years commencing on the later of the date that the project becomes available for occupancy or the date of issuance of the bonds or other obligations. For bonds or other obligations issued after September 3, 1982 and before the effective date of the Code, the 1954 Code defines the “qualified project period” to mean the period beginning on the later of the first day upon which 10% of the units in a project are occupied or the date of issuance of the bonds or other obligations and ending on the latest of (i) the date that is 10 years after the date upon which 50% of the units in such project are first occupied, (ii) the date that is derived by adding to the date of initial occupancy of any unit in the project a period of time equal to one-half of the sum of the total number of days which comprise the term of the applicable bonds that financed the project and the period of time that any prior bonds that were part of a series of refundings that were ultimately refunded by the applicable bonds remained outstanding, or (iii) the date upon which any assistance provided under Section 8 of the United States Housing Act of 1937, as amended, terminates.

Certain Requirements for Qualified 501(c)(3) Bonds

Certain Bonds (not including the Offered Bonds) are issued under the Bond Resolution as qualified 501(c)(3) bonds under Section 145 of the Code. In order to comply with the requirements under Section 145 of the Code relating to Group Homes financed with the proceeds of such Bonds, the Administration has required or will require that a Mortgagor covenant, among other things, to maintain its status as a 501(c)(3) organization and use the property acquired with the proceeds of such Series of Bonds in one of the following alternative qualified ways: (i) new construction or first use; (ii) substantial rehabilitation within a period of 24 months; (iii) satisfy the low-income set-aside and other requirements for qualified residential rental projects within the meaning of Sections 145(d)(2)(B) and 142(d) of the Code; or (iv) otherwise use the property in a manner to ensure that it fails to constitute “residential rental property” within the meaning of Section 145(d) of the 1986 Code. Some Developments financed with proceeds of any series of bonds under the Administration’s Group Housing Program are not expected to qualify as “residential rental projects” within the meaning of Section 145(d) of the 1986 Code and would not be subject to the restrictions applicable to “qualified residential rental projects.” In the future, however, the Administration may finance Developments with proceeds of Tax-Exempt Bonds which are qualified 501(c)(3) bonds under Section 145 based on satisfaction of the low-income set-aside requirements for “qualified residential rental projects” under Section 142(d) of the Code.

Other Set-Aside Requirements or Absence Thereof

In addition to the above described set-aside requirements, Developments financed with the proceeds of Bonds also may be subject to income, occupancy and other like restrictions under the Program or other State financing programs. See APPENDIX C - “THE PROGRAM - Income Limits.”

In addition, certain Bonds may finance Developments for governmental units, for 501(c)(3) organizations, or for other projects that may qualify for financing with Tax-Exempt Bonds without the requirement to impose any particular low-income set-aside requirements.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Offered Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Offered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Offered Bonds.

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon such owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Offered Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Offered Bonds. Interest on the Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds of a Series is expected to be the initial public offering price set forth on the cover page (or inside cover page) of this Official Statement with respect to such Series of Bonds. In general, under Section 1288 of the Code, OID on a Bond having OID (a “Discount Bond”) accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Generally, such OID is amortized over the term of any such Discount Bonds, and such amortized amount is treated as tax-exempt interest. Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium

Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost.

Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Offered Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing an Offered Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Offered Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Offered Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel has expressed

no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

FINANCIAL STATEMENTS FOR THE HOUSING REVENUE BONDS

The financial statements for the fiscal years ended June 30, 2012 and June 30, 2011 of the Housing Revenue Bonds and the financial statements for the fiscal years ended June 30, 2012 and June 30, 2011 of MHF (the “Financial Statements”) have been audited by Reznick Group, P.C. (the “Auditors”) as described in the Independent Auditor’s Report of Reznick Group, P.C. accompanying the Financial Statements in APPENDIX I and APPENDIX J, respectively, of this Official Statement. As indicated in the report of the Auditors, such Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States. The Auditors are independent certified public accountants, as indicated in their report with respect to the Financial Statements, and the Financial Statements are included herein in reliance upon the authority of such firm as an expert in giving such report.

Under the terms of the Bond Resolution, the Administration may withdraw moneys and assets from the Bond Resolution at any time subject to certain limitations. See “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates.”

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale and delivery of any of the Offered Bonds or in any way contesting or affecting the validity of any of the Offered Bonds, the Bond Resolution or other proceedings of the Secretary taken with respect to the authorization, issuance, sale and delivery of any of the Offered Bonds, or the pledge or application of any moneys under the Bond Resolution, or the existence or powers of the Administration.

LEGAL MATTERS

The authorization, issuance and delivery of the Offered Bonds are subject to receipt of the opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in APPENDIX L. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LEGALITY FOR INVESTMENT

Under the Act, the Bonds are securities in which all public officers and public units of the State and its political subdivisions and all State banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business, all insurance companies, insurance associations, and others carrying on an insurance business, all State personal representatives, guardians, trustees, and other fiduciaries and all other persons, may legally and properly invest funds, including capital in their control or belonging to them. The Bonds are securities which properly and legally may be deposited with and received by any State or municipal officer or any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

UNDERWRITING

The Offered Bonds are being purchased on a negotiated basis by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC (“JPMS”) and RBC Capital Markets, LLC (collectively, the “Underwriters”). The Underwriters have jointly and severally agreed to purchase the Offered Bonds at the price or prices set forth on the inside cover page hereof. The Underwriters will receive a fee of \$70,735.51 relating to their purchase of the Offered Bonds. The Underwriters are not acting as financial advisors to the Administration. The bond purchase agreement among the Administration and the Underwriters (the “Bond Purchase Agreement”) provides that the Underwriters will purchase all but not less than all of the Offered Bonds. The Underwriters’ obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, without limitation, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the Offered Bonds may be changed, from time to time, by the Underwriters.

The Underwriters may offer and sell any of the Offered Bonds to certain dealers (including dealers depositing such Offered Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof.

JPMS has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage civilities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Administration or the Series 2012 D Borrower for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the Administration or the Series 2012 D Borrower.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in

respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISORS

Caine Mitter & Associates Incorporated and Strategic Solutions Center, LLC (collectively, the “Financial Advisors”) have served as Financial Advisors to the Administration in connection with the sale of the Offered Bonds.

RATINGS

Fitch Ratings Inc. (“Fitch”) has assigned its bond rating of AA+ to the Offered Bonds. Moody’s Investors Service (“Moody’s”) has assigned its bond rating of Aa2 to the Offered Bonds. Explanations of the significance of such ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004 and from Moody’s at 7 World Trade Center, New York, New York 10007. The Administration has not applied for any other rating in respect of any of the Offered Bonds. Fitch and Moody’s may have been provided with information regarding the Administration and its financial condition and operations which is not included in this Official Statement. There is no assurance that such ratings, once assigned, will continue for any period of time or that such ratings will not be revised, reduced or withdrawn. The Administration has not agreed to maintain such ratings, to notify the owners of the Bonds of any proposed or threatened change or withdrawal of such ratings (other than actual material rating changes within the scope of the Administration’s continuing disclosure undertaking described below) or to oppose any proposed or threatened change or withdrawal of such ratings. Any reduction or withdrawal of such ratings would have an adverse effect upon the market price of the Bonds.

CONTINUING DISCLOSURE

The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the “Rule”), adopted by the Securities and Exchange Commission (the “Commission”) under the Securities and Exchange Act of 1934, as amended, to provide to the Municipal Securities Rulemaking Board or to any other entity designated or authorized by the Commission to receive reports pursuant to the Rule (in either case, the “MSRB”) (until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>), within 120 days of the end of each fiscal year, the following annual financial information and operating data (commencing with the fiscal year ended June 30, 2012):

- (i) annual financial statements of the Housing Revenue Bonds and of MHF; and
- (ii) information in this Official Statement, as follows:
 - (a) the description of the charts which are located under the headings “SECURITY FOR THE BONDS – Credit Enhancement of Rental Housing Loans,” “– Housing Subsidy Payments for Rental Housing Developments” and “– Single Family and Group Home Loans;”
 - (b) the balances in the Debt Service Reserve Fund and the General Bond Reserve Fund;

- (c) in APPENDIX C – “THE PROGRAM,” the chart describing geographical distributions of Loans under the subheading “Factors Affecting the Mortgage Loans;”
- (d) APPENDIX D – “DESCRIPTION OF LOANS AND DEVELOPMENTS;”
- (e) APPENDIX E – “OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION;” and
- (f) if more than 20% of the aggregate outstanding principal amount of Loans is insured by the MHF, in APPENDIX F – “MORTGAGE INSURANCE AND GUARANTY PROGRAMS – MHF INSURANCE PROGRAM – Multi-Family Information,” information under the subheadings “Multi-Family Insurance in Force and Available Reserves,” “Certain Additional Expected Multi-Family Claims” and “Multi-Family Claims Experience.”

The Administration has reserved the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Administration; provided that the Administration has agreed that any such modification will be done in a manner consistent with the Rule. The Administration may, at its option, satisfy this obligation by providing an official statement or other offering circular for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously.

The Administration agrees to provide, in a timely manner, not in excess of ten (10) business days after the occurrence of such event, to the MSRB, notice of the occurrence of any of the following events with respect to any of the Offered Bonds:

- (i) principal and interest payment delinquencies,
- (ii) non-payment related defaults, if material,
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties,
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties,
- (v) substitution of credit or liquidity providers or their failure to perform,
- (vi) 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 Offered Bonds, or other material events affecting the tax status of the Offered Bonds,
- (vii) modifications to rights of Bondholders, if material,
- (viii) bond calls, if material, and tender offers,
- (ix) defeasances,
- (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material,

- (xi) rating changes,
- (xii) bankruptcy, insolvency, receivership or similar event of the Administration,¹
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Administration or the sale of all or substantially all of the assets of the Administration, 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, if material, and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In a timely manner, the Administration will give to the MSRB notice of any failure by the Administration to provide any information as described above on or before the dates specified therein. There have been no instances in the previous five years in which the Administration has failed to comply, in all material respects, with any previous undertakings.

The Administration has reserved the right to terminate its obligation to provide financial information and notices of material events, as described above, as to any Series of Bonds or the owners thereof if and when the Administration no longer remains an obligated person with respect to such Series of Bonds within the meaning of the Rule.

The Administration will agree that its undertaking pursuant to the Rule described herein is intended to be for the benefit of any holder or beneficial owner of any of the Offered Bonds. Such holder's and beneficial owner's right to enforce the provisions of the Administration's undertaking is limited to a right to obtain specific enforcement of the Administration's obligation with respect thereto. Any failure by the Administration to comply with the provisions of its undertaking will not be an event of default with respect to the Offered Bonds or any other Bonds issued under the Bond Resolution or under any related series resolution.

The provisions of the undertaking may be amended, without the consent of the holders or any beneficial owners of any of the Offered Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date of the undertaking.

¹ For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Administration 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 Administration, 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 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 Administration.

MISCELLANEOUS

Summaries and Descriptions in Official Statement

The summaries and explanation of, or references to, the Act, the program documents, the Resolutions and the Offered Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the office of the Administration. The descriptions of MHF and mortgage insurance and credit enhancement programs do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

Selection and Compensation of Professionals

The Administration selects the Auditors through a competitive process in accordance with State procurement law. Compensation of the Auditors is not contingent on the sale and delivery of the Offered Bonds. The Financial Advisors are selected by the Administration periodically through a competitive process in accordance with State procurement law. Compensation of the Financial Advisors is not contingent on the sale and delivery of the Offered Bonds. Bond Counsel was selected by the Office of the Attorney General of the State through a process of review of responses to a request for proposals. Compensation of Bond Counsel is not contingent on the sale and delivery of the Offered Bonds. The Underwriters are selected by the Administration periodically through a process of solicitation of proposals. Compensation of the Underwriters and their counsel is contingent on the sale and delivery of the Offered Bonds.

This Official Statement is not to be construed as a contract or agreement between the Administration and the owners of any of the Offered Bonds.

* * * * *

The execution and delivery of this Official Statement and the incorporation of the Appendices hereto by the Administration have been duly authorized by the Secretary of Housing and Community Development.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/ Frank B. Coakley
Frank B. Coakley, Director
Community Development Administration

APPENDIX A-1

DEFINITIONS FROM THE RESOLUTIONS

Certain of the terms used in this Official Statement, including the appendices hereto, are defined in the Resolutions. Certain terms used in this Official Statement are defined elsewhere in this Official Statement. In addition, the following terms from the Resolutions have the following respective meanings in this Official Statement, unless a different meaning clearly appears from the context:

“Accountant’s Report” means an opinion signed by any nationally recognized certified public accountant or firm of certified public accountants (who may be the accountant or firm that regularly audits the books and accounts of the Administration) from time to time selected by the Administration.

“Accounts” means the accounts established pursuant to the Bond Resolution or any Supplemental Resolution.

“Accreted Amount” means, as of any Interest Payment Date, with respect to Capital Appreciation Bonds and Deferred Income and Appreciation Bonds, such amounts as are set forth in the Series Resolution authorizing such Capital Appreciation Bonds and/or Deferred Income and Appreciation Bonds. “Accreted Amount” means, as of any date other than an Interest Payment Date, the sum of (a) the Accreted Amount on the preceding Interest Payment Date and (b) the product of: (x) a fraction, the numerator of which is the number of days having elapsed from the preceding Interest Payment Date and the denominator of which is the number of days from such preceding Interest Payment Date to the next succeeding Interest Payment Date, and (y) the difference between the Accreted Amounts for such Interest Payment Dates.

“Acquired Development” means a Development constructed, owned, operated or administered by reason of the Administration’s obtaining possession thereof when the Mortgage with respect thereto is in default under its terms.

“Acquired Development Expense Requirement” means such amount of money as may, from time to time, by resolution of the Administration, with the approval of the Secretary, be determined to be necessary for the payment or as a reserve for the payment of any costs and expenses incurred in connection with the operation or ownership of an Acquired Development.

“Acquired Development Expenses” means any and all costs and expenses incurred in connection with the operation or ownership of an Acquired Development as the Administration determines from time to time to be necessary and appropriate in carrying out the rights and duties of the Administration under the Bond Resolution with respect to an Acquired Development.

“Acquired Development Receipts” means all money received by the Administration in connection with its acquisition, ownership or operation of an Acquired Development.

“Authorized Denomination” or “Authorized Denominations” means the denomination or denominations for each Series of Bonds set forth in the Series Resolution for each Series of Bonds or Subseries thereof.

“Authorized Officer” means the Secretary, the Deputy Secretary of the Department, the Director, either Deputy Director, any Director of any program or division of the Administration or any other person duly authorized by the Secretary to perform such act or discharge such duty.

“Bond Counsel” means nationally recognized bond counsel who is either currently under contract to provide such services to the Administration or is acceptable to the Administration and the Trustee.

“Bond Year” means the year which begins on January 2 of any year during which Bonds are outstanding and ends on January 1 of the next succeeding year.

“Borrower” means the obligor under a Loan, which may include the Administration.

“Business Day” or “business day” means a day on which banks located in the City of Baltimore, Maryland, and the New York Stock Exchange are open for business.

“Capital Appreciation Bonds” means any non-current interest paying Bonds as designated in the applicable Supplemental Resolution.

“Cash Equivalent” means a letter of credit, insurance policy, surety, guaranty or other security arrangement (each as provided for in a Series Resolution or a Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from each Rating Agency at least equal to the then existing rating on the Bonds (other than Subordinate Bonds) or whose unsecured long-term debt securities are rated in a category at least equal to the then existing long-term rating on the Bonds (other than Subordinate Bonds) and the highest short-term rating category by each Rating Agency; provided that a Cash Equivalent may be provided by an institution which has received a rating of its claims paying ability which is lower than that set forth above or whose unsecured long-term (or short-term) debt securities are rated lower than that set forth above, so long as the providing of such Cash Equivalent does not, as of the date it is provided, in and of itself, result in the reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by each Rating Agency.

“Cash Flow Certificate” means the certification and calculation (if required) made by or for the Administration pursuant to the Bond Resolution.

“Code” means the applicable sections of the Internal Revenue Code of 1954 (the “1954 Code”) or the Internal Revenue Code of 1986 (the “1986 Code”), and any applicable regulations promulgated thereunder.

“Collateral Reserve Fund” means the fund so designated which is established by the Bond Resolution.

“Collateral Reserve Requirement” means, as of any date of calculation, the aggregate of the amounts (if any) specified as the Collateral Reserve Requirement for each Series of Bonds or generally in the applicable Series Resolution or Supplemental Resolution, to be deposited into the Collateral Reserve Fund in connection with the issuance of a Series of Bonds or generally; provided that: (i) a Series Resolution or Supplemental Resolution may provide that the Collateral Reserve Requirement may be funded, in whole or in part, through Cash Equivalents and such method of funding shall be deemed to satisfy all provisions of the Bond Resolution with respect to the Collateral Reserve Requirement and the amounts required to be on deposit in the Collateral Reserve Fund, and (ii) a Series Resolution or Supplemental Resolution may provide for a reduction in the Collateral Reserve Requirement, either as to a Series of Bonds or on an aggregate basis, provided that such reduction will not, in and of itself, result in a reduction of the rating of the Bonds as in effect immediately before any such reduction in the Collateral

Reserve Requirement and a Cash Flow Certificate taking such reduction into account is filed with the Trustee.

“Cost of Issuance” means all items of expense payable or reimbursable directly or indirectly by the Administration and related to the authorization, sale and issuance of Bonds and the making, purchasing and otherwise financing of Loans.

“Credit Enhancement” means any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a Loan (or any portion thereof) as provided in any Series Resolution or Supplemental Resolution.

“Credit Enhancer” means the issuer or provider of any Credit Enhancement, which term includes, without limitation: (a) the Maryland Housing Fund, a unit of the Department in the Division of Credit Assurance; (b) any agency or instrumentality of the United States of America guaranteeing, insuring or providing credit enhancement for (including without limitation HUD, the Federal Housing Administration of HUD, and its successors and assigns, the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation); (c) any bank, financial institution, government chartered corporation or other person; or (d) any agency, instrumentality or department of the State.

“Credit Facility” means (i) an unconditional and irrevocable letter of credit (or confirmation of a letter of credit) in form and drawn on a bank or banks acceptable to the Administration, (ii) cash, (iii) a certified or bank check, (iv) Permitted Investments, or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds, or Parity Obligation or a Subordinate Contract Obligation.

“Credit Facility Provider” means the issuer of or obligor under a Credit Facility.

“Debt Service” means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installments and Sinking Fund Installments of such Bonds during such Bond Year.

“Debt Service Reserve Requirement” means, as of any date of calculation, the aggregate of the amounts specified as the Debt Service Reserve Requirement for each Series of Bonds in the applicable Series Resolution; provided that: (i) a Series Resolution may provide that the Debt Service Reserve Requirement for the Series of Bonds authorized thereunder may be funded, in whole or in part, through Cash Equivalents, and such method of funding shall be deemed to satisfy all provisions of the Bond Resolution with respect to the Debt Service Reserve Requirement, and (ii) a Series Resolution or Supplemental Resolution may provide for a reduction in the Debt Service Reserve Requirement, either as to a Series of Bonds or on an aggregate basis, provided that such reduction will not, in and of itself, result in a reduction of the rating of the Bonds as in effect immediately before any such reduction in the Debt Service Reserve Requirement and a Cash Flow Certificate taking such reduction into account is filed with the Trustee.

“Deferred Income and Appreciation Bonds” means any non-current interest paying Bonds which, on a specified date, convert to current interest paying Bonds, as designated in the applicable Series Resolution.

“Development” means any project, facility, undertaking or purpose which the Administration is authorized to undertake or finance pursuant to the Act as now or hereafter in effect, including, without limitation, any undertaking or project, or portion thereof, which is defined as a “community development project,” a “public purpose project,” an “energy conservation project,” a “home improvement project,” an “infrastructure project” or a “special housing facility” by the Act, and shall include, without limitation, single-family, multi-family and group housing.

“Escrow Payment” means any payment made to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any federal, state, local or private program intended to assist in providing Loans, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Borrower customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Loan.

“Fannie Mae” means the Federal National Mortgage Association, a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq.

“Federal Obligations” means direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America.

“FHA” means the Federal Housing Administration or its successors.

“Fiscal Year” means the period of twelve calendar months commencing on July 1 in any calendar year and ending on June 30 in the following calendar year or such other period of twelve calendar months as determined by the Administration.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder-owned, government-sponsored enterprise organized and existing under the laws of the United States.

“GNMA” means the Government National Mortgage Association, a government-sponsored enterprise organized and existing under the laws of the United States.

“Group Home Loans” means Loans made to non-profit organizations to finance group housing facilities for special needs populations, including developmentally disabled individuals.

“Hedge Receipt” means, if and to the extent designated as such pursuant to the Series Resolution or Supplemental Resolution authorizing the related Qualified Hedge, the amount required to be paid to the Administration under a Qualified Hedge.

“Interest Requirement” means, as of any particular date of computation, the sum of the unpaid interest then past due, if any, plus the interest to become due on all Outstanding Bonds on the next Interest Payment Date (if such computation is made on an Interest Payment Date for one or more Series of Bonds before the interest then due on such Interest Payment Date is paid, such Interest Payment Date shall be treated as the next Interest Payment Date for such Series).

“Investment Obligations” shall mean any of the following which at the time are legal investments under the laws of the State for moneys held hereunder which are then proposed to be invested therein:

(1) direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(2) bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; Government National Mortgage Association; Federal Financing Bank; Small Business 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;

(3) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, and temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(4) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any financial institution (including the Trustee or any other Fiduciary) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation, the proceeds of which insurance are timely available, or (ii) such financial institution has combined capital and surplus of at least \$10,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clauses (1) through (3), inclusive, of this definition, or a combination thereof, or (iii) such financial institution has combined capital and surplus of at least \$25,000,000;

(5) interest-bearing notes issued by a bank holding company having combined capital and surplus of at least \$500,000,000 whose senior debt is rated in one of the two highest rating categories of Moody's or Standard & Poor's Corporation;

(6) contracts for the purchase and sale of obligations described in clauses (1) through (5) of this definition, provided that if the parties with which such contracts are made are not members of the Federal Reserve System or if such parties (including members of the Federal Reserve System) are not required to set aside and otherwise identify, obligations described in clauses (1) through (5) above to such contracts as security or reserve therefor in an amount at least equal to 100% of the face value of each such contract, such obligations shall be delivered to and held by a fiduciary during the term of such contracts; and

(7) any other investment now or hereafter a legal investment for funds of the Administration under the laws of the State.

"Loan" means: (1) a loan, made or purchased or otherwise financed by the Administration and evidenced by a promissory note, (2) a portion of, or participation in, a loan made or purchased or otherwise financed by the Administration and evidenced by a promissory note, provided, to the extent required by the Act, that such portion or participation is secured by a lien at least equal in priority to the lien securing any other portion of or participation in the loan made or purchased or otherwise financed from sources other than the proceeds of Bonds, but need not be identical as to interest rate, time or rate of amortization or otherwise, and provided further, that any such portion or participation shall be governed by an agreement between the participants which gives the Administration authority to deal with the Loan as if it were owned solely by the Administration, or (3) a security, certificate or other evidence of

ownership of an interest in a loan purchased or otherwise financed by the Administration, which may (but is not required to) be subject to Credit Enhancement. A Loan may or may not be secured by a Mortgage, to the extent permitted by the Act.

“Mortgage” means a mortgage deed, deed of trust or other instrument securing a Loan.

“Multi-Family Housing Revenue Bonds” means the Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) issued by the Administration pursuant to the 1982 Resolution.

“1982 Resolution” means the Administration’s Resolution Providing for the Issuance of Multi-Family Housing Revenue Bonds (Insured Mortgage Loans), originally adopted as of May 1, 1982, and amended and restated as of January 1, 1994.

“Operating Expenses” means the Administration’s operating expenses and all other expenses of carrying out and administering its powers, duties and functions under the Program and the Bond Resolution, and shall include, without limiting the generality of the foregoing: (1) salaries, supplies, utilities, moving, labor, materials, office rent, maintenance, furnishings, equipment; (2) machinery, insurance premiums, legal, accounting, management, consulting, banking and trust services and expenses; (3) Costs of Issuance not paid from proceeds of Bonds; and (4) payments for pension, retirement, health, hospitalization and other benefits.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been delivered under the Bond Resolution, except:

(a) Bonds surrendered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds (or portions thereof) for the payment or redemption of which cash, Federal Obligations, Pre-Refunded Municipal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been transferred, exchanged, executed, authenticated and delivered, unless proof satisfactory to the Trustee is presented that such bond is held by a bona fide holder in due course.

“Parity Bonds” means Bonds which have a first priority pledge of, lien on, and security interest in, the trust estate established by the granting clauses of the Bond Resolution.

“Parity Hedge Obligation” means the Administration’s obligation to pay any amount under any Qualified Hedge secured by a pledge of, and a lien on, Revenues on a parity with the lien securing the Parity Obligations. Parity Hedge Obligations do not include any payments of any termination fees (including Termination Payments) or other fees, expenses, indemnification or other similar obligations to a Party to a Qualified Hedge, which payments shall be Subordinate Contract Obligations.

“Parity Interest” means interest on Parity Bonds, those portions of Parity Reimbursement Obligations that are related to interest payments on Parity Principal, and Parity Hedge Obligations.

“Parity Obligation Instrument” means an instrument or other contractual arrangement, including Bonds, evidencing the Administration’s obligation to pay Parity Obligations.

“Parity Obligations” means Parity Bonds and Parity Hedge Obligations.

“Parity Principal” means principal of Parity Bonds and those portions of Parity Reimbursement Obligations that are related to principal.

“Parity Reimbursement Obligation” means a Reimbursement Obligation secured by a pledge of, and a lien on, the trust estate established by the granting clauses of the Bond Resolution on a parity with the lien securing the Parity Bonds, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirement for the related Bonds, without acceleration (unless either a Cash Flow Statement is delivered at the time of execution of the Credit Facility incorporating a different principal amortization schedule with respect to such Parity Reimbursement Obligation or the effectiveness of such different amortization schedule is conditioned on the delivery of such Cash Flow Statement), as determined by the Administration in the applicable Series Resolution or Supplemental Resolution. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such issuer, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which accelerated payments shall be Subordinated Contract Obligations.

“Parties” or “Party” means any person(s), other than the Administration, that is a/are party(ies) to a Parity Obligation Instrument or Subordinate Contract Obligation other than Bonds.

“Permitted Investments” means any of the following investments which at the time are legal investments for moneys of the Administration which are then proposed to be invested therein, subject to the terms of the applicable Series Resolution:

- (1) Federal Obligations;
- (2) Bonds, debentures, notes or other evidences of indebtedness issued by any federal agency, instrumentality or public corporation the obligations of which represent or are guaranteed by the full faith and credit of the United States of America, including (without limitation): Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, and U.S. Department of Housing & Urban Development;
- (3) Bonds, notes or other evidences of indebtedness having a rating at least equal to the Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase at least equal to the Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund having a rating at least equal to the Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency;

(7) Pre-Refunded Municipal Obligations having a rating at least equal to the Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect;

(8) Investment agreements with any financial institution or other entity with debt rated at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect;

(9) Contracts for the purchase and sale of obligations described in clauses (1) through (7) of this definition, provided that: (i) if the parties with which such contracts are made are not members of the Federal Reserve System or if such parties (including members of the Federal Reserve System) are not required to set aside and otherwise identify obligations described in clauses (1) through (7) above to such contracts as security or reserve therefor, such obligations shall be delivered to and held by a fiduciary during the term of such contracts, (ii) such obligations shall be continuously maintained at a market value at least equal to 100% of the face value of each such contract, and (iii) the provider of such contract will not adversely affect the rating on the Bonds then in effect;

(10) Investments in any mutual fund the portfolio of which is limited to Permitted Investments, including any proprietary mutual fund of the Trustee for which the Trustee or an affiliate is investment advisor or provides other services to such mutual fund and receives reasonable compensation for such services (and if such mutual fund consists solely of Federal Obligations, then such fund shall constitute "Federal Obligations" for the purposes of the Bond Resolution); and

(11) Any investments authorized in a Series Resolution authorizing the issuance of Bonds.

For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation of a government. Any reference in this definition to the highest rating of short-term obligations shall be without regard to any refinement or gradation such as "+" or "-."

The definition of Permitted Investments may be amended and additional obligations or investments included pursuant to a Supplemental Resolution or a Series Resolution, provided such amendments will not in and of themselves cause a reduction in the rating of the Bonds as in effect immediately before such amendment;

"Prepayment" means any money received from a payment of principal on a Loan in excess of the scheduled payments of principal then due or from the sale, assignment or other disposition of a Loan.

“Pre-Refunded Municipal Obligations” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of any nationally recognized rating agency; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Principal” or “principal” means: (i) as such term references the principal amount of any Capital Appreciation Bonds or Deferred Income and Appreciation Bonds, the Accreted Amount thereof (the excess of the stated maturity amount of a Capital Appreciation Bond or Deferred Income and Appreciation Bond above the Accreted Amount thereof being deemed unearned interest on such Bond), except as used in the Bond Resolution or the Series Resolution in connection with the authorization and issuance of Bonds and in the order of priority of payments on Bonds after default, in which cases the term “principal” shall mean the initial principal amount of a Capital Appreciation Bond or Deferred Income and Appreciation Bond, and the difference between the Accreted Amount of such Capital Appreciation Bond or Deferred Income and Appreciation Bond and the initial principal amount thereof shall be deemed to be interest, and (ii) as such term references the principal amount of any other Bond, the principal amount at maturity of such Bond.

“Principal Installment” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Bond Resolution of Sinking Fund Installments payable before such future date plus (ii) the unsatisfied balance of any Sinking Fund Installments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Installments in a principal amount equal to said unsatisfied balance.

“Qualified Hedge” means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Administration with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to a principal amount, or a notional principal amount relating to all or a portion of the principal amount, of Bonds or Loans as set forth in the authorizing Series Resolution or Supplemental Resolution); asset, index, price or market-linked transaction or agreement; other interest rate exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto; or any similar arrangement; (iii) which is executed by the Administration for the purpose of debt management, including managing interest rate fluctuations on Bonds and/or Loans, but not for purposes of speculation, after the Administration has analyzed applicable risks and benefits of the Qualified Hedge; and (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge.

“Qualified Hedge Provider” means an entity that each Rating Agency has confirmed would not result in a negative impact on the then-current rating of the Bonds.

“Rating Agency” means any nationally recognized rating agency then rating the Bonds at the request of the Administration.

“Recovery Payment” means any money representing principal of a Loan and any premium or penalty with respect thereto received or recovered by the Administration, in excess of any expenses necessarily incurred by the Administration in collection thereof, from (i) the sale or other disposition of a Development, (ii) Prepayments, (iii) condemnation of a Development or part thereof, to the extent not needed to improve or repair the Development, (iv) other proceedings taken in the event of default by the Borrower, (v) the sale or other disposition of a Loan and Mortgage in default for the purpose of realizing on the mortgagee’s interest therein, (vi) to the extent not needed to improve or repair the Development, hazard insurance, or (vii) the payment of principal of a Loan by a Credit Enhancer as a result of any of the events described in the preceding clauses (ii) through (vi) with respect to a Loan subject to Credit Enhancement.

“Redemption Price” means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Refunding Bonds” means any bonds issued by the Administration to refund one or more Series of Bonds or any portion thereof. Bonds issued for the purpose of refunding bonds, notes or other obligations, whether issued by the Administration or any other person, under any authorizing or issuing document, resolution, certificate or indenture other than the Bond Resolution are not Refunding Bonds under the Bond Resolution.

“Revenues” means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including, without limitation, the payments of principal of and interest on Loans (whether paid by or on behalf of the Borrower), including the payments of principal of and interest on Loans subject to Credit Enhancement, and investment income from all funds and accounts subject to the lien of the Bond Resolution, and Hedge Receipts and Termination Payments but not including Recovery Payments, Escrow Payments, Service Charges or Acquired Development Receipts, and not including any fees received by the Administration for its own account pursuant to annual contribution contracts between the Administration and HUD, if any, with respect to Developments financed by Loans, or financing, commitment or similar fees or charges of the Administration at or prior to the time of making, purchasing or otherwise financing a Loan. Any arbitrage rebate payable to the United States are not Revenues and are not subject to the lien of the Bond Resolution.

“Review Committee” means the Department’s Housing Finance Review Committee established by the Act. Further information about the Review Committee is set forth in APPENDIX B - “THE DEPARTMENT AND THE ADMINISTRATION - General Information.”

“Series 1996 A Bonds” means the Administration’s Housing Revenue Bonds, Series 1996 A.

“Servicer” means the Administration or any other public or private institution (including the Trustee) with which the Administration shall execute a contractual agreement for the servicing of a Loan, including the collection and deposit of payments and proper application of Escrow Payments.

“Sinking Fund Installment” means any amount of money required by or pursuant to a Series Resolution to be paid on a specified date by the Administration toward the retirement of any particular Term Bonds before maturity.

“Subordinate Bonds” means Bonds secured by the Bond Resolution on a subordinated basis and issued pursuant to Section 2.05 thereof.

“Subordinate Contract Obligation” means (a) Subordinate Bonds, (b) any payment obligation of the Administration (other than a payment obligation constituting a Parity Obligation) arising under any Qualified Hedge, or portion of a Qualified Hedge, which has been designated as constituting a “Subordinate Contract Obligation” pursuant to the Series Resolution or Supplemental Resolution authorizing such Qualified Hedge, and (c) any other contract, agreement or other obligation authorized by a Series Resolution or Supplemental Resolution and designated as constituting a “Subordinate Contract Obligation” in such authorizing Series Resolution or Supplemental Resolution. Each Subordinate Contract Obligation shall be payable from Revenues subject and subordinate to the payments to be made with respect to the Parity Obligations, and shall be secured by a lien on and pledge of Revenues junior and inferior to the lien on and pledge of the Revenues herein created for the payment of the Parity Obligations.

“Termination Payment” means, with respect to a Qualified Hedge, an amount required to be paid by the Administration to a Qualified Hedge Provider as a result of the termination of the related Qualified Hedge or required to be paid by the Administration into a collateral account as a source of payment of any termination payments, provided that Termination Payments shall always be Subordinate Contract Obligations.

“Termination Receipt” means an amount required to be paid to the Administration under a Qualified Hedge by the Qualified Hedge Provider as a result of the termination of such a Qualified Hedge.

“Transferred Loans” means the Loans acquired with the proceeds of the Series 1996 A Bonds.

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APPENDIX A-2

DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS

Certain of the terms used in this Official Statement are defined in the Resolutions. Certain terms are defined elsewhere in this Official Statement. In addition, the following terms from Fannie Mae Series Resolutions or applicable to the financing of Fannie Mae Enhanced Loans have the following respective meanings in this Official Statement, unless a different meaning clearly appears from the context:

“Annual Fee” means, (i) as to the Administration, the Administration’s annual fee equal to 0.25% of the outstanding principal balance of a Fannie Mae Enhanced Loan payable by the applicable Borrower in advance semiannually on each Interest Payment Date and in accordance with the applicable Financing Agreement, and (ii) as to the Trustee, the annual ongoing trust administrative fee of the Trustee plus expenses payable as provided in the applicable Financing Agreement.

“Approved Plans” means the plans initially approved by the applicable Fannie Mae Construction Lender and the Fannie Mae Loan Servicer, as such plans are changed, modified or amended with the approval of the Fannie Mae Construction Lender and, if required pursuant to the Construction Phase Financing Agreement, the Fannie Mae Loan Servicer.

“Architectural Consultant” means the architect or engineer retained by the Fannie Mae Loan Servicer on its own behalf and on behalf of Fannie Mae to (i) approve the plans, drawings, sketches, specifications, reports, modifications and change orders prepared by the Project Consultants; (ii) inspect the applicable Fannie Mae Enhanced Development through the Construction Phase; (iii) certify that such Fannie Mae Enhanced Development has been completed in accordance with the Approved Plans; and (iv) perform other architectural and inspection services on behalf of Fannie Mae and the Fannie Mae Loan Servicer.

“Conditions to Conversion” means the following conditions:

(i) the Fannie Mae Loan Servicer has issued the applicable Preliminary Notice of Conversion;

(ii) the applicable Permanent Phase Loan Amount is equal to or greater than the outstanding principal amount of the applicable Fannie Mae Enhanced Loan, or, if, prior to the Conversion Date, the Permanent Phase Loan Amount had been less than the outstanding principal amount of such Fannie Mae Enhanced Loan, the applicable Borrower has made a Pre-Conversion Loan Equalization Payment in the amount of the difference between the outstanding principal balance of the applicable Fannie Mae Enhanced Loan (and, therefore, the principal amount of Bonds outstanding) and the Permanent Phase Loan Amount and such payment was derived from a source of funds, whether debt or equity, acceptable to Fannie Mae. If such Borrower incurred additional debt to cover such difference referenced in the prior sentence, the Borrower has provided the Fannie Mae Loan Servicer with evidence satisfactory to the Fannie Mae Loan Servicer that (i) the additional debt is subordinated to the applicable Fannie Mae Enhanced Loan, (ii) the terms, conditions and documentation of the additional debt meet the requirements for subordinate financing as set forth in the DUS Guide and (iii) the applicable Borrower and the holder of the subordinate debt have entered into a subordination agreement with Fannie Mae in the form prescribed in the DUS Guide;

(iii) any gap or bridge financing provided by the Fannie Mae Construction Lender to the applicable Borrower is paid in full;

(iv) the Fannie Mae Loan Servicer has received an original executed Title Policy Endorsement, in full force and effect, in form and content as required by the approved pro forma Title Policy Endorsement received by the Fannie Mae Loan Servicer as a condition to the issuance of the Preliminary Notice of Conversion; and

(v) no event has occurred and is continuing, or would result from the conversion to the Permanent Phase, which constitutes an Event of Default under the applicable Reimbursement Agreement (as defined therein) or any Approved Subordinate Financing or would constitute an Event of Default under such Reimbursement Agreement or any Approved Subordinate Financing but for the requirement that notice be given or time elapse or both.

“Construction Phase” means, as to each Fannie Mae Enhanced Development, the period beginning on the Closing Date and ending upon the applicable Conversion Date.

“Construction Phase Financing Agreement” means each Construction Phase Financing Agreement, by and among Fannie Mae, the Fannie Mae Loan Servicer and the Fannie Mae Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Reimbursement Agreement” means the Reimbursement Agreement between the Fannie Mae Construction Lender and the applicable Borrower, as amended, supplemented or restated from time to time.

“Conversion Date” means the date specified as such by the Fannie Mae Loan Servicer in the applicable Preliminary Notice of Conversion.

“Credit Facility” means a Fannie Mae Credit Enhancement Instrument.

“Credit Facility Agreement” means, individually or collectively, the applicable Reimbursement Agreement and all other agreements and documents securing Fannie Mae or otherwise relating to the provision of the applicable Fannie Mae Credit Enhancement Instrument, as any such agreement may be amended, modified, supplemented or restated from time to time.

“DUS Guide” means the Fannie Mae Delegated Underwriting and Servicing Guide in its present form and as amended, supplemented or reissued from time to time.

“Fannie Mae Construction Lender” means the Construction Lender under the applicable Construction Phase Financing Agreement.

“Fannie Mae Construction Lender Mortgage” means the mortgage granting the Fannie Mae Construction Lender a lien on and a security interest in the applicable Mortgaged Property to secure repayment of any amounts drawn by Fannie Mae (in the event Fannie Mae is required to pay amounts under the related Fannie Mae Credit Enhancement Instrument) or otherwise owing to the Fannie Mae Construction Lender under the applicable Construction Reimbursement Agreement together with a security agreement granting a security interest in the partnership/membership interests of the partners/members in the applicable Borrower and certain rights of such Borrower and such partners/members in and to low income housing tax credits applicable to such Mortgaged Property.

“Fannie Mae Credit Enhancement Instrument” means a Standby Credit Enhancement Instrument, related to a Fannie Mae Enhanced Loan, issued by Fannie Mae to the Trustee, or any Replacement Credit Facility.

“Fannie Mae Enhanced Development” means a Development financed by a Fannie Mae Enhanced Loan.

“Fannie Mae Enhanced Loan” means a Loan as to which Fannie Mae provides Credit Enhancement.

“Fannie Mae Loan Servicer” means each applicable servicer of a Fannie Mae Enhanced Loan, and any successor servicer appointed by Fannie Mae.

“Fannie Mae Series Resolution” means a Series Resolution under which a Series of Bonds which finances a Fannie Mae Enhanced Loan is issued.

“Final Notice of Conversion” means a written notice by the Fannie Mae Loan Servicer to the Administration, the Trustee, the applicable Borrower, the Fannie Mae Construction Lender and Fannie Mae given on or before the Termination Date (a) stating that the Conditions to Conversion have been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, stating that such Condition to Conversion has been waived in writing by Fannie Mae on or before the Termination Date, and (b) stating that Conversion has occurred.

“Financing Agreement” means each Financing Agreement between the Administration, the Trustee and the applicable Borrower.

“Initial Debt Service Deposit” means the deposit to be made by the applicable Borrower with the Trustee on the Closing Date, as required by the applicable Financing Agreement and deposited by the Trustee into the Revenue Fund.

“Interest Payment Date” means the interest payment date for the applicable Bonds set forth in the applicable Fannie Mae Series Resolution.

“Investment” means any Permitted Investment and any other investment held under the applicable Fannie Mae Series Resolutions that does not constitute a Permitted Investment.

“Mortgage Loan Documents” means, collectively, the applicable Mortgage Note, the Security Instrument, the Reimbursement Agreement, and all other agreements, documents and instruments evidencing, securing or otherwise relating to the applicable Fannie Mae Enhanced Loan, including all amendments, modifications, supplements and restatements of such agreements, documents and instruments, but excluding the Financing Agreement and the Tax Regulatory Agreement.

“Mortgage Loan Payments Interest” means, with respect to the Mortgage Loan, the right of the Trustee to receive and retain all payments due and owing under the Mortgage Note, other than (a) Set Rate Interest, comprising the Facility Fee and the Servicing Fee, (b) late charges, (c) default interest, (d) payments for reserves and any payments pursuant to any Completion/Repair and Security Agreement, (e) escrows for taxes, insurance and other impositions, (f) any amount due pursuant to any Mortgage Loan Document (including all fees due to the Credit Provider, e.g., without limitation, the Activity Fee (as defined in the Reimbursement Agreement) due to the Credit Provider) and (g) other amounts which do not constitute principal or interest at the Pass-Through Rate.

“Mortgage Loan Rights” means, with respect to the Mortgage Loan, without limitation (a) all of the rights, and interests, power and authority under the Mortgage Loan Documents and the Financing Agreement to direct actions, grant consents, grant extensions, grant waivers, grant requests, give approvals, give directions, exercise and enforce remedies, exercise forbearance, give releases, make appointments, make decisions, take actions, apply partial payments, apply late charges, receive and apply default interest, receive and apply escrow payments for reserves, taxes, insurance and other impositions, receive and apply funds received pursuant to any Mortgage Loan Document, and, subject to the exclusion set forth below, do all other things that may be done under the Mortgage Loan Documents and (b) the right, power and authority to, and the right, power and authority to assign or delegate the right, power and authority to, enter into and/or receive or accept delivery of and/or be a party to all Mortgage Loan Documents (other than the Mortgage Note and the Security Instrument which are executed and delivered by the Borrower to the Administration), to be executed and delivered in connection with the Mortgage Loan, and which are not entered into and/or received or accepted by the Administration, or to which the Administration is not a party, including, but not limited to, any agreements, documents and instruments ancillary to or otherwise relating to the Mortgage Loan, including agreements with respect to the servicing of the Mortgage Loan and the establishment of custodial and other accounts for the deposit of funds payable by the Borrower under the Mortgage Loan Documents and collected by the Loan Servicer, and to vest in any assignee or delegatee, including the Loan Servicer, such rights, powers and authority as may be necessary to implement any of the foregoing; “Mortgage Loan Rights” also means, and expressly includes, with respect to the Mortgage Loan, custody of, and exclusive dominion and control over, each Mortgage Loan Document, except, prior to the Conversion Date, the Mortgage Note and the Security Instrument. “Mortgage Loan Rights” does not mean, and expressly excludes, the Mortgage Loan Payments Interest which is assigned by the Administration to the Trustee.

“Mortgage Note” means each Multifamily Note executed by the applicable Borrower in favor of the Administration, evidencing a Fannie Mae Enhanced Loan.

“Permanent Phase” means the permanent phase of the applicable Fannie Mae Enhanced Loan commencing on the applicable Conversion Date.

“Permanent Phase Loan Amount” means the Permanent Phase Loan Amount as determined in accordance with the applicable Construction Phase Financing Agreement.

“Preliminary Notice of Conversion” means a written notice by the Fannie Mae Loan Servicer to the Administration, the Trustee, the applicable Borrower, the Fannie Mae Construction Lender and Fannie Mae (i) stating that the conditions to the delivery of the Preliminary Notice of Conversion set out in the applicable Construction Phase Financing Agreement have been satisfied or, if any such condition has not been so satisfied, specifying each such condition that has been waived in writing by Fannie Mae and (ii) specifying the Conversion Date.

“Project Consultant” means and includes all architects (excluding only the Architectural Consultant), landscape architects, structural engineers, civil engineers, environmental engineers, mechanical engineers, electrical engineers and other architects, designers, engineers, consultants and professionals engaged to provide services with respect to the applicable Fannie Mae Enhanced Development.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to the applicable Fannie Mae Series Resolution.

“Reimbursement Agreement” means each Reimbursement Agreement between Fannie Mae and the applicable Borrower under a Fannie Mae Enhanced Loan.

“Replacement Credit Facility” means a new Fannie Mae Credit Enhancement Instrument provided at the request of Fannie Mae, provided that such exchange shall not adversely affect the rating then in effect for the related Bonds.

“Reserved Rights” means (i) those certain rights of the Administration under the Financing Agreements to indemnification and to payment or reimbursement of fees and expenses of the Administration, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the applicable Borrowers and of the applicable Fannie Mae Enhanced Developments, its right to collect attorneys’ fees and related expenses, its right to specifically enforce applicable Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Administration, if any), and its rights to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreements and the Tax Regulatory Agreement and (ii) the rights and obligations of the Administration as the “public agency” under any applicable IRP Agreement.

“Section 8” means Section 8 of the United States Housing Act of 1937, as amended.

“Security Instrument” means the applicable Multifamily Deed of Trust, Security Agreement and Assignment of Rents securing a Mortgage Note and the related Reimbursement Agreement.

“Series Account” means the account relating to and named for a specific series of Bonds, as the context requires, within the Bond Proceeds Fund.

“Tax Certificate” means a Federal Tax Certificate dated the Closing Date, executed and delivered by the Administration and the applicable Borrower.

“Tax Regulatory Agreement” means the Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions entered into by the Administration and the applicable Borrower with respect to Bonds financing a Fannie Mae Enhanced Loan.

“Termination Date” means the Termination Date provided for in the applicable Construction Phase Financing Agreement.

“Title Policy” means the title policy issued in connection with the applicable Fannie Mae Enhanced Loan for the benefit of the Trustee and Fannie Mae, as their interests may appear.

“Title Policy Endorsement” means a pro forma of an endorsement to the Title Policy containing (i) affirmative insurance against mechanics’ liens, (ii) reflecting the deletion of the Fannie Mae Construction Lender Mortgage and any other lien for the benefit of the Fannie Mae Construction Lender and the lien of any other subordinate financing required pursuant to the special conditions set forth in the Construction Phase Financing Agreement, to be released of record on or before the Conversion Date, and (iii) evidence that all contractors, subcontractors, materialmen, the Architectural Consultant, each Project Consultant and other parties who have supplied labor, materials or services for the construction of the Project, or who otherwise might be entitled to claim a contractual, statutory or constitutional lien on the Project have executed lien waivers relating to all costs of construction other than those items included on the minor punch list not yet completed. The endorsement to the Title Policy may not contain any exception other than (A) as were contained in the original Title Policy (but subject to clause (ii) of the prior sentence), (B) as permitted by the Security Instrument or any of the other Mortgage Loan Documents or (C) any exception which has been approved in writing by Fannie Mae or the Fannie Mae Loan Servicer.

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APPENDIX B

THE DEPARTMENT AND THE ADMINISTRATION

General Information

The Administration was created in 1970 as a division of the Department of Economic and Community Development to meet the shortage of adequate, safe and sanitary housing in the State, particularly for persons or families of limited incomes. Chapter 311 of the Acts of Maryland 1987, effective July 1, 1987, abolished the Department of Economic and Community Development, created the Department and assigned the Administration as a unit of the Division of Development Finance of the Department.

The Secretary is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of five divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, and the Division of Information Technology. A chart showing the organization of the Department, its divisions, the Administration and MHF is included at the end of this Appendix.

The Division of Development Finance is the lending and bond issuing division of the Department, originating loans under the Department's various lending programs and providing underwriting services for loans to the Department and its other divisions and agencies. The Administration is a unit of the Division of Development Finance.

The Secretary, with the approval of the Governor, appoints the Director of the Administration, and the Director of the Administration, with the approval of the Secretary, appoints the Deputy Directors of the Administration and the other senior staff members of the Administration. The Act establishes the Review Committee which has the responsibility to review and to give recommendations to the Secretary regarding loans or categories of loans and the investment and project financing policies of the Administration. The Review Committee consists of seven members appointed by the Governor, including three members of the public and three members of the Department and one member of the Executive Branch not employed by the Department. When urgent action is required, the Secretary may approve a specific loan request without receiving the recommendation of the Review Committee.

The Division of Credit Assurance, the insuring division of the Department, provides certain asset management, monitoring and workout related services to the Department and its divisions and agencies, including the Administration. MHF is a unit of the Department assigned to the Division of Credit Assurance. Certain additional information about MHF is set forth in APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM."

The Division of Finance and Administration provides budget, accounting, auditing and administrative services to the Department. In addition, the Administration has a finance office which handles finance and accounting for lending and bond activities and insurance activities. The Administration's finance office reports directly to the Director of the Administration. MHF's finance function is a part of the Division of Finance and Administration.

The Division of Information Technology develops and maintains information systems and trains Departmental staff in the use of computer resources.

The Division of Neighborhood Revitalization provides state and federal financial assistance including loans, grants, guaranties and state tax credits to Maryland's sustainable communities; provides technical assistance programs to local governments, nonprofit organizations and small businesses to reinvest in these communities; and provides financial assistance to enable foreclosure prevention/mitigation housing and legal counseling.

The Department has established a Revenue Bond Advisory Board (the "Board"). The Board provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board), one other representative of the Department, two representatives of other agencies of State government (one from an agency which issues revenue bonds), one representative of the State Treasurer's Office, and two members of the public. The Board reviews and makes recommendations to the Secretary with respect to each issuance of bonds. The Secretary has the final authority to approve each issuance after receipt of the Board's recommendation. When urgent action is required, the Secretary may approve an issuance of bonds without action by the Board or may vary the terms of the Board's recommendation. In addition, the Board advises the Department on procedures for issuing bonds and on selection and performance of financial advisors, underwriters, and accountants.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by the Bond Resolution and other bond indentures of the Administration in excess of the amounts required to pay principal of and interest on its bonds and notes.

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

Principal Executive Officers

Certain principal executive officers of the Department and the Administration are briefly described below.

Raymond A. Skinner was appointed by the Governor as Secretary of the Department effective February 12, 2007. From January 2003 until his current appointment as Secretary, Mr. Skinner was President of The Skinner Group, LLC, a consulting firm providing services in housing policy analysis, community revitalization, and economic development. Mr. Skinner previously served as Secretary of the Department between December 1998 and January 2003, and as Deputy Secretary from January 1995 until his earlier appointment as Secretary. From January 1991, until his appointment as Deputy Secretary, Mr. Skinner served as the Director of the Department of Housing and Community Development of Prince George's County, Maryland, and as Executive Secretary to the Board of Commissioners of the Housing Authority of Prince George's County. Previously, he was the Executive Director of the District of Columbia Office of Business and Economic Development. In all, Mr. Skinner has over 30 years of experience in housing and community development, having held positions with the Department of Housing and Urban Development, the City of Philadelphia, Pennsylvania, and the City of Baltimore, Maryland. He holds a Bachelor of Science Degree from the Pennsylvania State University and a Master of City Planning degree from the University of Pennsylvania.

Clarence J. Snuggs was appointed by the Secretary, with the approval of the Governor, effective March 26, 2007, as Deputy Secretary of the Department. Since 2003, Mr. Snuggs served as Director of Enterprise Community Partners' Baltimore office. In that capacity he had overall responsibility for operating the office and its programs, which focused on affordable housing production, capacity building for local community leaders and community-based organizations, public education system reforms and

other community development initiatives. Between 1998 and 2003, Mr. Snuggs was Deputy Executive Director and Corporate Treasurer for the Congressionally-chartered Neighborhood Reinvestment Corporation in Washington, D.C. Prior to Neighborhood Reinvestment, Mr. Snuggs served as Vice President for Community Lending at Maryland National Bank and Signet Bank. Mr. Snuggs has been active in affordable housing and community development for nearly 20 years through his leadership and involvement in a host of regional and local community and civic organizations. He holds a Bachelor of Arts degree from Winston-Salem State University and a MBA degree from Howard University.

Stephen D. Silver was appointed on August 26, 2009 as Chief Financial Officer of the Department. From September 2007 to his recent appointment, Mr. Silver served as Vice President of Finance for a private Baltimore real estate development firm. From November 1983 to September 2007, Mr. Silver served in various financial capacities at the Department, including Chief Financial Officer of the Department, the Administration and the MHF; Director of the Department's Division of Finance and Administration; Director of Accounting for the Division of Finance and Administration, and Director of Finance for the MHF. Prior to joining the Department, Mr. Silver worked briefly with a public accounting firm in Baltimore, Maryland. Mr. Silver is a Certified Public Accountant, was granted a B.S. degree in accounting from Towson University in 1980 and received his M.B.A. degree from the University of Baltimore in 1991.

Frank B. Coakley was appointed by the Secretary with the approval of the Governor effective March 26, 2007, as Assistant Secretary of the Department responsible for the Administration and as Director of the Administration. He also previously served as Assistant Secretary and Director of the Administration between 1995 and 2000. Before his recent appointment, Mr. Coakley was Senior Vice President/Branch Administration for Harbor Bank of Maryland. Prior to joining Harbor Bank, Mr. Coakley was the Director of Fannie Mae's Baltimore Partnership office. From 1989 until joining the Administration in 1995, Mr. Coakley served as Executive Vice President of the Baltimore Community Development Financing Corporation. Previously, he served as a manager and Vice President of Maryland National Bank. Mr. Coakley is a graduate of Morgan State University and served as a Loaned Executive to Morgan State as a Senior Adviser assisting the Community Development office on housing and housing related projects.

William F. Ariano, Jr. was appointed by the Secretary with the approval of the Governor effective July 5, 2007, as Deputy Director, Community Development, for the Administration. He previously served as Vice-President of Residential and Consumer Lending and CRA Officer at Chesapeake Bank of Maryland. He served in that capacity at several Baltimore community banks and his responsibilities included secondary marketing, underwriting, and the management of staff, for origination, closing, sales and post-closing of various first mortgage products. Prior to his employment in the private sector, he directed a quasi-public agency for the City of Baltimore which developed, constructed and managed rental and for-sale housing for families with low to moderate incomes, and directed a community based development corporation. Mr. Ariano holds a Bachelor of Science from Mount Saint Mary's University and an MBA degree from Loyola University (Baltimore).

Roy A. Westlund was appointed Deputy Director, Bond Finance, for the Administration, effective as of January, 1996. For the previous seven years, he had served as the Administration's Director of Finance. Mr. Westlund has been active in the field of housing finance since 1980, including serving as Manager of Financial Operations for the Wisconsin Housing and Economic Development Authority. Mr. Westlund is a Certified Public Accountant and holds a B.B.A. degree from the University of Wisconsin, Madison.

Senior Staff of the Administration

Senior staff members of the Administration are as follows:

Name	Position
Tonna Phelps	Director, Single Family Housing
Patricia Rynn Sylvester	Director, Multi-Family Programs
Susan Traylor	Director, Division of Finance and Administration`
Teresa Renee Smith	Director, CDA Finance

As of June 30, 2012, the staff of the Administration consists of approximately 185 positions and an additional 31 vacancies, including professional and technical staff members with responsibilities in the fields of finance, mortgage loan underwriting, architectural review, construction inspection, rental services and administration. Of the entire staff, 35 are involved in Housing Development Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for finance and housing development programs is briefly described below.

Tonna Phelps was appointed Director of Single Family Housing, effective January 13, 2003. Ms. Phelps has been with the Administration since 1977. For the ten years preceding her appointment as Director, she was the Administrator for Development Assistance Programs under the Administration's Multifamily Programs, managing federal HOME funds, the Maryland Affordable Housing Trust, and other federal and State programs. She has also served as Administrator for Mortgage Purchase under Single Family Housing. In addition, Ms. Phelps currently represents the Administration on various interagency committees throughout State government. Ms. Phelps holds a B.S. in Business Administration from the University of Baltimore.

Patricia Rynn Sylvester, Director, Multi-Family Family Housing has been with the Department since October 1997. She served as Deputy Director of Multi-family Housing - Housing Development Programs from September 1999 until her appointment as Director of Single Family Housing in August 2002. She returned to Multifamily Housing as Director in January 2003. Prior to joining the Department she worked as an attorney with the Maryland General Assembly and served as an administrative law judge. Ms. Sylvester holds a J.D. from the University of Maryland Law School and a B.A. from Johns Hopkins University.

Susan Traylor, Director of the Division of Finance and Administration, has been with the Department since 1998, when she joined as Director of Accounting. Since 2001, she has been the Deputy Director of Finance and Administration. Prior to joining State service, she was the Chief Financial Officer of Macmillan Publishing and the Official Airlines Group. Previously, she held various financial positions with the Maxwell Communications Group and Exxon Corporation. She holds a B.A. in Economics from Western Maryland College and an M.S. in Industrial Administration from Carnegie-Mellon University.

Teresa Renee Smith was appointed Director of CDA Finance, effective March 23, 2011, having served as Acting Director since October 2010. For the fourteen months preceding her appointment as Acting Director, Ms. Smith was the Deputy Director of CDA Finance. From August 2006 to August 2009, Ms. Smith was the Portfolio Research and SEC Compliance Officer for an Annapolis financial planning firm. From July 2004 to August 2006, she served the Department in the CDA Finance division as a Senior Financial Analyst. Prior to joining the Department in 2004, Ms. Smith worked briefly for the Baltimore Housing finance division and in other various financial management and investment capacities. Ms. Smith holds a B.B.A. in Finance from the University of Hawaii and an M.B.A. from Cameron University in Oklahoma.

Other Housing Programs of the Department

In addition to the Program which is financed with the proceeds of the Bonds (see APPENDIX C - "THE PROGRAM"), the staff of the Administration is also responsible for a broad range of housing and other programs operated by the Department. Proceeds of Bonds and other funds held under the Bond Resolution are not used to support the Department's other programs. Revenues generated by such other programs are not subject to the lien of the Bond Resolution or available to pay principal of or interest on the Bonds. However, the executive officers of the Department and the Administration and certain senior staff members who are responsible for the Program also are responsible for the Department's other programs; therefore, under certain circumstances these other programs may compete with the Program for administrative and policy priority.

Single Family Housing. Single Family Programs include the Department's Homeownership Programs and Special Loan Programs. The Administration's Single Family Program staff operates the Department's Homeownership Programs that are funded with State appropriations. These programs, which may or may not be funded at varying levels from year to year, currently provide low-interest mortgages to low- and moderate-income home buyers. In addition, the Department may have funding available from time to time for a Downpayment and Settlement Expense Loan Program for loans to eligible borrowers who are also receiving loans under the Program. Finally, Single Family Housing also administers a federally-funded weatherization assistance program.

The Special Loan Programs, which are funded with State appropriations, provide rehabilitation loans for general rehabilitation, installation of indoor plumbing, abatement of asbestos and radon gas, reduction of lead paint, and creation of accessory shared and sheltered housing for low- and moderate-income households. Federal HOME funds may also be used to finance rehabilitation loans for low-income homeowners. These programs also provide loans to nonprofit organizations and individuals to purchase or construct Group Homes. Group Homes may be funded with state appropriations and from Bonds issued under the Bond Resolution.

Multi-Family Programs. Multi-Family Programs include the Department's Housing Production Programs and Rental Service Programs. The Department's Housing Production Programs encompass a number of finance programs which support the production, rehabilitation and preservation of affordable rental housing, including the following:

The Administration's multi-family housing revenue bond program provides financing for development of rental developments whose owners are required to set aside certain percentages of available units for families of low or moderate income.

The Rental Housing Fund consists of rental housing finance programs funded with State appropriations and federal HOME funds which provide low-interest mortgages with flexible repayment terms, interest-rate write-downs and operating subsidies to increase the supply of new rental housing and to maintain and rehabilitate existing rental housing for low income elderly and family tenants.

The Partnership Rental Housing Program provides funding from general obligation bonds and potentially other state appropriations to local governments, housing authorities, and partnerships in which these entities are involved, to assist in financing the construction or rehabilitation of low income housing. The public entities provide the land and participate in the ownership and management of the properties. The properties are intended to remain low income housing in perpetuity, and the State moneys are required to be repaid only if the low income requirements are not enforced.

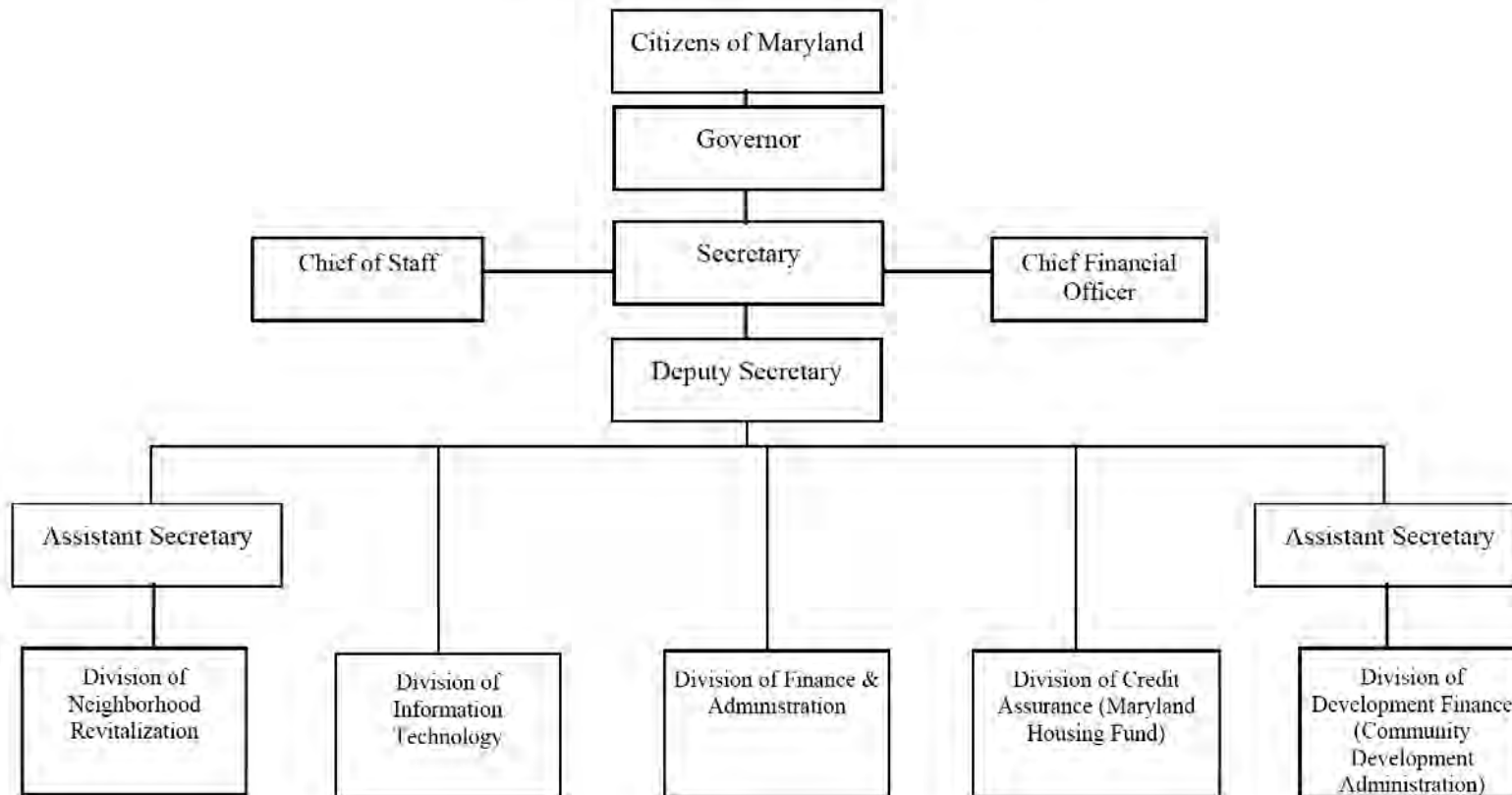
The Department's Rental Service Programs include the Section 8 Housing Choice Voucher program and the Rental Assistance Programs. Under the Section 8 Housing Choice Voucher program, the Department receives federal housing subsidy funds and has authority to serve as a public housing agency in utilizing these funds primarily in Maryland's rural jurisdictions. Under the Rental Assistance Programs, the Administration administers a Rental Allowance Program funded with State appropriations. The Rental Allowance Program is administered through local governments, housing agencies and non-profit organizations and provides fixed monthly housing assistance payments up to twelve months, subject to extension by the Secretary, to lower income households that are homeless or at risk of being homeless.

In addition, the Department was selected by HUD as the Contract Administrator for the Performance-Based Section 8 Housing Assistance Payments ("HAP") Contracts for the State of Maryland. As Contract Administrator, the Department makes payments to property owners under the terms of the HAP Contracts and HUD regulations and requirements.

Infrastructure Financing Programs

The Infrastructure Financing Program was created to provide an additional, accessible and uncomplicated mechanism to finance the essential physical elements that constitute the basis of the public service system operated and maintained by local governments. More information on the Administration's outstanding infrastructure bonds can be found in APPENDIX E. These infrastructure loans and the assets and revenues held under these bond and series resolutions are not subject to the lien of the Bond Resolution and are not available to pay principal of or interest on the Bonds.

Department of Housing and Community Development Organizational Chart



This chart omits subdivisions below the divisional level except for the Maryland Housing Fund and the Community Development Administration. It also omits certain boards and commissions associated with the Department.

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APPENDIX C

THE PROGRAM

Since 1974, the Administration has financed loans for the purpose of providing construction and permanent financing of rental housing developments for persons or families of limited incomes. The financing of rental housing pursuant to the Bond Resolution is the current primary activity of the Program. Other than certain of the Transferred Loans described in Table D-3 of APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS," the Program does not currently include the financing of single family residences. Other programs of the Administration not financed pursuant to the Bond Resolution are described under APPENDIX B - "THE DEPARTMENT AND THE ADMINISTRATION - Other Housing Programs of the Department."

Loan(s) To Be Acquired with Proceeds of Offered Bonds

The proceeds of the Offered Bonds will be used to finance the Series 2012 D Loan. See "INTRODUCTION - Use of Proceeds of Offered Bonds." The Administration may issue additional Bonds from time to time to finance additional Loans.

Additional information about the Series 2012 D Development is set forth in APPENDIX D, TABLE D-1 - "LOAN(S) EXPECTED TO BE FINANCED WITH THE PROCEEDS OF THE OFFERED BONDS."

Existing Portfolio

Under the Bond Resolution, as of June 30, 2012, the Administration had outstanding (a) 58 permanent Loans for 54 Rental Housing Developments (excluding Group Home Loans and Single Family Loans), which had a total outstanding principal balance of \$380,368,227, (b) 54 Group Home Loans having an outstanding principal balance of \$8,524,880 and (c) 14 Single Family Loans having an outstanding principal balance of \$166,219. On July 26, 2012, the Administration issued its Housing Revenue Bonds Series 2012 A (Non-AMT), the proceeds of which were applied to finance a Loan in the principal amount of \$9,340,000 for the acquisition and rehabilitation of an additional Rental Housing Development. On August 30, 2012, the Administration issued its Housing Revenue Bonds Series 2012 B (Non-AMT), the proceeds of which were applied to finance a Loan in the principal amount of \$5,505,000 for the acquisition and rehabilitation of an additional Rental Housing Development. On September 13, 2012, the Administration issued its Housing Revenue Bonds, Series 2012 C (Non-AMT), the proceeds of which were applied to finance a loan in the principal amount of \$7,200,000 for the acquisition and rehabilitation of an additional Rental Housing Development.

APPENDIX D sets forth information on each of the Developments currently financed or intended to be financed with the proceeds of Bonds (including the Offered Bonds). See "Description of Types of Loans Under the Program - *Group Home Loans*" herein for a description of the Group Homes financing program. APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM" sets forth information about the MHF and the loans insured by the MHF which are in default. As of June 30, 2012, there were no Rental Housing Developments or Group Home Loans in default. See APPENDIX D, Table D-4.

The Administration may issue additional Bonds from time to time to finance additional Loans.

Description of Types of Loans Under the Program

Rental Housing. Under its rental housing program, the Administration has made Loans or purchased Guaranteed Securities (1) to provide financing for acquisition, rehabilitation, or construction of rental housing Developments, and (2) to provide permanent financing of rental housing Developments.

Group Home Loans. Under its special housing opportunities program, the Administration made Loans to non-profit organizations qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or to governmental entities. Group Home Loans financed acquisition, rehabilitation, new construction or refinancing of Group Homes. The sponsor of each Group Home must have had a contract for governmental subsidies, and must have had at least two years prior experience managing and operating similar facilities. As is the case with many contracts with the State, a sponsor's contract for governmental subsidies generally has a term of one year, and there can be no assurance that a sponsor's contract will be renewed.

Occupancy of these Group Homes varies from 2 to 12 individuals, with average occupancy of approximately three individuals. Most Group Homes are located in single family residences modified for group housing purposes.

In 2002, the Department re-opened a limited program of MHF insuring Group Home Loans.

Loan Underwriting and Processing

Loans are generally underwritten, processed and closed in accordance with the procedures governing FHA Loans and Guaranteed Securities. The Administration performs a limited independent review.

Loan Provisions

The Bond Resolution requires that each Loan shall conform to the following terms, conditions, provisions and limitations, except to the extent, if any, that a variance therefrom is either pursuant to Credit Enhancement of such Loan or, if the Loan is not Credit Enhanced, required or permitted by the Administration:

Code Requirements. If the Loan is to be funded with the proceeds of Tax-Exempt Bonds, the proceeds of the Loan must be expended solely for payment of costs of a Development, subject, as applicable, to the requirements of Section 103(b)(4)(A) of the 1954 Code, Sections 142(d) or 145 of the 1986 Code, or any other provision of the Code.

Mortgage Lien. If the Loan is secured by a Mortgage, the Mortgage and complementary financing statements, if required by the Administration or any Credit Enhancer, shall be executed, recorded and filed in accordance with law, so as to create and constitute a valid mortgage lien on the real property and improvements constituting the Development for which the Loan is made. Such real property and improvements may be held either as a fee simple or a leasehold interest.
The Bond Resolution does not require that each Loan be secured by a Mortgage.

Title Insurance. The Administration, or the Trustee if the Administration is the Borrower, shall receive evidence of a mortgagee's title insurance policy insuring that the Mortgage is a lien on the Development financed by the Loan (which lien may be subject to prior liens), subject to liens for taxes and assessments and such other liens, encumbrances, reservations and imperfections of title as, in the judgment of the Administration, do not materially impair the

use or value of the premises or as to which appropriate steps, in the judgment of the Administration, have been taken to secure the interest of the Administration or the Trustee. **The Bond Resolution does not require that the lien of each Loan secured by a Mortgage be a first or prior lien superior to any other mortgage or other liens.**

Insurance Coverage. The Administration, or the Trustee if the Administration is the Borrower, shall receive evidence that the Development is insured against loss from fire, casualty and other hazards as the Administration may require.

Credit Enhancement. All or a portion of the Loan may be (but is not required to be) credit enhanced in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds. **The Bond Resolution does not require that each Loan be secured by Credit Enhancement.**

Loan Terms. The Loan shall be in an amount, bear interest at a rate, and amortize over such term, all as provided for such Loan in the most recent Cash Flow Statement (which terms may not be varied by the Administration unless such variance is in accordance with the requirements or assumptions for such Loan as set forth in the most recent Cash Flow Statement).

Prepayment. The Administration may, but is not required to, include in each Loan (other than Group Home Loans) a provision prohibiting the Borrower from prepaying a Loan for a period at least equal to the period during which the Series of Bonds financing such Loan are not subject to optional redemption without the consent of the Administration and the mortgage insurer or Credit Enhancer of the Loan. **Under certain circumstances involving defaulted Loans, FHA may direct the prepayment of the defaulted Loan in order to avoid a mortgage insurance claim.** See APPENDIX H - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

The Transferred Loans acquired with the proceeds of the Series 1996 A Bonds and the Group Home Loans are subject to prepayment at the option of their respective Borrowers at any time and, if so prepaid, the Bonds may be subject to special redemption at any time at the principal amount thereof without penalty or premium.

Developments may have subordinate financing from other programs of the Administration, the federal government or other public or private lenders.

Reserve Fund for Replacements. Under the regulatory agreements for the Rental Housing Loans, each Borrower must deposit a specified monthly amount into a reserve for replacements to fund improvements or repairs to the Development. The Administration's current policy provides that the minimum annual amount to be deposited into reserve for replacements will be \$250 per unit for new construction and substantial rehabilitation projects and \$300 per unit for moderate rehabilitation projects plus any additional amount required by an engineer's report. The amount required to be deposited into reserve for replacements may be more or less than the amount specified above, as agreed to by the Borrower, the Administration, and MHF, Fannie Mae or FHA, as may be applicable. These policies and procedures may not be applicable to the Rental Housing Loans that are Transferred Loans. For FHA Loans, the minimum annual amount to be deposited in the reserve for replacements for new construction projects is 6/10ths of 1% of the construction costs of the structures and for substantial rehabilitation projects 4/10ths of 1% of the mortgage amount. For Fannie Mae Enhanced Loans, a reserve for replacement deposits may be determined monthly on a project-by-project basis based on the underwriting of the loan.

Asset Management

Asset management for Developments is provided to the Administration by the Asset Management division of the Division of Credit Assurance (“Asset Management”).

With respect to each Development, Asset Management:

- (1) conducts a pre-occupancy review and conference with each owner to establish reporting requirements and procedures;
- (2) performs an annual physical inspection and on-site management review, including verification of compliance with income restrictions concerning tenants;
- (3) annually reviews audited financial statements and escrow levels;
- (4) reviews operating statements for each Development on a monthly or quarterly basis;
- (5) monitors the status of letters of credit, guarantees, and reserves, including reserves for replacement;
- (6) reviews and acts upon requests for rent increases, changes in developer return on equity, and disbursements from reserves;
- (7) analyzes delinquencies and creates and implements corrective action plans; and
- (8) makes recommendations to the Secretary and implements Departmental decisions on disposition, workout or foreclosure plans.

Asset Management maintains an advisory watch list in order to identify Developments facing potential financial difficulties at an early stage. Regular meetings are held with management of each Development on the advisory watch list in order to develop and implement corrective action.

Income Limits

Department Policy. During the term of a Loan or Guaranteed Security, the Act requires that a Development satisfy the requirements of a “community development project” or a “public purpose project,” both as defined in the Act. For a community development project, at least 51% of the units in a Development be occupied or held available for occupancy by persons or families of limited incomes. The Secretary establishes income limits from time to time by written determination after taking into consideration factors including (1) the amount of total income of such families available for housing needs, (2) the size of the family, (3) the cost and condition of housing facilities available, (4) the ability of such families to compete successfully in the normal private housing market, and (5) standards and definitions established for pertinent federal housing programs. Units restricted pursuant to federal law (as described below) count towards meeting the restrictions imposed by the Secretary pursuant to the Act. The difference between the percentage of federally restricted units and the percentage restricted under the Act (51%) are restricted to the State’s income limits set forth in the Secretary’s determination (for example, if 20% of the units are federally restricted, then 31% of the units are subject to the state limits). The current Secretary’s determination establishes the following income limits (subject to certain exceptions): (1) for one person, 68% of the greater of area or statewide median income for four person households as established by HUD and (2) for two or more persons, 85% of the greater of area or

statewide median income for four person households as established by HUD. The maximum income limits under this determination for one-person households are \$64,260 for State residents living in the Washington, D.C. metropolitan statistical area and \$53,788 in all other areas of the state; and for two or more person-households from \$80,235 for State residents living in the Washington, D.C. metropolitan statistical area and \$67,235 in all other areas of the state. HUD promulgates revised median income figures from time to time; it is anticipated that the limits described might be modified when HUD announces revised figures. For a public purpose project, all or part of the housing portion of a Development must be occupied by families of limited income and the Development must satisfy the low income set-aside requirements of federal law, as described below.

The Transferred Loans were originated under the Department's income limits in existence at the time such Loans were originally financed.

Federal Tax Law. In addition to the requirements of the Act and the occupancy requirements of the preceding paragraph, all Developments containing rental housing units financed or expected to be financed with the proceeds of Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes (except two Developments which were in the development stage on April 24, 1979, and Group Homes) are required to meet certain requirements set forth in Section 142(d)(1) of the 1986 Code, or Section 103(b)(4)(A) of the 1954 Code, as applicable. Group Homes are required to comply with the requirements of Section 145 of the 1986 Code. These requirements are more fully described in this Official Statement under "TAX MATTERS." Developments financed with the proceeds of Bonds are also subject to income, occupancy and other like restrictions under the Program, other State financing programs and in connection with the allowance of tax credits under Section 42 of the 1986 Code.

Certain Developments financed with the proceeds of Bonds receive subsidy payments under Section 8, and thus are subject to income limit restrictions which may be in addition to those required by the Act, the 1986 Code or the 1954 Code. Certain of the Section 8 contracts for subsidy payments are renewable at five year intervals from their date of execution by HUD at the option of the Borrower. Developments receiving subsidy payments under Section 8 are identified in APPENDIX D. More detailed information on the Section 8 Program can be found in APPENDIX G - "FEDERAL HOUSING SUBSIDY PROGRAMS."

Rate Lock Program

The Administration has a rate lock program (the "Rate Lock Program") allowing Borrowers receiving Loans from the Administration to lock in the interest rate (the "Locked Rate") to be paid on such Loans up to ninety days before the closing of the Bonds to be issued to finance such Loans. The Administration publishes the Locked Rate available to potential Borrowers at a given time under the Rate Lock Program on its website, and reviews and revises the Locked Rate at least weekly, and more often as conditions merit. Loans with a principal amount exceeding \$15,000,000 are not eligible for the Rate Lock Program. Under current policy, a maximum of \$50,000,000 of Locked Rate Loans may be funded by any Series of Bonds. For information on the Locked Rates which, if any, apply to the Series 2012 D Loan, see APPENDIX D, TABLE D-1- "LOAN(S) EXPECTED TO BE FINANCED WITH THE PROCEEDS OF THE OFFERED BONDS."

Factors Affecting the Mortgage Loans

Any mortgage financing has certain inherent risks.

Insurance by MHF. A portion of the Loans is insured by MHF. In early 1997, MHF ceased issuing new insurance commitments (except for pool insurance on single family mortgage loans subject to FHA primary insurance), in part as a result of concerns expressed by Moody's during 1996 and 1997. In 2002, MHF began insuring Group Home Loans, and in 2004, the Department expanded its MHF insurance program to authorize MHF insurance on a case-by-case basis for new Loans financed by Bonds, including Loans with Credit Enhancement under the FHA Risk-Sharing Program. Moody's has advised the Administration that such a re-opened program, implemented in the limited manner proposed by the Administration, would not affect the Moody's rating on the Administration's bonds, including the Bonds. For more information relating to MHF, see APPENDIX F - "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS - THE MHF INSURANCE PROGRAM" and APPENDIX J - "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND."

Assumptions. In estimating the amounts of moneys available to pay principal of and interest on the Bonds, a number of assumptions were made, including the assumptions that (1) payments of principal of and interest on the Mortgage Loans and Guaranteed Securities will be available on a timely basis, (2) no significant Prepayments or Recovery Payments of Loans and Guaranteed Securities will be made from casualty insurance or condemnation proceeds or otherwise, which result in the Administration's having to redeem Bonds, since such proceeds may not be sufficient to pay the principal amount of Bonds allocable to such Loans and Guaranteed Securities, (3) working capital and construction completion assurances will be adequate, (4) cost overruns, if any, will be adequately financed with contingency allowances, if any, established for such purpose or with other moneys of the Borrowers or the Administration including, if necessary, the proceeds of additional Bonds, and (5) the Developments financed with the proceeds of the Bonds will be completed and rented substantially in accordance with their respective construction and rent-up schedules and will achieve the projected rent levels. No assurance can be given that actual receipts will correspond with estimated revenues.

General Factors. The ability of the Borrowers to make the required payments on the Loans is affected by a variety of factors, including (1) the achievement and maintenance of a sufficient level of occupancy, (2) sound management of the Developments, (3) timely receipt of Section 8 housing assistance payments (see "*Rent Subsidies*" under this heading) or governmental subsidies for Developments receiving such payments, (4) for Group Homes, the continuation of annual subsidies, (5) increases in rents to cover increases in operating expenses, including taxes, utility rates and maintenance costs and changes in applicable laws and governmental regulations, and (6) for Developments containing rental units which are not all the subject of subsidy payments under Section 8, the ability to charge sufficient rents on the unrestricted units so that the rents on the restricted units will be at a level which is affordable by persons and families of limited income as established by the Secretary (including persons and families of the applicable incomes as required by Section 142(d)(1) of the 1986 Code or Section 103(b)(4)(A) of the 1954 Code, as applicable, or as further limited by the Secretary).

Certain Developments containing rental housing units which are expected to operate at a loss during the initial years following rent-up are required to establish escrows and to pledge certain funds to be received in the future which may have included a portion of the proceeds of the syndication of the equity interest in such Developments. The Administration relies upon the receipt of pledged funds in determining the feasibility of such Developments. Although the Administration conducts its own feasibility studies for Developments financed with Loans insured by MHF, the Administration substantially relies upon FHA for the determination of the feasibility of the Developments financed with Loans insured by FHA, including the acceptability of the sites and recognition of specific market needs.

No Cross Default Provisions. If a Borrower fails to make timely payment on its Loan, sufficient moneys may not be available to pay principal of and interest on the Bonds. The failure of a Borrower to make timely payment on its Loan or the occurrence of an event of default with respect to such Loan does not constitute a default with respect to any other Loan. Similarly, the occurrence of an Event of Default under the Bond Resolution does not, of itself, constitute an event of default with respect to any Loan. Under such circumstances, neither the Administration nor the Trustee has the right to demand payment of or to accelerate payment of any Loan not in default.

Rent Subsidies. The ability of the Administration to pay the principal of and interest on the Bonds is dependent in part upon the timely receipt of Section 8 housing assistance payments for Developments entitled to such payments and governmental subsidies for Group Homes. If (1) operating costs increase substantially where HUD has not permitted corresponding increases in rent levels or Section 8 housing assistance payments on a timely basis, (2) tenants are unable to pay increased tenant rental charges which are approved by HUD, (3) substantial reductions occur in occupancy, or (4) there is a reduction, loss or termination of Section 8 housing assistance payments or governmental subsidies, there may be a likelihood of a default in one or more of the Loans, assignment of such Loans to FHA or MHF, and redemption of a portion of the Bonds.

In addition, the term of a Loan may exceed the maximum term of the contract for payments under Section 8. If at the end of the term of the contract for payments under Section 8 (or HUD does not extend the term of such contract) the owner is unable to lease units in the Development at rentals which produce revenues equivalent to those which would have been received if the term of the contract had been extended, there may be insufficient revenues to pay the principal of and interest on a Loan, causing a default, assignment to FHA or MHF and the redemption of a portion of the Bonds. Additional factors relating to the Section 8 Program are described in APPENDIX G. **See also additional information relating to recent developments affecting the Section 8 Program under the heading “FEDERAL HOUSING SUBSIDY PROGRAMS - Section 8 Program - *Expiring HAP Contracts*” in APPENDIX G.**

Nonrecourse Loans. Generally, Loans are made without recourse to the Borrower or its partners. The Administration may require personal guaranties from the partners or other principals of the Borrower in connection with any construction work to be performed on a Development. Following successful completion of such work, however, neither the Borrower nor its partners are personally liable for payments on the note evidencing the Loan. Therefore, the Administration’s recourse is limited to its lien on the Development.

Exercise of Legal Remedies. The ability of the Administration, the Department or any mortgage insurer or Credit Enhancer to enforce its rights or exercise its remedies upon default under a Loan is dependent upon regulatory and judicial actions, which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Loan documents may not be readily available or may be limited. The Administration’s interest, however, is protected to the extent of the available Credit Enhancement.

Environmental Factors. Currently, a “Phase I” environmental survey is required for Developments financed with the proceeds of Loans (except for Group Home Loans), and the Administration reviews these surveys to the extent that other lenders do not in order to determine whether hazardous or toxic wastes exist on the property where a Development will be located. Because the practice of obtaining Phase I environmental surveys as a condition to financing has not always been industry practice, many Loans lack such surveys. In the event of a default under a Loan, it is the practice of the Administration to undertake such a survey prior to taking possession of a defaulted Development. If problems are identified, the Administration may decline to take possession of a defaulted Development

due to potential costs to remedy or correct any identified problems, which costs can be significant. Furthermore, it is uncertain whether a mortgage insurer would pay a claim under such circumstances. In the Administration's experience, the most common environmental problems with Developments involve the presence of lead based paint and asbestos.

Geographic Factors. Loans financed under the Program are located throughout the State. The city or county in which each Development is located is described in APPENDIX D. The ability of a Development to generate sufficient rents to make Loan payments is dependent, in part, on both local and statewide economic conditions, including employment levels of local industries and businesses. In addition, the ability of a Development to generate rents sufficient to pay debt service will be affected by general rent levels for similar competing developments, location of the Development, competing multi-family rental developments, amenities offered by the Development as compared with competing developments, and the need for routine or extraordinary repairs and maintenance of the Development. The continued feasibility of each Development may depend in part upon its neighborhood. Adverse changes may occur from time to time in neighborhoods, and if such changes occur, the occupancy level of affected Developments may be reduced.

The following table sets forth as of June 30, 2012, for each county of the State and Baltimore City, the number of Rental Housing Developments, units within such Rental Housing Developments, and, on an aggregate basis, the outstanding principal balance of Loans. This table excludes Single Family Loans and Group Home Loans.

Distribution of Developments by County as of June 30, 2012

<u>County</u>	<u>Number of Developments</u>	<u>Number of Units</u>	<u>Units as Percent of Total</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Total Outstanding Loan Amount</u>
Allegany County	1	110	1.38%	\$ 1,105,062	0.29%
Anne Arundel County	2	313	3.93	15,876,352	4.17
Baltimore City	14	1,955	24.52	65,811,636	17.30
Baltimore County	5	817	10.25	23,593,493	6.20
Calvert County	2	99	1.24	1,015,265	0.27
Carroll County	1	26	0.33	495,026	0.13
Cecil County	1	160	2.01	10,648,148	2.80
Harford County	2	349	4.38	10,473,657	2.75
Howard County	6	638	8.00	26,352,292	6.93
Montgomery County	6	867	10.87	66,279,369	17.43
Prince George's County	8	1,997	25.05	121,553,096	31.96
St. Mary's County	4	453	5.68	435,131,569	9.24
Washington County	2	189	2.37	2,033,263	0.53
Totals: ⁽¹⁾	<u>54</u>	<u>7,973</u>	<u>100.00%</u>	<u>\$380,368,227</u>	<u>100.00%</u>

⁽¹⁾Amounts and percentages may not total exactly due to rounding.

APPENDIX D

DESCRIPTION OF LOANS AND DEVELOPMENTS

Table D-1

Loan(s) Expected to be Financed with the Proceeds of the Offered Bonds:

<u>Name</u>	<u>Location</u>	<u>Owner</u>	<u>No. of Units</u>	<u>Credit Enhancement</u>	<u>Subsidy</u>	<u>Number of Subsidized Units</u>	<u>Term of Permanent Mortgage Loan (Years)</u>	<u>Interest Rate(s)</u>	<u>Expected Date of Construction Completion</u>	<u>Mortgage Loan Amount</u>
Park View at Colonial Landing ¹	Howard County	Colonial LLLP ²	100	FHA Risk- Sharing Program	N/A	N/A	40	4.00%	September 2013	\$4,700,000

¹ Rehabilitation.

²On the Delivery Date, Colonial LLLP will deliver an irrevocable, standby letter of credit issued by PNC Bank, National Association permitting draws thereunder by the Trustee in the amount of \$79,280.00 to the extent amounts in the Revenue Fund are insufficient to pay interest on the Offered Bonds on any Interest Payment Date prior to commencement of principal amortization of the Loan made by the Administration to Colonial LLLP.

Table D-2

Developments Currently Financed with the Proceeds of Prior Series of Bonds:

Description of Loans and Developments

Table D-2, Developments Currently Financed with the Proceeds of Prior Series of Bonds:

Multifamily Projects

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2012	Current Loan Balance as of 06/30/2012	Reserve for Replacements as of 06/30/2012 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Air Park Apartments	23	Montgomery County	Smart Development	Section 8	108	16	240	GNMA	480	399	5.110 %	\$10,575,000	\$9,925,368	\$9,925,368		94 %	Above Average	HRB2004B
Alexander House		Washington County	Homeowners Foundation Fund of Washington County	Section 8	95	94	480	FHLMC	480	90	7.730 %	2,736,511	1,259,084	1,259,084	497,660	99 %	Above Average	HRB1996A
Bethel Gardens	12	Washington County	The Bethel Corporation	Section 236	94	94	480	MHF	480	59	7.850 %	2,259,719	766,512	774,179	59,642	97 %	Satisfactory	HRB1996A
Bolton House/Mt. Royal	17, 18	Baltimore City	Mid-City Urban, LLC	Section 236	260	260	480	RISK SHARE	480	65	7.850 %	5,433,760	2,500,752	2,500,752	292,667	96 %	Above Average	HRB1999D
Bolton House/Mt. Royal II	17	Baltimore City	Mid-City Urban, LLC	Section 236				RISK SHARE	360	224	6.470 %	3,091,240	2,529,896	2,529,896		96 %	Above Average	HRB1999D
Calvert Pines Gardens		Calvert County	Housing Authority of Calvert County	Section 8	51	50	480	FHLMC	480	100	7.730 %	1,692,000	840,230	840,230	116,427	96 %	Satisfactory	HRB1996A
Calvert Pines II		Calvert County	Housing Authority of Calvert County	None	48	0	0	MHF	336	95	7.000 %	353,956	175,035	175,035	468,793	96 %	Satisfactory	HRB1996A
Cherrydale Apartments		Baltimore City	Cherrydale Limited Partnership	None	186	0	0	GNMA	480	447	6.190 %	3,755,000	3,690,768	3,690,768		92 %	Above Average	HRB2008B
Chesapeake Commons	16	Baltimore City	City College Associates Limited Partnership	None	95	0	0	MHF	360	131	7.000 %	235,000	142,921	142,921		96 %	Above Average	HRB1996A
Coleman Manor Apartments		Baltimore City	Homes for Wallbrook Limited Partner	Section 8	50	49	480	GNMA	480	431	5.410 %	1,126,400	1,090,157	1,090,157		96 %	Satisfactory	HRB2007A
College Parkway Apartments	23	Anne Arundel County	Shelter Development	Section 8	169	169	240	GNMA	480	394	5.700 %	10,575,000	9,965,154	9,965,154		100 %	Above Average	HRB2004B

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2012	Current Loan Balance as of 06/30/2012	Reserve for Replacements as of 06/30/2012 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Ellicott Terrace		Howard County	Ellicott Terrace Inc.	None	60	0	0	MHF	360	69	7.800 %	\$475,000	\$189,640	\$189,640	\$94,500	92%	Below Average	HRB1996A
Epiphany House	14	Baltimore City	Epiphany House Limited Partnership	None	33	0	0	MHF	384	66	3.700 %	925,000	210,861	210,861	52,197	88%	Satisfactory	HRB1996A
Foxchase Village Apartments	24	St. Mary's County	Foxchase Village Apartments, L.P.	None	134	0	0	GNMA	480	410	5.900 %	10,308,700	9,840,005	9,840,005		97%	Satisfactory	HRB2005B
Foxwell Memorial Apartments		Baltimore City	Homes for Greenspring LP	Section 8	154	154	240	GNMA	420	347	5.540 %	3,320,000	3,095,889	3,095,889		100%	Satisfactory	HRB2006A
Frostburg Heights		Allegany County	The Tressler Lutheran Home for Children	Section 8	110	110	480	FHLMC	480	82	6.790 %	2,784,200	1,105,062	1,105,062	214,586	98 %	Above Average	HRB1996A
Gardens of Traville		Montgomery County	Centrum Traville LP	None	230	0	0	GNMA	480	385	5.450 %	21,688,800	20,193,363	20,193,363		90%	Above Average	HRB2002B
Glen Creek Apts.		Cecil County	Centrum-Elkton LP	None	160	0	0	GNMA	480	370	5.880 %	11,516,200	10,648,148	10,648,148		90%	Above Average	HRB2001B
Glenmore Apartments	22, 30	Prince George's County	Glenmore Associates LP	None	409	0	0	GNMA	480	410	5.830 %	39,615,000	36,950,548	36,950,549		95%	Satisfactory	HRB2004C
Great Hope Apts.	4	Montgomery County	Great Hope Homes 2001 LP.	Section 236 Section 8	104	104	144	GNMA	480	367	5.820 %	5,970,000	4,922,679	4,922,679		100%	Above Average	HRB2001B
Greenbelt/ Greenridge		Prince George's County	City of Greenbelt	Section 8	101	100	480	MHF	480	65	7.230 %	3,343,400	1,152,170	1,152,170	506,546	98%	Above Average	HRB1996A
Hickory Ridge		Howard County	Hickory Ridge Village, LLLP	Section 8	108	106	240	GNMA	480	376	5.450 %	5,194,700	4,793,905	4,793,905		100%	Above Average	HRB2002B
Hickory Ridge II	19	Howard County	Hickory Ridge Village, LLLP	Section 8				UNINSURED	456	376	4.000 %	507,121	460,369	460,369				HRB1996A
Holly Lane Apartments		Baltimore City	HTA Development	None	170	0	0	GNMA	480	436	5.410 %	10,648,600	10,344,488	10,344,488		97%	Satisfactory	HRB2007A

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2012	Current Loan Balance as of 06/30/2012	Reserve for Replacements as of 06/30/2012 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Johnston Square Apartments		Baltimore County	General Greene Limited Partnership	Section 8	218	217	480	GNMA	480	450	6.180 %	\$7,380,000	\$7,265,845	\$7,265,845		100% Above Average	HRB2008C	
Lansdowne Apartments		Baltimore County	AHC Limited Partnership	None	167	0	0	GNMA	480	412	5.900 %	9,521,300	9,125,792	9,125,792		97% Satisfactory	HRB2005B	
Lanvale Towers/Canal Court Apts.	4, 27	Baltimore City	Lanvale Housing, LP	Section 236 Section 8	321	321	168	GNMA	480	416	5.470 %	16,135,000	14,431,285	14,431,285		90% Satisfactory	HRB2005C	
Lester Morton Court Apts. Part A	4, 7, 20	Baltimore City	Hampstead Lester Morton Court Partners, L.P.	Section 236 Section 8	70	70	120	FNMA	360	295	6.450 %	2,770,000	1,289,798	1,289,798		99% Below Average	HRB2004D	
Lester Morton Court Apts. Part B	7, 20	Baltimore City	Hampstead Lester Morton Court Partners, L.P.	Section 236 Section 8				FNMA	118	29	5.500 %	500,000	148,766	148,766			HRB2004D	
Lexington Park Part I		St. Mary's County	Lexington Park Housing, LP	None	110	0	0	GNMA	480	356	6.410 %	7,633,800	7,033,402	7,033,402		97% Above Average	HRB2000A	
Lexington Park Part II		St. Mary's County	Lexington Park Housing, LP	None				GNMA	240	116	6.410 %	426,200	272,272	272,272			HRB2000A	
Longwood		Howard County	Columbia Associates	Section 8	100	100	480	MHF	480	79	7.230 %	3,080,000	1,233,871	1,233,871	108,065	98% Satisfactory	HRB1996A	
Manhattan Park Apts - A	4, 7, 29	Baltimore City	The Manhattan Park Apts., LP	Section 236	123	123	108	FNMA	360	308	6.460 %	2,520,000	2,382,653	2,382,653		98% Above Average	HRB2006B	
Manhattan Park Apts - B	4, 7, 29	Baltimore City	The Manhattan Park Apts., LP	Section 236				FNMA	110	37	5.720 %	825,000	326,530	326,530			HRB2006B	
Mount Clare Overlook		Baltimore City	SKB Development LP	Section 8	110	110	252	GNMA	480	420	5.570 %	6,705,000	6,444,167	6,444,168		99% Satisfactory	HRB2006A	
New Towne Village - A	7, 21	St. Mary's County	Leonardtown Senior Limited Partnership	None	36	0	0	FNMA	420	366	6.430 %	1,545,000	1,483,731	1,483,731		100% Above Average	HRB2007C	
Oak Grove Manor		Baltimore County	Oak Grove Associates, LLC	None	120	0	0	UNINSURED	480	394	4.000 %	139,494	127,763	127,763		99% Above Average	HRB1996A	

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2012	Current Loan Balance as of 06/30/2012	Reserve for Replacements as of 06/30/2012 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Oak Grove Manor II	19	Baltimore County	Oak Grove Associates, LLC	None				UNINSURED	456	378	4.000 %	\$1,110,506	\$1,028,940	\$1,028,940				HRB1996A
Parkland Village Apartments		Prince George's County	Parkland Associates, L.P.	None	159	0	0	GNMA	480	393	5.560 %	12,080,000	11,350,408	11,350,408		96%	Satisfactory	HRB2003D
Parkway Apartments		Prince George's County	New Parkway Apartments, LP	None	159	0	0	GNMA	480	370	6.140 %	9,500,000	8,824,095	8,824,095		92%	Satisfactory	HRB2002A
Pembroke Square Apts.		Montgomery County	Pembroke Square Apts. LP	Section 8	133	133	480	GNMA	480	391	6.220 %	10,728,400	10,156,478	10,156,478		95%	Satisfactory	HRB2003C
Poppleton Place Apts Part I		Baltimore City	Poppleton Partners, LP	Section 8	123	123	480	GNMA	480	429	5.550 %	4,425,000	4,281,125	4,281,125		99 %	Satisfactory	HRB2006D
Quebec Arms Apts		Prince George's County	Quebec Arms Apts., LP	None	332	0	0	GNMA	480	362	6.430 %	19,385,000	17,965,770	17,965,770		98%	Above Average	HRB2000A
Queens Manor Apartments		Prince George's County	Queens Manor Gardens Apts. L.P.	None	331	0	0	GNMA	480	395	5.620 %	24,730,000	23,297,803	23,297,803		89%	Satisfactory	HRB2003A
River Bay Townhomes		St. Mary's County	Housing Trust of America, LLC	None	173	0	0	GNMA	480	390	5.380 %	17,660,000	16,502,160	16,502,160		73%	Below Average	HRB2003B
Ruscombe Gardens Apartments		Baltimore City	Evergreen Partners	Section 8	151	150	480	GNMA	480	436	5.390 %	9,910,000	9,129,506	9,129,506		97%	Satisfactory	HRB2007A
Schoolhouse Road	8	Carroll County	Schoolhouse Road Associates Ltd.	Section 8	26	26	480	MHF	480	114	6.450 %	1,000,000	495,026	495,026	40,772	100%	Satisfactory	HRB1996A
Sierra Woods Apts - A	4, 31, 17	Howard County	Enterprise Housing Corp	Section 236 Section 8	160	158	360	RISK SHARE	360	345	5.600 %	6,815,000	6,701,537	6,701,537	119,868	95%	Above Average	HRB2009A
Sierra Woods Apts- B		Howard County	Enterprise Housing Corp	Section 236 Section 8				RISK SHARE	70	55	5.600 %	790,000	641,686	641,686				HRB2009A
Spellman House	7, 20	Prince George's County	New Spellman House Associates LLC	Section 8	140	140	240	FNMA	360	268	6.090 %	8,280,000	7,333,060	7,333,060		98 %	Satisfactory	HRB2002D

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2012	Current Loan Balance as of 06/30/2012	Reserve for Replacements as of 06/30/2012 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Stevens Forest Apartments Part I	17	Howard County	Stevens Forest Limited Partnership	Section 8	108	96	480	RISK SHARE	480	446	5.940 %	\$6,545,000	\$6,421,643	\$6,421,643	\$333,458	99%	Satisfactory	HRB2008B
Sunridge		Prince George's County	Sunridge Associates, LP	None	366	0	0	GNMA	480	347	5.640 %	16,345,000	14,679,240	14,679,240		87%	Satisfactory	HRB1999A
Tabco Towers	9, 16	Baltimore County	Tabco Towers Associates	Section 236	200	200	480	MHF	480	55	6.360 %	4,733,700	1,324,110	1,324,110		99%	Satisfactory	HRB1996A
The Graw / Havre-de-Grace		Harford County	Havre de Grace Associates	Section 8	66	65	480	MHF	480	75	6.790 %	1,575,000	582,653	582,653	96,318	99%	Satisfactory	HRB1996A
Timothy House Apartments	7	Baltimore County	Timothy House LLLP	None	112	0	360	FNMA	360	327	6.670 %	4,875,000	4,721,043	4,721,043		93%	Satisfactory	HRB2007B
Victory Terrace		Montgomery County	Victory Terrace LP	None	72	0	0	GNMA	480	379	5.450 %	6,682,800	6,185,718	6,185,718		100%	Satisfactory	HRB2002B
Waverly Gardens Senior Apts.	17	Howard County	Waverly Woods Development Corps.	None	102	0	0	RISK SHARE	480	412	5.850 %	6,169,000	5,909,641	5,909,641	155,467	99%	Above Average	HRB2005A
Weinberg Manor Apts	17	Baltimore City	Weinberg Manor West, LP	Section 8	109	108	360	RISK SHARE	360	329	6.990 %	3,880,000	3,772,075	3,772,075	147,702	100%	Above Average	HRB2008D
Windsor Valley III Apts.	4	Harford County	Windsor Valley III, LP.	Section 236 Section 8	283	283	132	GNMA	480	369	5.830 %	11,870,000	9,891,004	9,891,004		99%	Satisfactory	HRB2001B
Woodside Gardens	7, 26	Anne Arundel County	Woodside Gardens LP	Section 8	144	144	240	FNMA	360	263	6.050 %	6,740,000	5,911,199	5,911,199		100%	Satisfactory	HRB2002C
Woodside Manor		Montgomery County	Woodside Manor, L.P.	None	220	0	0	GNMA	480	372	6.050 %	16,460,700	14,895,763	14,895,763		96%	Above Average	HRB2001A
Total: (1)					7,973	3,873						\$429,601,207	\$380,360,557	\$380,368,227	\$3,304,667			

Footnotes:

- 1 Amounts and percentages may not total exactly due to the rounding.
- 2 Generally, as of June 30, 2012.
- 3 The Inspection Rating is based on the most recent rating available to the Administration as of June 30, 2012 and reflects the evaluation by the Department's Asset Management Group of the Development's physical condition, management practices and compliance with regulations and loan documents. The projects rated "Pending" are yet to receive their first inspection, while the projects rated "New Const." are in the process of being leased up and would not require inspection. The ratings reported on this schedule reflect inspections as of June 30, 2012.
- 4 Includes original and all renewal terms. Section 236 contract terms are coterminous with applicable Loan term, except for Great Hope Apartments, Lanvale Towers, Lester Morton Court Apartments, Manhattan Park, Sierra Woods and Windsor Valley III Apartments, whose Section 236 subsidies end in August 2014, March 2021, October 2014, May 2014, January 2017 and July 2015 respectively.
- 5 Figures may include non-revenue manager-occupied units.
- 6 The interest rate received by the Administration on the related Guaranteed Securities GNMA loans is 0.25% less than the Interest Rate shown in the chart because the GNMA Servicer deducts and retains a fee in that amount.
- 7 For loans enhanced by FNMA, the Reserve for Replacement Accounts are held by the lender.
- 8 The Administration originally made two loans to this Development; the uninsured loan with outstanding principal of \$219,428 was paid off on June 30, 2000.
- 9 The Reserve for Replacement for Tabco Towers is held by Deutsche Banc Alex Brown Inc. The most recent statement received by Asset Management is for the period ending June 30, 2012.
- 10 N/A
- 11 N/A
- 12 On June 18, 1997, the Administration and the developer entered into an allonge to the mortgage note which provides that a prior arrearage of \$7,667 is due on the maturity date of the note.
- 13 These developments are in construction or lease-up and occupancy reports and/or inspections ratings may not be available at this time.
- 14 In addition to this loan, the Administration loaned the sponsor \$538,000, which is invested to support payments due under the Transferred Loan. The additional loan is not subject to the lien of the Bond Resolution. Also, as part of a workout, the Administration reduced the interest rate to 3.7% from 7.8% on May 1, 1998. In August 1999, the Administration received a principal curtailment of \$215,000.
- 15 N/A
- 16 These Developments also have co-first parity mortgages securing mortgage loans made with the proceeds of the Administration's original Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) in the following amounts as of June 30, 2012: Chesapeake Commons \$2,137,731 and Tabco Towers \$458,533. The underlying bonds have since been redeemed and the loans along with the reserve for replacement accounts for Chesapeake Commons and Tabco Towers, reside in the Collateral Reserve Fund in the Administration's Residential Revenue Bonds.
- 17 Insured under the risk sharing program. See Official Statement, Appendix F - "MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS - HUD RISK SHARING PROGRAMS".
- 18 The term of this loan and the term of the subsidy are coterminous. When this loan was assumed by new owners, the remaining loan term was 213 months of the original loan term of 480 months. Likewise, the original subsidy term was 480 months; at the time of the assumption the remaining term of the subsidy was also 213 months.
- 19 These are cash flow loans. The unpaid accrued interest under Hickory Ridge II is capitalized annually and added to the principal. Interest and principal are due in annual installments in an amount equal to the lesser of Surplus Cash or scheduled payments. Oak Grove's first tranche is an amortizing loan. Interest and principal on the second tranche shall be due and payable in consecutive annual installments in an amount equal to the lesser of Surplus Cash or the scheduled payment. These cash flow loans are in second position and the Reserve for Replacements are held by the first lien holder.
- 20 The interest rate received by the Administration is 0.90% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.90% for servicing and credit enhancement fees. Lester Morton Court Apartments and Spellman House are FNMA loans.
- 21 The interest rate received by the Administration is 0.80% less than the interest rate in the Note which is reported in this chart. The services retains 0.80% for servicing and credit enhancement fees. New Towne Village is a FNMA loan.
- 22 The total amount of the Glenmore Apartments loan is \$39,615,000. It was funded from two sources: Housing Revenue Bonds Series 2004 C in the amount of \$36,515,000 and \$3,100,000 of additional funds from the Housing Revenue Bonds Series 1996 A.
- 23 The loan amount of the Air Park Apartments and College Parkway Apartments is \$10,575,000 each. These loans were funded from two sources: Housing Revenue Bonds Series 2004 B in the amount of \$10,160,000 and \$415,000 of surplus funds in Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 1998 Series A and B. Please refer to footnote 16 in reference to Additional Collateral.
- 24 The Foxchase Village loan in the amount of \$10,308,700 was financed by Housing Revenue Bonds Series 2005 B in the amount of \$9,833,700 and a transfer of surplus funds in the amount of \$475,000 from Multi-family Housing Revenue Bonds (Insured Mortgage Loans) Series 2001 B. Please refer to footnote 16 in reference to the Collateral Reserve Fund.
- 25 N/A

- 26 The interest rate received by the Administration is 0.85% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.85% for servicing fees and credit enhancement fees.
- 27 The Lanvale Towers/Canal Court Apartments loan in the amount of \$16,135,000 was financed by Housing Revenue Bond Series 2005 C in the amount of \$13,985,000 and a transfer of surplus funds in the amount of \$1,260,000 from Multi-family Housing Revenue Bonds (Insured Mortgage Loans) Series 1998 A & B and \$890,000 from Multi-family Housing Revenue Bonds (Insured Mortgage Loans) Series 2001 A & B. Please refer to footnote 16 in reference to the Collateral Reserve Fund.
- 28 N/A
- 29 The interest rate received by the Administration is 1.04% less than the interest rate in the Note reported in this chart. The servicer retains 1.04% for servicing and credit enhancement fees.
- 30 Glenmore received a loan reduction of \$975,500 from the \$39,615,000 original loan at the time the loan went permanent on March 27, 2007.
- 31 The total units for Sierra Woods Apartments are included in Part A. The Project has a total of 160 units, of which 32 units have Section 8 and 158 units have Section 236.

Table D-3**Group Home and Single Family Loans Financed with the Proceeds of the Series 1996 A and B, 2006 C, 2008 A Bonds:**

Name	Location	No. of Loans	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term	Interest Rate	Original Loan Balance	Outstanding Loan Balance ⁽⁸⁾	Occupancy	Physical Condition	Bond Series Financing Loans
Single Family Residences ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Various	14	MHF	360	Various	Various	\$622,300	\$166,219	N/A	N/A	1996 A
Group Homes ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁹⁾	Various	15	MHF	Various	Various	6.50%	1,589,873	1,082,251	N/A	N/A	1996 B
Group Homes ⁽⁵⁾⁽⁹⁾⁽¹⁰⁾	Various	11	MHF	360	Various	6.15%	2,120,000	1,938,690	N/A	N/A	2006 C
Group Homes ⁽⁵⁾⁽⁹⁾⁽¹¹⁾	Various	28	MHF	360	Various	Various	5,909,187	5,503,939	N/A	N/A	2008 A
Total:		68					\$10,241,360	\$8,691,099			

⁽¹⁾Single family residences are owner occupied single family dwellings.

⁽²⁾Single family residences are located in Prince George's, Howard, Montgomery and Anne Arundel Counties.

⁽³⁾Interest rates vary from 8.25% to 8.625% per annum.

⁽⁴⁾Original principal amount of Single Family Loans financed from proceeds of Prior Bonds.

⁽⁵⁾Group Homes are owned by various non-profit entities.

⁽⁶⁾49 individuals are served by these Group Homes.

⁽⁷⁾These loans have an original loan term of 30 years, except one loan with an original loan term of 15 years and another with an original loan term of 20 years.

⁽⁸⁾As of June 30, 2012.

⁽⁹⁾There were no Group Home Loans more than 60 days delinquent.

⁽¹⁰⁾32 individuals are served by these Group Homes.

⁽¹¹⁾91 individuals are served by these Group Homes.

Table D-4**Rental Housing Developments and Group Home Loans in Default:**

As of June 30, 2012, there were no Developments or Group Home Loans financed by the Bond Resolution in default. Default is defined as failure to make Mortgage Loan payments equivalent to two full monthly payments of principal and interest.

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APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

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OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

Outstanding Housing Revenue Bonds

The following table sets forth certain information relating to Bonds issued by the Administration under the Bond Resolution outstanding as of July 1, 2012.

			<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Housing Revenue Bonds						
Series 1996 A	.....	1996	7/1/2023	\$ 137,385,000	\$ 10,585,000	
Series 1996 B	.....	1996	7/1/2028	2,575,000	1,335,000	
Series 1999 A	.....	1999	7/1/2041	16,345,000	14,525,000	
Series 1999 D	.....	1999	7/1/2042	14,565,000	5,565,000	
Series 2000 A	.....	2000	7/1/2042	27,445,000	24,935,000	
Series 2001 A	.....	2001	7/1/2043	29,645,000	14,615,000	
Series 2001 B	.....	2001	7/1/2043	47,630,000	24,950,000	
Series 2002 A	.....	2002	7/1/2043	9,500,000	8,705,000	
Series 2002 B	.....	2002	7/1/2045	34,435,000	30,745,000	
Series 2002 C	.....	2002	7/1/2035	6,740,000	5,910,000	
Series 2002 D	.....	2002	7/1/2035	8,280,000	7,350,000	
Series 2003 A	.....	2003	7/1/2045	24,730,000	22,995,000	
Series 2003 B	.....	2003	7/1/2045	17,660,000	16,170,000	
Series 2003 C	.....	2003	7/1/2045	10,735,000	10,040,000	
Series 2003 D	.....	2003	7/1/2045	12,080,000	11,215,000	
Series 2004 B	.....	2004	7/1/2046	20,320,000	18,760,000	
Series 2004 C	.....	2004	1/1/2047	36,515,000	33,595,000	
Series 2004 D	.....	2004	7/1/2037	3,270,000	1,410,000	
Series 2005 A	.....	2005	1/1/2047	6,385,000	6,030,000	
Series 2005 B	.....	2005	1/1/2047	19,355,000	18,215,000	
Series 2005 C	.....	2005	7/1/2047	13,985,000	11,845,000	
Series 2006 A	.....	2006	7/1/2047	10,800,000	9,455,000	
Series 2006 B	.....	2006	1/1/2039	4,800,000	2,670,000	
Series 2006 C	.....	2006	7/1/2036	2,120,000	1,880,000	
Series 2006 D	.....	2006	7/1/2048	8,000,000	4,290,000	
Series 2007 A	.....	2007	1/1/2049	22,435,000	20,550,000	
Series 2007 B	.....	2007	1/1/2038	4,875,000	4,720,000	
Series 2007 C	.....	2007	1/1/2043	2,310,000	1,485,000	
Series 2008 A	.....	2008	7/1/2038	5,845,000	5,485,000	
Series 2008 B	.....	2008	7/1/2049	17,360,000	10,080,000	
Series 2008 C	.....	2008	7/1/2048	11,380,000	7,380,000	
Series 2008 D	.....	2008	7/1/2039	5,110,000	3,750,000	
Series 2009 A	.....	2009	7/1/2041	8,755,000	7,350,000	
Total Housing Revenue Bonds					<u>\$ 603,370,000</u>	<u>\$ 378,590,000</u>

Other Outstanding Bonds of the Administration

The following table sets forth certain information relating to Bonds issued by the Administration under its other programs and outstanding as of July 1, 2012.

			<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Multi-Family Mortgage Revenue Bonds						
Series	2010	A (New Issue)	2010	7/1/2030	\$ 8,410,000	\$ 8,160,000
Series	2009	A-1 (Released Program Bonds)	2010	7/1/2051	24,380,000	24,380,000
Series	2010	B (New Issue)	2010	7/1/2045	16,730,000	16,680,000
Series	2009	A-2 (Released Program Bonds)	2010	7/1/2051	6,610,000	6,610,000
Series	2010	C (New Issue)	2010	9/1/2013	4,105,000	4,105,000 (8)
Series	2009	A-3 (Released Program Bonds)	2010	1/1/2044	5,410,000	5,410,000 (8)
Series	2010	D (New Issue)	2010	1/1/2035	6,880,000	6,240,000
Series	2009	A-4 (Released Program Bonds)	2010	7/1/2051	10,760,000	10,760,000
Series	2011	A (New Issue)	2011	7/1/2026	2,190,000	2,155,000
Series	2009	A-5 (Released Program Bonds)	2011	7/1/2051	8,460,000	8,460,000
Series	2011	B (New Issue)	2011	1/1/2028	8,680,000	8,680,000
Series	2009	A-6 (Released Program Bonds)	2011	7/1/2051	13,230,000	13,230,000
Series	2011	C (New Issue)	2011	7/1/2051	16,685,000	16,685,000
Series	2009	A-7 (Released Program Bonds)	2011	7/1/2051	23,190,000	23,190,000
Total Multi-Family Mortgage Revenue Bonds					\$ 155,720,000	\$ 154,745,000

			<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Residential Revenue Bonds							
1998	Series	D	5.080895%	1998	9/1/2029	\$ 62,810,000	\$ 23,750,000
1999	Series	C	4.981370%	1999	9/1/2015	2,665,000	2,020,000
1999	Series	D	5.258230%	1999	9/1/2031	57,335,000	24,075,000
2001	Series	A	4.689417%	2001	9/1/2017	18,885,000	7,365,000
2001	Series	B	5.329877%	2001	9/1/2032	50,800,000	6,135,000
2001	Series	H	5.246263%	2001	9/1/2033	49,900,000	30,750,000 (1)
2003	Series	A	3.642019%	2003	9/1/2015	9,550,000	3,865,000 (1)
2003	Series	B	4.650537%	2003	9/1/2026	15,450,000	2,500,000 (1)
2003	Series	C	(2)	2003	9/1/2035	20,000,000	20,000,000 (1)
2004	Series	A	3.806300%	2004	9/1/2016	10,710,000	5,510,000 (1)
2004	Series	B	4.799120%	2004	9/1/2028	19,290,000	3,570,000 (1)
2004	Series	D	4.029268%	2004	9/1/2016	12,960,000	6,505,000 (1)
2004	Series	E	5.081152%	2004	3/1/2030	27,040,000	9,395,000 (1)
2004	Series	F	(2)	2004	9/1/2035	20,000,000	20,000,000 (1)
2004	Series	G	3.310198%	2004	9/1/2016	13,445,000	6,630,000 (1)
2004	Series	H	4.621570%	2004	9/1/2029	26,555,000	9,775,000 (1)
2004	Series	I	(2)	2004	9/1/2035	20,000,000	20,000,000 (1)
2005	Series	A	3.655208%	2005	9/1/2016	12,640,000	6,835,000 (1)
2005	Series	B	4.792302%	2005	9/1/2029	27,360,000	15,060,000 (1)
2005	Series	D	3.910070%	2005	9/1/2017	13,485,000	7,990,000 (1)
2005	Series	E	4.974120%	2005	9/1/2036	46,515,000	34,950,000 (1)
2006	Series	A	3.983190%	2006	9/1/2017	12,020,000	7,705,000 (1)
2006	Series	B	4.984790%	2006	9/1/2037	47,980,000	36,625,000 (1)
2006	Series	E	4.199900%	2006	9/1/2017	23,540,000	15,155,000 (1)
2006	Series	F	5.307100%	2006	9/1/2039	56,460,000	34,980,000 (1)
2006	Series	G	(2)	2006	9/1/2040	40,000,000	40,000,000 (1)
2006	Series	H	4.102933%	2006	9/1/2017	17,670,000	11,400,000 (1)
2006	Series	I	5.204300%	2006	3/1/2041	142,330,000	98,435,000 (1)
2006	Series	J	(2)	2006	9/1/2040	60,000,000	60,000,000 (1)
2006	Series	K	4.111420%	2006	9/1/2017	15,000,000	9,710,000 (1)
2006	Series	L	5.062770%	2006	3/1/2041	165,000,000	131,400,000 (1)

Other Outstanding Bonds of the Administration

	<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Residential Revenue Bonds continued					
2006 Series O	3.829481%	2006	9/1/2017	\$ 10,000,000	\$ 6,440,000 (1)
2006 Series P	4.858303%	2006	9/1/2037	85,000,000	64,910,000 (1)
2006 Series S	6.135383%	2006	9/1/2037	25,000,000	19,825,000 (3)
2007 Series A	4.951603%	2007	9/1/2047	270,000,000	212,800,000 (1)
2007 Series B	6.065560%	2007	9/1/2037	30,000,000	23,615,000 (3)
2007 Series C	3.944500%	2007	9/1/2017	45,000,000	31,840,000 (1)
2007 Series D	4.924814%	2007	3/1/2048	175,000,000	143,090,000 (1)
2007 Series E	6.031685%	2007	9/1/2042	49,375,000	44,165,000 (4)
2007 Series F	(2)	2007	9/1/2031	46,485,000	42,020,000 (7)
2007 Series G	4.245422%	2007	9/1/2017	61,605,000	39,890,000
2007 Series H	5.150783%	2007	3/1/2048	63,395,000	59,380,000
2007 Series I	6.523650%	2007	9/1/2043	62,800,000	57,130,000 (4)
2007 Series J	(2)	2009	9/1/2031	58,680,000	53,495,000 (5)(9)
2007 Series K	3.761910%	2007	9/1/2017	30,000,000	19,485,000
2007 Series M	(2)	2007	9/1/2043	29,050,000	29,050,000 (6)(9)
2008 Series A	3.895197%	2008	9/1/2017	60,000,000	48,850,000
2008 Series B	3.909668%	2008	9/1/2017	19,770,000	13,825,000
2008 Series C	5.453421%	2008	9/1/2048	80,230,000	64,970,000
2008 Series D	(2)	2008	9/1/2038	50,000,000	49,890,000
2008 Series E	4.290850%	2008	9/1/2017	21,500,000	18,000,000
2008 Series F	5.500088%	2008	9/1/2038	18,500,000	7,590,000
2009 Series A	4.798085%	2009	9/1/2039	40,000,000	38,460,000
2009 Series B	4.516954%	2009	9/1/2039	45,000,000	43,195,000
2009 Series C	4.227838%	2009	9/1/2039	15,985,000	15,340,000
2010 Series A	4.416792%	2010	3/1/2021	28,465,000	26,640,000
2010 Series B	5.325532%	2010	9/1/2035	40,000,000	39,520,000
2011 Series A	4.494892%	2011	9/1/2041	70,825,000	69,700,000 (1)
2011 Series B	(2)	2011	3/1/2036	20,000,000	20,000,000 (1)
Total Residential Revenue Bonds				<u>\$ 2,669,060,000</u>	<u>\$ 2,015,205,000</u>

	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Single Family Housing Revenue Bonds				
2011 Series A (New Issue)	2011	3/1/2027	\$ 40,310,000	\$ 39,165,000
2009 Series A-1 (Released Program Bonds)	2011	9/1/2041	60,460,000	60,460,000
2011 Series B (New Issue)	2011	3/1/2027	40,000,000	40,000,000
2009 Series A-2 (Released Program Bonds)	2011	9/1/2041	60,000,000	60,000,000
2011 Series C (New Issue)	2011	3/1/2027	22,555,000	22,555,000
2009 Series A-3 (Released Program Bonds)	2011	9/1/2041	33,830,000	33,830,000
Total Single Family Housing Revenue Bonds			<u>\$ 257,155,000</u>	<u>\$ 256,010,000</u>

Infrastructure Financing Bonds (MBIA Insured)				
1997 Series A	1997	6/1/2027	\$ 9,860,000	\$ 510,000
1998 Series A	1998	6/1/2018	6,320,000	90,000
1998 Series B	1998	6/1/2028	30,320,000	1,630,000
1998 Series C	1998	12/1/2020	2,845,000	180,000
1999 Series A	1999	6/1/2029	6,985,000	920,000
2001 Series A	2001	6/1/2031	8,460,000	705,000
Total Infrastructure Financing Bonds (MBIA Insured)			<u>\$ 64,790,000</u>	<u>\$ 4,035,000</u>

Other Outstanding Bonds of the Administration

		Year of Issue	Final Maturity	Amount Issued	Amount Outstanding
Local Government Infrastructure Bonds (Ambac Insured)					
2002 Series A	2002	6/1/2032	\$ 11,790,000	\$ 6,315,000	
2002 Series B	2002	6/1/2022	3,555,000	165,000	
2003 Series A	2003	6/1/2023	14,560,000	5,330,000	
2004 Series A	2004	6/1/2034	16,375,000	9,865,000	
2004 Series B	2004	6/1/2034	4,735,000	3,810,000	
2005 Series A	2005	6/1/2030	9,345,000	7,170,000	
2006 Series A	2006	6/1/2026	8,940,000	6,040,000	
2007 Series A	2007	6/1/2037	11,460,000	9,245,000	
2007 Series B	2007	6/1/2027	24,575,000	19,190,000	
Total Local Government Infrastructure Bonds (Ambac Insured)			<u>\$ 105,335,000</u>	<u>\$ 67,130,000</u>	
Local Government Infrastructure Bonds					
2010 Series A-1 (Senior Obligations)	2010	6/1/2030	\$ 19,395,000	\$ 17,650,000	
2010 Series A-2 (Subordinate Obligations)	2010	6/1/2030	8,515,000	7,760,000	
2012 Series A-1 (Senior Obligations)	2012	6/1/2032	9,550,000	9,550,000	
2012 Series A-2 (Subordinate Obligations)	2012	6/1/2032	4,420,000	4,420,000	
Total Local Government Infrastructure Bonds			<u>\$ 41,880,000</u>	<u>\$ 39,380,000</u>	
Multifamily Development Revenue Bonds					
1990 Issue B (Middle Branch Manor)	1990	6/1/2020	\$ 12,350,000	\$ 6,900,000	(2)
1990 Issue C (Harbor City Townhomes)	1990	6/1/2020	4,150,000	2,350,000	(2)
Series 1998 A (Auburn Manor Project)	1998	10/1/2028	11,000,000	8,260,000	
Series 1999 A (GNMA-Selborne House Project)	1999	12/20/2040	2,150,000	1,945,000	
Series 2000 C (Park Montgomery Apartments)	2000	2/1/2031	6,170,000	4,320,000	
Series 2001 C (Parklane Apartments Project)	2001	2/15/2034	9,800,000	9,800,000	(2)
Series 2001 D (Princess Anne Townhouses)	2001	12/15/2033	4,350,000	3,345,000	
Series 2001 E (Princess Anne Townhouses)	2001	12/15/2033	2,875,000	2,525,000	(2)
Series 2001 F (Waters Tower Senior Apts.)	2001	12/15/2033	7,570,000	5,760,000	
Series 2001 G (Waters Tower Senior Apts.)	2001	12/15/2033	4,045,000	3,540,000	(2)
Series 2002 B (Broadway Homes Project)	2002	5/1/2020	5,045,000	2,135,000	
Series 2002 C (Orchard Mews Apartment Project)	2002	5/1/2035	5,845,000	4,675,000	
Series 2003 A (Barrington Apartments Project)	2003	6/15/2037	40,000,000	39,905,000	(2)
Series 2005 A (Fort Washington Manor Sr. Housing)	2005	11/15/2038	14,000,000	13,250,000	(2)
Series 2005 B (Washington Gardens)	2005	2/1/2036	5,000,000	2,330,000	
Series 2006 A (Barclay Greenmount Apartments)	2006	4/1/2035	4,535,000	3,585,000	
Series 2006 B (Charles Landing South Apartments)	2006	12/1/2036	3,375,000	3,375,000	(2)
Series 2007 A (Brunswick House Apartments)	2007	10/1/2037	3,000,000	1,975,000	
Series 2007 B (Park View at Catonsville)	2007	12/1/2037	5,200,000	4,750,000	(2)
Series 2008 A (Walker Mews Apartments)	2008	5/1/2048	11,700,000	11,700,000	(2)
Series 2008 B (Shakespeare Park Apartments)	2008	5/1/2038	7,200,000	7,200,000	(2)
Series 2008 C (The Residences at Ellicott Gardens)	2008	12/1/2040	9,105,000	6,175,000	(2)
Series 2008 D (Crusader Arms Apartments)	2008	2/1/2041	3,885,000	2,660,000	(2)
Series 2008 E (MonteVerde Apartments)	2008	3/1/2041	15,200,000	15,200,000	(2)
Series 2008 F (Hopkins Village Apartments)	2008	11/1/2038	9,100,000	9,100,000	(2)
Series 2008 G (Kirkwood House Apartments)	2008	12/1/2038	16,000,000	16,000,000	(2)
Series 2009 A (Sharp Leadenhall Apartments)	2009	3/1/2041	16,950,000	16,950,000	(2)
Total Multi-Family Development Revenue Bonds			<u>\$ 239,600,000</u>	<u>\$ 209,710,000</u>	

Other Outstanding Bonds of the Administration

	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Multifamily Development Revenue Refunding Bonds				
Series 1997 (Avalon Lea Apartments Project)	1997	6/15/2026	\$ 16,835,000	\$ 16,835,000 (2)
Total Multifamily Development Revenue Refunding Bonds			<u>\$ 16,835,000</u>	<u>\$ 16,835,000</u>
Capital Fund Securitization Revenue Bonds				
Series 2003	2003	7/1/2021	\$ 94,295,000	\$ 65,030,000
Total Capital Fund Securitization Revenue Bonds			<u>\$ 94,295,000</u>	<u>\$ 65,030,000</u>
Local Government Infrastructure Bonds				
2011 Series A (Mayor and City Council of Cumberland Issue)	2011	6/1/2032	\$ 12,275,000	\$ 12,275,000
Total Local Government Infrastructure Bonds			<u>\$ 12,275,000</u>	<u>\$ 12,275,000</u>
Total Amount of Other Bonds Outstanding			<u>\$ 3,656,945,000</u>	<u>\$ 2,840,355,000</u>
Total Amount of Housing Revenue Bonds Outstanding (10)			<u>\$ 603,370,000</u>	<u>\$ 378,590,000</u>
Total Amount of All Bonds Outstanding			<u><u>\$ 4,260,315,000</u></u>	<u><u>\$ 3,218,945,000</u></u>

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- (1) Certain prepayments of mortgage loans financed with the proceeds of such series of bonds are to be applied first to the redemption of certain bonds within such series.
 - (2) These are variable rate bonds that are repriced according to the terms in the respective Official Statement.
 - (3) These are taxable pass through bonds.
 - (4) These are taxable bonds with redemption provisions pertaining only to these bonds. For a description of the redemption provisions refer to the Official Statement.
 - (5) These bonds were remarketed September 24, 2009 from taxable to tax-exempt. The bonds were originally issued on August 9 2007 in the amount of \$62,200,000. For a description of the redemption provisions refer to the Official Statement.
 - (6) These bonds were remarketed October 8, 2009 from taxable to tax-exempt. The bonds were originally issued on December 12, 2007 in the amount of \$30,000,000. For a description of the redemption provisions refer to the Official Statement.
 - (7) These bonds were remarketed October 27, 2009 from taxable to tax-exempt. The bonds were originally issued on June 20, 2007 in the amount of \$50,625,000. For a description of the redemption provisions refer to the Official Statement.
 - (8) Multi-Family Mortgage Revenue Bonds Series 2010 C and Series 2009 A-3 are non-parity bonds under this bond resolution. These bonds are special obligations payable solely from the trust estate pledged under the series resolution.
 - (9) On March 8, 2012, CDA remarketed Residential Revenue Bonds 2007 Series J and 2007 Series M variable rate debt and converted the interest rate mode from a Weekly Mode to a Daily Mode.
 - (10) See information under caption "Outstanding Housing Revenue Bonds" above.

For updated information on issuances and/or redemptions after July 1, 2012, please refer to the website www.mdhousing.org, Investor Information.

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APPENDIX F

MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

THE MHF INSURANCE PROGRAM

The following describes the mortgage insurance programs administered by the MHF pursuant to Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “MHF Statute”), and is qualified in its entirety by reference to such statute and the regulations thereunder (the “MHF Regulations”).

MHF was created in 1971 as a special insurance fund of the State of Maryland and is a governmental unit in the Division of Credit Assurance of the Department (the “Division”). MHF is authorized to insure mortgage loans, including mortgage loans for multi-family developments financed by public agencies such as the Administration (“Multi-Family loans”) and to provide primary insurance for single family mortgage loans (“Single Family loans”). MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss.

In early 1997, the Department suspended all insurance activity of MHF (except for pool insurance for certain Single Family loans), partly as a result of concerns expressed by Moody’s Investors Service (“Moody’s”) during the 1996 and 1997 rating review. The Department responded to Moody’s concerns and has consulted with Moody’s regarding the implementation of certain of MHF’s insurance programs. MHF continues to service active insured loans originated prior to 1997 and is operating the insurance programs described below.

Multi-Family Loan Programs

MHF insures mortgage loans known as “SHOP” (Special Housing Opportunities Program) that finance or refinance the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population, which are owned by and sponsored by nonprofit organizations. This is an active program with loans funded through the Administration and insured by MHF.

The Administration is a participant in the federal Department of Housing and Urban Development’s (“HUD”) and FHA’s Risk-Sharing Program (the “FHA Risk-Sharing Program”) for Multi-Family loans. Under the FHA Risk-Sharing Program, upon payment of a claim by the Federal Housing Administration (“FHA”), the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses. Subsequent to 1997, the Administration participated in the FHA Risk-Sharing Program only in connection with the refinancing of loans currently insured by MHF where the Administration expected that risk-sharing will decrease the dollar amount of MHF’s insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program for new loans. This is an active program with loans funded through the Administration with credit enhancement under the FHA Risk-Sharing Program.

Single Family Loan Programs

In June 2005, the Department opened a program of MHF to insure 30-year and 40-year amortizing Single Family loans being purchased by the Administration. Because market conditions caused unexpected high demand for this insurance, the Department suspended the program as of November 10, 2008.

In June 2006, the Department authorized the expenditure of up to \$1 million of the Revitalization Reserve to provide credit enhancement to a loan program that is sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas of the City of Baltimore. The ability to enroll new loans under that agreement terminated March 31, 2012; however, MHF will continue its coverage of active loans enrolled in the loan pool for up to ten years after the date a loan is enrolled in the pool. The Department negotiated a new agreement dated January 12, 2012, authorizing the expenditure of up to an additional \$800,000 of the Revitalization Reserve to provide credit enhancement for a second loan pool. The credit enhancement will last for a period of ten years after the date the loan is enrolled in the pool. All loans to be credit enhanced must be enrolled in the pool by January 2018.

In 2008, MHF committed \$10 million of the Unallocated Reserve to provide credit enhancement for certain single family refinancing loans made by private lenders under the Department's Home Owners' Preserving Equity ("HOPE") initiative. The General Reserve was officially established by regulation in November 2008 to insure a broad range of programs, including the HOPE initiative. MHF transferred \$10 million of the Unallocated Reserve to the General Reserve on November 3, 2008 to insure loans under the HOPE initiative and other Department programs.

Additional Information

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody's that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds, MHF transferred \$10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006, or 2007. Legislation was enacted during the 2008 session requiring another \$10 million to be transferred, and beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than \$10 million, be transferred to the Department's revolving housing loan funds. For the fiscal years ending on June 30, 2009, 2010, 2011 and 2012, MHF transferred \$5.7 million, \$2.7 million, \$2.1 million, and \$2.05 million, respectively. For more information, see "MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM" below.

Management's Presentation of the MHF Program

The following information is management's presentation of the MHF Program.

Financial Statements and Information

Audited financial statements of MHF for the years ended June 30, 2012 and June 30, 2011 are included in the Appendix J – "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND." The financial statements for the fiscal years ended June 30, 2012 and June 30, 2011 have been audited by Reznick Group, P.C. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States. The financial statements of MHF are reported on a consolidated basis combining results of operations for all of the MHF Programs.

Income and Reserves

MHF's income from insurance premiums is used to pay expenses.

MHF maintains five insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance: the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of insurance or may be transferred into any other reserve, or may be restricted for claims under a particular category. The Unallocated Reserve is available for any category of claims or for any other purpose consistent with contractual obligations with the Administration's bondholders. Prior to 2011, MHF had maintained a sixth reserve for the Home and Energy Loan Program. The reserve balance of \$500,000 was transferred into the Unallocated Reserve as the last loan insured under the program was paid off in fiscal year 2009.

The MHF Statute provides that any moneys of MHF that the Department creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF Regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve. All reserves are held by the Office of the Treasurer of the State, which credits MHF with interest income based on the total reserve balance for the benefit of MHF.

MHF does not insure the Bonds, and the assets of MHF are not available to the Administration or the Trustee to satisfy obligations to holders of the Bonds. The obligation of MHF is limited to the payment of mortgage insurance claims as described herein. An insurance claim against MHF is payable from and limited to the applicable MHF reserve and does not constitute a general obligation of MHF, the Department, or the State.

Statements of Net Assets Discussion

During the fiscal year ended June 30, 2011, the overall equity decreased from \$89,386,945 at June 30, 2010 to \$79,780,938 at June 30, 2011. The net decrease of \$9,606,007 is primarily due to anticipated insurance losses, an increase in net premiums and the transfer of \$2.1 million to the Department's revolving housing loan funds as referenced above. During the fiscal year ended June 30, 2012, the overall equity increased from \$79,780,938 at June 30, 2011 to \$82,062,053. The net increase of \$2,281,115 is primarily due to an increase in net premiums and interest earned on reserve balances.

The Unrestricted Accumulated Deficit is a part of the overall equity. The Unrestricted Accumulated Deficit – which decreases when claims are paid from the insurance reserves – represents the cumulative net income (loss) of MHF since its inception less any investment income earned on the insurance reserves. When MHF's insurance reserves are greater than its net assets, there will be an accumulated deficit in the net assets section of the MHF Statement of Net Assets.

In fiscal year 2011 and 2012, MHF has paid claims directly from the reserve funds resulting in a reduction to the Unrestricted Accumulated Deficit. During the fiscal year ended June 30, 2011 the Unrestricted Accumulated Deficit decreased from \$13,992,491 to a deficit of \$9,633,081 and during the fiscal year ended June 30, 2012, the Unrestricted Accumulated Deficit decreased from \$9,633,081 to a deficit of \$4,992,334.

Discussion of Changes in Net Assets

During the fiscal year ended June 30, 2011, MHF reported a Change in Net Assets of (\$6,923,635). The change is due mainly to an increase in the allowance for insurance losses. Investment earnings for the fiscal year ended June 30, 2011 in the amount of \$2,050,896 flowed directly to the Unallocated Reserves.

During the fiscal year ended June 30, 2012, MHF reported a Change in Net Assets of \$4,332,011. The net change is due mainly to a decrease in the allowance for insurance losses. Interest earned on the reserves for fiscal year ended June 30, 2012 in the amount of \$1,068,651 flowed directly to the Unallocated Reserves.

As described below in “Single Family Information –Additional Single Family Claims Potential” and “Multi-Family Information – Certain Additional Expected Multi-Family Claims,” the Administration has notified MHF of defaults under insured mortgages that were expected to result in additional claims to MHF. Payment of these claims is not reflected in MHF’s Statement of Net Assets; however, MHF included provisions for these claims in its allowance for unpaid insurance losses.

Discussion of Operating Cash Account

Selected Activity in MHF’s Operating Cash Account

The following table is management’s presentation of activity in MHF’s operating cash account as of June 30, 2012.

	<u>Single Family</u>	<u>Multi-Family</u>	<u>Total</u>
Premiums Collected ⁽¹⁾	\$ 2,246,119	\$ 949,420	\$ 3,195,539
Operating Expenses Paid ⁽²⁾	(1,786,727)	(2,794,623)	(4,581,350)
Premiums Net of Operating Expenses	459,392	(1,845,203)	(1,385,811)
Claims ⁽³⁾	(15,276,555)	-	(15,276,555)
Recoveries ⁽⁴⁾	1,789,016	74,440	1,863,456
Net Claim Activity	(13,487,539)	74,440	(13,413,099)
Other ⁽⁵⁾	(12,027)	43,716	31,689
Net Cash from Operating Activities	\$ (13,040,174)	\$ (1,727,048)	\$ (14,767,222)

⁽¹⁾ Premiums collected as stated in the Statement of Cash Flows.

⁽²⁾ Operating expenses include salaries and benefits, general administrative and intradepartmental expenses.

⁽³⁾ Amount includes principal, interest, and supplemental expenses incurred on claims and carrying costs on acquired properties.

⁽⁴⁾ Includes proceeds collected on the sale of loans or acquired properties.

⁽⁵⁾ Amount includes changes in other assets and liabilities such as mortgage receivables, notes payables, and escrows.

During the fiscal year ended June 30, 2011, the net cash activity in MHF's operating cash was (\$172,914) for Single Family and \$1,403,519 for Multi-Family. The change in Single Family and the change in Multi-Family are a result of an increase in recoveries and premiums collected, respectively.

During the fiscal year ended June 2012, the net cash activity in MHF's operating cash was (\$13,040,174) for Single Family and (\$1,727,048) for Multi-Family. The change in Single Family is due to claim payments. The change in Multi-Family is due to increased administrative expenses.

Liquidity

MHF's primary uses of funds are to pay its operating expenses (direct and indirect) and to satisfy Multi-Family and Single Family claims under its insurance policies resulting from a loan default (payment or physical) by an insured borrower. In general, MHF's insurance policies require MHF to pay claims to the lender, which includes the total principal outstanding, interest in arrears (through foreclosure), and other expenses associated with a failed real estate loan (e.g., foreclosure costs, negative escrows, etc.). MHF generally acquires a loan or property with the payment of the claim. The proceeds of the sale of this asset are deducted from the original claim to derive the net loss (or net gain) associated with the defaulted loan claim.

In addition to the proceeds from the sale of assets acquired through the payment of claims, MHF's primary revenue sources result from mortgage insurance premiums paid by the borrowers and the investment earnings on insurance reserves. These assets, together with the corpus of the reserves held by MHF, are available to pay insurance claims and related expenses. The available reserves are leveraged against insurance commitments outstanding. Calculations for the leverage ratios are shown in "Discussion of Leverage Ratios" below.

To manage MHF's resources effectively from both a business and liquidity sense, the management of MHF has developed several claim paying strategies. For Multi-Family defaulted loans, MHF may pay a debt service claim after a borrower has missed a total of six monthly payments. These claim payments represent any unpaid principal and interest due from the regular scheduled payment. While making these monthly payments, MHF, working with the Administration, attempts to work out the loan in order to minimize its loss. When the final workout of the loan is completed, MHF either pays a partial claim or pays the full claim. A workout may be accomplished through (a) refinancing of the loan after re-underwriting the debt to enable the project to meet debt service from net operating income or (b) payment of claims and resale of the asset to minimize the total size of the claim.

For Single Family defaulted loans, MHF generally requires the lender to foreclose on the loan and secure the property before it pays the claim. This affords MHF the ability to begin marketing the property for re-sale at the same time it has paid out the cash. MHF attempts to resell Single Family properties in a manner that provides for recoveries as soon as possible while minimizing holding costs. While MHF strives to sell its Real Estate Owned (REO) to homebuyers, its desire to conduct quick turnaround sales does necessitate the selling of a significant portion of the REO to investors and non-profit organizations. Selling to investors generally increases the overall net loss on the claim to MHF.

Discussion of Leverage Ratios

MHF operates its Single Family insurance in accordance with an insurance agreement with the Administration dated as of August 1, 2010 (the "2010 Single Family Insurance Agreement"). Claims under the Single Family Insurance Agreement may be paid from the Single Family Regular Program Reserve.

The 2010 Single Family Insurance Agreement amended and restated an insurance agreement dated as of May 14, 1980 (the “1980 Single Family Insurance Agreement”) and an insurance agreement dated as of June 20, 2005. Under the 1980 Single Family Insurance Agreement, pool insurance was provided for single family mortgages financed under a bond resolution for which no bonds remain outstanding. As of August 1, 2010, under the 2010 Single Family Insurance Agreement, MHF was released from the obligation to provide pool insurance under the 1980 Single Family Insurance Agreement.

Under the Single Family Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of the aggregate dollar amount of the Single Family insurance to assets in the Single Family Reserve (as may be reduced as described below) to exceed 25 to 1, and that no new insurance payable from the Single Family Reserve shall be issued or committed to, if upon such issuance or commitment and subsequent issuance, that ratio would be exceeded.

MHF and the Administration have entered into an agreement to supplement the 2010 Single Family Insurance Agreement (the “Supplemental Agreement”) effective January 1, 2011. The Administration currently has single family mortgages insured with private mortgage insurance (“PMI Insurance”) that covers 35% of the mortgage. Under the Supplemental Agreement, MHF would cover 50% of the losses not covered by the PMI Insurer. Claims arising under the Supplemental Agreement will be paid from the Single Family Regular Reserve and MHF’s losses may not exceed \$12.5 million. In return the Administration will pay a monthly premium based on the mortgage balance at December 31, 2010.

Selected Information about the Single Family Regular Reserve Ratios

	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/12</u>
Single Family Regular Program Reserve ⁽¹⁾⁽²⁾	\$ 33,773,875	\$ 20,650,923	\$ 19,816,789
Amount Available for Calculation of "Ratio of Insurance to Available Reserve" ⁽³⁾	33,773,875	20,650,923	19,816,789
Primary Insurance coverage in force ⁽⁴⁾			
Insurance Agreement prior to 2005	17,783,824	15,708,890	13,666,598
Insurance Agreement post 2005	30,104,099	28,544,713	27,099,393
Pool Insurance coverage in force ⁽⁵⁾	20,500,000	-	-
Reinsurance Program ⁽⁶⁾	-	12,500,000	913,198
Ratio of Mortgage Loans to the Regular Reserve ⁽⁷⁾	2.02 to 1	2.14 to 1	2.06 to 1

⁽¹⁾ The Single Family Program does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of June 30, 2012, MHF had committed no additional primary insurance coverage.

⁽²⁾ Fund balances for MHF reserves are calculated in the same manner as in the financial statements of MHF and include investment income earned and allocated by the Secretary to the Single Family Regular Program Reserve.

⁽³⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of 6/30/12 there was no reduction in the Single Family Reserve to cover the accumulated deficit.

⁽⁴⁾ The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement (\$54,666,391 at 6/30/12). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement (\$ 77,426,839 at 6/30/12).

⁽⁵⁾ In 2010, MHF provided pool coverage for certain loans done by the Administration prior to 1997. Effective August 1, 2010 the Administration released MHF from any obligation to provide pool insurance for MHF Pool-Insured Loans.

⁽⁶⁾ Effective January 1, 2011, MHF and the Administration entered into a Reinsurance Program for loans that the Administration had originated between 2005 and 2010. Under this program, MHF committed up to \$12.5 million to cover losses incurred by the Administration. See further detail under supplemental 2010 Single Family Insurance Agreement.

⁽⁷⁾ The ratio in the table is computed based on the maximum amount of risk rather than the aggregate amount of mortgage loans insured, where the maximum amount of risk is calculated by taking (i) the aggregate amount of pool insurance coverage required for the Administration; and then adding to that product (ii) the maximum amount of risk on loans insured under the Single Family Regular Program (see 4 above), and then dividing the sum of those two amounts by (iii) the amount of the Single Family Regular Program Reserve. As of June 30, 2011, MHF fully allowed for the \$12.5 million for the Reinsurance Program by reducing the amount from the Single Family Regular Reserve Program. Therefore, the aggregate amount of reinsurance coverage is not included in the ratio.

MHF operates its Multi-Family insurance in accordance with an amended and restated insurance agreement dated February 12, 2006, with the Administration (the "Insurance Agreement").

Under the Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of Multi-Family insurance to assets in the Multi-Family Reserve (as may be reduced as described below) to exceed 10 to 1, and that no new insurance payable from the Multi-Family Reserve shall be issued or committed to if upon such issuance or commitment and subsequent issuance the ratio would exceed 10 to 1. (Under the terms of the Insurance Agreement, loans insured by MHF that are reinsured without contingent liability on the part of MHF are not taken into account in determining MHF's compliance with the maximum 10 to 1 ratio of amounts insured to assets in the Multi-Family Reserve).

Selected Information about the Multi-Family Reserve Ratio

	<u>06/30/10</u>	<u>06/30/11</u>	<u>06/30/12</u>
Total Multi-Family Reserve ⁽¹⁾	\$ 44,698,739	\$ 44,698,739	\$ 44,698,739
Amount Available for Calculation of "Ratio of Insurance to Available Reserve" ⁽²⁾	43,388,620	44,698,739	44,698,739
Insurance Outstanding			
Multi-Family mortgage insurance in force	93,622,564	104,771,502	126,076,578
Ratio of Insurance to Available Reserve	2.16 to 1	2.34 to 1	2.82 to 1

⁽¹⁾ The Multi-Family Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of June 30, 2012, MHF had committed to additional mortgages in the amount of \$12,374,373.

⁽²⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of 6/30/12 there was no reduction in the MF Reserve to cover the accumulated deficit.

The total amount of the Multi-Family Reserve is available to pay Multi-Family insurance claims. In addition, to the extent available, MHF could elect to pay all or part of any Multi-Family claim from the

Unallocated Reserve or from operating funds. MHF maintains other reserves that are not available to pay such claims (e.g., the Single Family Regular, Revitalization, and General Reserves).

Single Family Information

Additional Single Family Claims Potential

Under its Single Family Regular insurance program, MHF is not obligated to pay claims on Single Family insurance until after the insured lender has completed foreclosure, evicted the occupants of the properties (if necessary) and restored the property to a condition satisfactory to MHF. As a result, at any time there are a number of mortgages that have been foreclosed and which are likely to result in payment of claims but which have not yet reached the point where MHF recognizes them as liabilities in its financial statements. The total principal amount of such potential claims was \$1,584,200 as of June 30, 2012. On a quarterly basis, MHF includes its projection of net losses with respect to these potential claims in its financial statements as part of the allowance for Single Family insurance losses. Although these amounts are not payable from the Multi-Family Reserve, they are potentially payable from other resources of MHF, including operating cash, the Unallocated Reserve and the Single Family Reserve.

Discussion of Single Family Operations

MHF has taken steps to address the potential Single Family claims. A part of this focus is applying more active loss mitigation strategies to Single Family loans to prevent them from going to foreclosure, including forbearance and extended repayment plans. In addition, operational reviews of the loan servicer are ongoing. The reviews are intended to insure that loss mitigation strategies are being pursued in applicable cases.

MHF is also managing its sales of units acquired through foreclosure or similar action to improve overall returns by employing a private sector real estate broker to perform repairs, listings and sales of all REO units.

Single Family Claims Experience

The following chart sets forth information about claims on mortgage loans insured under the Single Family Regular Program Reserve and the Revitalization Reserve. This data includes net claim activity for properties sold during fiscal years ending June 30, 2011, and June 30, 2012. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after June 30, 2012.

Single Family Claims Experience

	<u>06/30/2010</u>	<u>06/30/2011</u>	<u>06/30/12</u>
Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year	\$ 134,108	\$ 123,507	\$ 1,953,059
Claims Paid on Acquired Properties Sold During the Fiscal Year			
Principal	(221,154)	(184,503)	(3,280,813)
Interest	(16,963)	(15,861)	(1,187)
Expenses and Carrying Costs	(62,003)	(15,845)	(12,646)
Total Claims Paid	\$ (300,120)	\$ (216,209)	\$ (3,294,646)
Net Loss on Acquired Properties Sold During the Fiscal Year	\$ (166,012)	\$ (92,702)	\$ (\$1,341,587)

Single Family Insurance Agreement

The Single Family Insurance Agreement provides as follows:

- (1) MHF will not decrease the amount of funds in the Single Family Regular Program Reserve as increased from time to time for any reason except to pay claims and advances against claims arising under the Program and for expenditures with respect to properties acquired by MHF as a result of payment of such claims.
- (2) Except as necessary to pay claims and advances on claims and except for expenditures with respect to properties acquired by MHF as a result of payment of such claims, MHF will not exceed a certain leverage ratio. See “MANAGEMENT’S PRESENTATION OF THE MHF PROGRAM – Discussion of Leverage Ratios.”
- (3) MHF will take all actions necessary for the qualification of Single Family Regular Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.
- (4) MHF and the Administration agree that MHF is released from any obligation to continue to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

Terms of Single Family Insurance Coverage

MHF insures mortgage loans on one-to-four family structures under its Single Family Regular Program, which includes the Primary Insurance Program and the Pool Insurance Program.

Primary Insurance. Historically, under the 1980 Single Family Insurance Agreement, MHF issued Primary Insurance that covered up to 25% of the total claim depending upon initial loan-to-value ratio. Under the 2005 Single Family Insurance Agreement, MHF issues Primary Insurance that covers the top 35% of the total claim. MHF Regulations provide that mortgage insurance may be terminated if: (1) the lender requests cancellation; (2) a claim is satisfied; (3) the mortgage is paid off; (4) a renewal premium is not paid by the mortgagee after its receipt of final notice from MHF; or (5) the mortgage terms are modified without MHF approval.

Pool Insurance. Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

Reinsurance. Effective January 1, 2011, MHF and the Administration entered into a Reinsurance Program for loans that the Administration had originated between 2005 and 2010 that had only 35% mortgage insurance coverage. Under this program, the Administration pays a monthly premium for MHF to insure 50% of any losses incurred on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has paid \$12.5 million in claims or December 31, 2020.

Payment of Claims, MHF pays all claims in cash and may settle under one of four options:

- (1) Loan Assignment – MHF takes an assignment of the mortgage and pays the claim (but not including expenses of foreclosure and acquisition of title);
- (2) Fixed Percentage Settlement – claim settlement under this option is applicable when MHF provides for payment based on a declared percentage of the outstanding loan amount before foreclosure sale, and MHF, under this method, also waives any interest in the subject property;
- (3) Lender Acquisition Settlement – the lender acquires title at foreclosure (or by deed in lieu of foreclosure) and transfers title to MHF, and MHF pays the amount of the claim up to the percentage specified in the insurance policy; and,
- (4) Third Party Acquisition – when the property is sold to a third party (at foreclosure, by the lender after taking a deed in lieu of foreclosure, or by the borrower after the commencement of foreclosure proceedings, with the approval of MHF, MHF pays the lesser of the percentage specified in the primary policy before crediting net sales proceeds or the full claim after crediting net proceeds of sale.

For claims paid under the Lender Acquisition Settlement method, MHF requires the Administration to take all steps required after default in order to deliver the property to MHF in a condition satisfactory to MHF. These steps may include foreclosure, eviction of the occupants if necessary, and cleaning of the property. As a result, a substantial period of time may elapse between the time an insured loan goes into default and payment of a claim. MHF Regulations regarding Single Family mortgage insurance presently do not require MHF to pay interest on a claim from the time an insured lender acquires title to the property, or from the date MHF agrees to take a Loan Assignment or make a Fixed Percentage Settlement, to the time the claim is paid. Claims are not paid after the title to the property has been conveyed, which is at least 60 days after foreclosure and could be longer.

MHF will review cases that involve claims of more than nine months of delinquent interest on a case by case basis to ascertain the cause for the delayed claim and determine the amount of interest, if any, in excess of nine months to be paid. Interest will be paid in excess of nine months where circumstances beyond the control of the insured lender caused the delay in making the claim, such as the filing of bankruptcy by the mortgagor.

Multi-Family Information

Multi-Family Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF's Multi-Family program as of June 30, 2012. The amounts shown are net of debt service claim

payments. The amounts shown do not include insurance on mortgage loans insured by MHF and reinsured by FHLMC. See “FHLMC Reinsurance Agreement” below. The reinsured mortgage loans had an aggregate principal balance at June 30, 2012, of \$3,401,534.

In addition to the loans listed below, as of June 30, 2012, 13 Single Family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of \$156,861 are insured under the Multi-Family Reserves.

Outstanding Multi-Family Insurance as of June 30, 2012

LOAN CATEGORY	Loans with Outstanding Insurance	Original Insured Principal Amount	Outstanding Insured Principal Amount
Housing Revenue Bonds of the Administration ⁽¹⁾			
Multi-Family Projects	33	\$ 103,076,305	\$ 77,022,976
Other	54	9,619,060	8,524,880
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) of the Administration ⁽²⁾			
Multi-Family Projects	16	36,217,053	25,032,180
Other	65	7,076,653	4,716,746
General Bond Reserve Fund of the Administrations ⁽³⁾	36	5,163,570	5,031,178
Housing Commission of Montgomery County ⁽⁴⁾	3	13,678,000	5,748,618
TOTAL	207	\$ 174,830,641	\$ 126,076,578

⁽¹⁾ Loans financed with proceeds of the Administration’s Housing Revenue Bonds. The Loans provided permanent financing or construction and permanent financing for developments located in 7 counties and the City of Baltimore. These Developments (not including SHOP) contain 1,562 units of which 670 units in 7 Developments are assisted under the Section 8 Program. The 54 project in the “Other” category represent 174 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

⁽²⁾ Loans financed with proceeds of the Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans). The Loans provided permanent financing or construction and permanent financing for developments located in 6 counties and the City of Baltimore. The Developments (not including SHOP) contain 1,475 of which 160 units in 2 Developments are assisted under the Section 8 Program. The mortgage loans were initially endorsed for insurance between 1982 and December 31, 1997. The 16 Multi-Family Projects include SHOP Loans that exceed 75% of the maximum acquisition cost set by the MMP; the 65 projects in the “Other” category represent 221 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

⁽³⁾ Loans financed with General Bond Reserve Funds for SHOP Loans; the 36 projects represent units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

⁽⁴⁾ Insurance issued to the Housing Opportunities Commission of Montgomery County (“HOC”) to insure loans financed with proceeds of bonds issued by HOC. The mortgage loans provided financing for developments containing 330 units. The mortgage loans were initially endorsed for insurance between 1980 and 1996.

Charts detailing the Multi-Family loans insured by MHF and financed by the Administration may be found in the Administration’s filings in accordance with Rule 15c2-12 of the Securities and Exchange Commission with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system for Housing Revenue Bonds and for Multi-Family Housing Revenue Bonds (Insured Mortgage Loans).

Certain Additional Expected Multi-Family Claims

MHF Regulations provide that after a mortgage loan insured by MHF has been in default for six months, the Administration or any other public agency that is an insured lender may require that the mortgage loan be assigned to MHF and an insurance claim paid by MHF to the Administration or such public agency. MHF currently has no loans in financial default.

Discussion of Multi-Family Operations

Portfolio Risk Rating. Since June 1997, the Department has developed and implemented a rating system for the MHF-insured Multi-Family portfolio. The Division evaluates each insured project each quarter and assigns the loan a rating of “A,” “B,” or “C.” Factors considered in evaluating projects include the project type, the vacancy level, net operating income and debt service coverage ratio, whether the mortgage is delinquent, the age of the loan and the age of the project, whether there is significant deferred maintenance, adequacy of funds held in reserve for replacements in relation to age and condition of project, rating by the Division in its annual management review, and stability of the market surrounding the property.

“A” Projects are those projects that require no more than standard attention because no factors indicate the prospect of default.

“B” Projects are those projects which are not in default but require more oversight and monitoring and present the possibility for default if existing conditions deteriorate further.

“C” Projects are those projects that are in financial or physical default.

MHF’s Risk Rating of the Multi-Family Projects as of June 30, 2012

	Current Principal Balances	Percentage of Total Principal	Number of Loans	Number of Projects
"A" Loans ⁽¹⁾	119,997,738	95.18%	45	42
"B" Loans:	6,078,840	4.82%	7	6
Portfolio Totals:	\$126,076,578	100%	52	48

⁽¹⁾ Included in the 'A' Loans, in the 'Current Principal Balance' column, is \$18,272,804 for 155 group home loans which are not reflected in the 'Number of Loans' or 'Number of Projects' columns.

Portfolio Management. The Division is evaluating each of the loans in the “B” category to develop a plan for stabilizing the loans and reducing its potential for default. Strategies may include loan modification, use of additional resources, adjustments to funding of reserves for replacement going forward, and replacement of management agents. As of June 30, 2012, there were no loans in the “C” category.

Multi-Family Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multi-Family Reserve as of June 30, 2012.

In the column entitled "Claims Net of Cash Recoveries," the figures show the result as of June 30, 2012. Workouts are in progress. See the individual footnotes below for further information.

MULTI-FAMILY CLAIMS PAID BY MHF
As of June 30, 2012

Development/Claim Status	Principal	Interest & Carrying Costs	Total	Recoveries	Claims Net of Cash Recoveries	Date Claim Paid
<u>Closed Claims</u>						
Single Family Mortgage Loans ⁽¹⁾	\$ 309,392	\$ -	\$ 309,392	\$ 346,620	\$ 37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Douglynne Woods & Rhoda's Legacy Bond Street ⁽²⁾	566,658	-	566,658	566,658	-	04/1982
Bellevue-Manchester ⁽³⁾	543,940	71,711	615,651	408,859	(206,792)	08/1989
Strathdale Manor	288,333	-	288,333	-	(288,333)	10/1990
Apartments ⁽⁴⁾	10,700,000	2,376,830	13,076,830	-	(13,076,830)	05/1994
Walker Mill ⁽⁵⁾	3,346,441	1,229,080	4,575,521	2,314,817	(2,260,704)	01/1997
Edmondale ⁽⁶⁾	457,739	24,206	481,945	-	481,945	04/1997
Town Properties ⁽⁷⁾	819,111	12,493	831,604	582,989	(248,615)	07/1997
Loch Raven ⁽⁸⁾	12,103,623	1,065,472	13,169,095	9,080,444	(4,088,651)	02/1998
Village Home Apartments ⁽⁹⁾	954,202	55,182	1,009,384	649,523	(359,861)	12/1998
Regent Apartments ⁽¹⁰⁾	1,227,455	72,446	1,299,901	860,603	(439,298)	01/1999
Maple Avenue ⁽¹¹⁾	3,053,892	211,540	3,265,432	1,748,397	(1,517,035)	06/1999
Westfield Apartments ⁽¹²⁾	4,401,438	390,924	4,792,362	2,910,539	(1,881,823)	11/1999
Westfield Gardens ⁽¹³⁾	496,757	1,735	498,492	279,435	(219,057)	11/1999
Apartments at the Greens ⁽¹⁴⁾	6,337,284	21,927	6,359,211	6,010,026	(349,185)	11/1999
Stewarttown ⁽¹⁵⁾	2,543,590	-	2,543,590	2,150,000	(393,590)	12/1999
Telephone Apartments ⁽¹⁶⁾	1,030,275	33,569	1,063,844	773,833	(290,011)	01/2001
Robinwood Townhomes ⁽¹⁷⁾	2,451,741	218,057	2,669,798	2,630,807	(38,991)	11/2001
North Avenue Terraces ⁽¹⁸⁾	1,155,285	48,762	1,204,047	750,000	(454,047)	07/2002
SHOP Loans ⁽¹⁹⁾	772,987	78,925	851,912	725,068	(126,844)	03/2001
Bell Haven Apartments ⁽²⁰⁾	5,856,640	2,449,128	8,305,768	5,842,157	(2,463,611)	03/1996
Quail Run/Bay Street Properties ⁽²¹⁾	1,182,578	37,677	1,220,255	1,186,575	(33,680)	03/2003
Tomall Apartments ⁽²²⁾	152,885	994	153,879	75,000	(78,879)	06/2004
Market Mews ⁽²³⁾	1,700,014	1,565,862	3,265,876	2,168,828	(1,097,048)	12/1985
Eastdale ⁽²⁴⁾	3,302,667	320,060	3,622,727	3,622,727	-	11/1999
Villages of Laurel ⁽²⁵⁾	5,036,854	607,133	5,643,987	5,643,987	-	11/1999
Hollins Townhouses ⁽²⁶⁾	2,445,475	1,073,289	3,518,764	2,052,599	(1,466,165)	10/1990

Claims where debt is
outstanding

Renaissance Plaza ⁽²⁷⁾	\$ 6,907,349	\$ 4,680,554	\$ 11,587,903	\$4,599,900	(\$6,988,003)	02/1991
Mount Pleasant ⁽²⁸⁾	3,506,595	601,296	4,107,891	\$4,045,979	(61,912)	02/1996

Claims where REO is held

Lease-Purchase ⁽²⁹⁾	\$ 1,534,088	\$ 82,619	\$ 1,616,707	\$ 880,712	\$ (735,995)	05/1996
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⁽¹⁾ Claims on eight Single Family loans insured under the Multi-Family Reserve before 1980.

⁽²⁾ Bond Street Deed of Trust Note in the original principal amount of \$543,940.

⁽³⁾ Bellevue-Manchester was a Construction Loan under Administration's HELP Program; secured by a second mortgage. First insured lender bought property at the foreclosure sale.

⁽⁴⁾ Strathdale Manor Apartments Deed of Trust Note in the original principal amount of \$14,285,000. Claim amount paid by MHF included \$10,700,000 of original principal on the Note and \$145,139 in interest. MHF paid \$2,205,204 of operating deficits for the project. The proceeds of a letter of credit in the amount of \$3,585,000 provided by Maryland National Bank were used to cover the rest of the original principal portion of the Note. As required by an intercreditor agreement between MHF and Maryland National Bank, MHF filed for foreclosure on August 4, 1994, and after prolonged negotiations with Baltimore City, the project developer, and other developers interested in further renovating the project proved unsuccessful, the property was sold to Baltimore City at foreclosure on April 15, 1997. The property was sold for an amount that was insufficient to provide any recovery to MHF.

⁽⁵⁾ Walker Mill Deed of Trust Note in the original principal amount of \$4,400,000, as modified by an allonge dated November 5, 1987, reducing the principal amount of the Note to \$3,400,000. The Deed of Trust Note was sold and assigned to an unrelated third party purchaser on February 6, 1997.

⁽⁶⁾ Edmondale Deed of Trust Note was in the original principal amount of \$508,000.

⁽⁷⁾ Town Properties Deed of Trust Note in the original principal amount of \$884,984. The property was sold to an unrelated third party at foreclosure on August 7, 1997.

⁽⁸⁾ Loch Raven Deed of Trust in the original principal amounts, as amended into two, Deed of Trust Notes: of \$9,765,000 and \$2,785,000, respectively. In return, the Administration accepted a demand note from MHF in the principal amount of \$11,782,615, the amount of the outstanding indebtedness net of the non-refundable deposit for the sale of the Deed of Trust Notes bearing interest at 8.25%. The Deed of Trust Notes were sold and assigned to an affiliate of the borrower on February 3, 1998. MHF received net sale proceeds in the amount of \$8,900,000, which were combined with additional claim payments totaling \$2,890,216 to repay the claim note and accrued interest. The net loss on the transaction was paid from the Unallocated Reserve.

⁽⁹⁾ Village Home Apartments Deed of Trust Note in the original principal amount of \$986,856, dated September 30, 1993. The property was sold for \$640,000. The Administration accepted a claim note from MHF for \$1,009,109. MHF paid \$318,664 plus \$50,720 paid previously as pre-claim payments and \$275 per diem interest and then signed over the proceeds to repay the claim note in December 1999.

⁽¹⁰⁾ Regent Apartments Deed of Trust Note in the original principal amount of \$1,255,000 dated September 16, 1994. The property was sold for \$860,603. The Administration accepted a claim note from MHF for \$1,299,265. MHF paid \$383,187 plus \$55,475 paid previously as pre-claim payments and \$636 per diem interest and then signed over the proceeds to repay the claim note in January 1999.

⁽¹¹⁾ Maple Avenue Deed of Trust Note in the original principal amount of \$3,150,000 dated March 12, 1992. The property was sold for \$1,700,000 less settlement charges. The Administration accepted a claim note from MHF for \$2,953,878. MHF paid \$1,288,286 plus \$310,294 paid previously as pre-claim payments, \$1,259 per diem interest, signed over the proceeds, and, with \$10,000 received directly by the Administration, repaid the claim note in June 1999.

⁽¹²⁾ Westfield Apartments Deed of Trust Note in the original principal amount of \$4,600,000 dated April 12, 1983. The property was sold for \$2,910,539. MHF paid a partial claim in the amount of \$1,433,520 that includes \$390,924 of accrued interest plus \$448,303 paid previously as pre-claim payments.

⁽¹³⁾ Westfield Gardens Deed of Trust Notes in the original principal amounts of \$498,908 and \$28,150 dated September 21, 1983. The property was sold for \$279,435. MHF paid a partial claim in the amount of \$180,318, which included \$1,735 of accrued interest, plus \$38,739 paid previously as pre-claim payments.

⁽¹⁴⁾ Apartments at the Greens Deed of Trust Notes in the original principal amounts of \$6,348,627 and \$341,850 dated April 21, 1983. The property was sold for \$6,010,026. MHF paid a partial claim in the amount of \$302,222, which included \$21,927 of accrued interest, plus \$46,963 paid previously as pre-claim payments.

⁽¹⁵⁾ Stewarttown Deed of Trust Note in the original principal amount of \$3,136,100 dated July 18, 1975. The property was sold for \$2,150,000. MHF paid a partial claim payment in the amount of \$393,590.

⁽¹⁶⁾ In May 1993, MHF paid a partial claim on a project called Telephone Apartments, in the amount of \$291,487 for which a promissory note has been received. On February 8, 2001, MHF sold the Deed of Trust Note. The proceeds of the sale exceeded the claim paid to the Administration by MHF by \$1,477. The partial claim of \$291,487 will not be repaid. MHF had an allowance for loan loss for the full amount of this note.

⁽¹⁷⁾ Robinwood Townhomes Deed of Trust Note was in the original principal amount of \$2,641,750. MHF paid a claim in full in the amount of \$2,653,883 on November 9, 2001. MHF foreclosed on this property on November 15, 2001. MHF sold the property for the purchase amount of \$2,410,000. The Circuit Court of Baltimore City ratified the sale on January 10, 2002. On June 24, 2002, MHF collected \$2,330,331 in net sales proceeds.

⁽¹⁸⁾ In July 2002, MHF issued a claim note to the Administration and accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of \$1,350,000 that financed a project known as North Avenue Terrace. MHF sold the Deed of Trust Note and received sales proceeds in the amount of \$750,000 on July 25, 2002. MHF paid the claim note in full with payment to the Administration in the amount of \$1,145,826 on July 30, 2002.

⁽¹⁹⁾ Nine Deed of Trust Notes in the original principal amounts of \$833,650 for the various SHOP loans. MHF paid full claim payments on the nine loans in the amounts of \$824,224. In March 2001, MHF accepted five loan assignments in the original principal amount of \$502,950. MHF paid full claims on the five loans for \$491,062 and received full recovery on the first and fourth loans by virtue of third party sales at foreclosure on June 7, 2001. MHF realized losses on the sale of the second and third loans of approximately \$27,000 and \$22,000, respectively. MHF realized a loss of approximately \$40,000 on the fifth loan by virtue of third party purchasing on June 7, 2001. In August 2001, MHF accepted one assignment in the principal amount of \$108,000. MHF paid a full claim on the loan for \$106,372 and realized full recovery at a third party foreclosure sale on August 16, 2001. In October 2001, MHF accepted another three assignments in the original principal amount of \$222,700. MHF paid full claims on the three loans for \$226,790 and received full recovery on one loan at the third party foreclosure sale on June 13, 2002. MHF realized losses of approximately \$18,000 and \$16,000 on the two loans at the third party foreclosure sale on June 13, 2002. The court ratified the foreclosure sales on July 26, 2002.

⁽²⁰⁾ In June 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note, for a project named Belle Haven, in the original amount of \$6,186,990. MHF paid a claim in full for the project in the amount of \$7,995,330 on June 26, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. The property was brought-in by MHF with a bid of \$5,100,000 at foreclosure auction held on July 25, 2000. The Circuit Court of Prince George's County ratified the foreclosure sale on January 25, 2001. A contract for the sale of the property was executed on February 7, 2001, and sold on August 30, 2001, in the amount of \$5,100,000. MHF received net proceeds from the sale in the amount of \$4,844,394 and a Note in the remaining amount of \$210,000 payable by February 1, 2004. The purchaser made payments on the MHF Note totaling \$232,981, including the final payment in the amount of \$130,772, which was received on May 21, 2003.

⁽²¹⁾ In March 2003, MHF accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of \$1,276,037 that financed a project known as Quail Run Apartments (Bay Street Properties). MHF paid the claim note in full on March 13, 2003 with a payment to the Administration in the amount of \$1,058,783. The property was sold at foreclosure auction on June 27, 2003 for \$1,160,000. Settlement of the transaction occurred on November 5, 2003. On December 2, 2003, the Circuit Court for Worcester County ratified the auditor's report of the transaction. On December 4, 2003, after payment of the auctioneer's commission and advertising expenses, sales proceeds in the amount of \$1,174,575 were collected with additional interest received.

⁽²²⁾ On September 19, 1984, the Administration made a loan in the principal amount of \$250,000 (the "Loan") to Ronald H. Thomas (the "Borrower") in connection with a project called Tomall Apartments (the "Project"). MHF paid the claim note in full on June 28, 2004 with a payment to the Administration in the amount of \$153,879. On June 30, 2004, MHF collected \$75,000, which represents a partial recovery. The property was sold to a new owner who plans to rehabilitate the project.

⁽²³⁾ Market Mews Deed of Trust Note is in the original principal amount of \$1,700,000. MHF paid all amounts in arrears totaling \$151,733. The Administration accepted a promissory note from MHF in the total principal amount of \$1,693,568, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of \$3,265,876. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 31 scattered site units of which all units were sold.

⁽²⁴⁾ Eastdale Deed of Trust was in the original amount of \$3,401,000. The loan was refunded with \$2,450,000 in new bond proceeds. MHF made a partial claim payment in the amount of \$746,513 and pre-claim payments in the amount of \$426,214. MHF received cash of \$54,324 and a Cash Flow Note in the amount of \$1,118,403, equal to the net claim paid. The MHF Note is secured by a second deed of trust lien on the land and improvements on which the project is located. To date the project has made net payments on the MHF Note of \$490,510. In July 2010, the loan was paid off and MHF received payment in the amount of \$627,893.

⁽²⁵⁾ Villages of Laurel Deed of Trust Note, is in the original amount of \$5,140,000. The loan was refunded with \$3,173,200 in new bond proceeds. MHF made a partial claim payment in the amount of \$1,645,098 and pre-claim payments in the amount of \$825,689. MHF received cash of \$54,023 and a Cash Flow Note in the amount of \$2,416,765, equal to the net claim paid. The MHF Note is secured by a second deed of trust lien on the land and improvements on which the project is located. To date the project has made net payments on the MHF Note of \$686,059. In March 2011, the loan was paid off and MHF received payment in the amount of \$1,730,706.

⁽²⁶⁾ Hollins Townhouses Deed of Trust Note in the original principal amount of \$2,300,000. MHF paid all amounts in arrears totaling \$176,025, and the Administration accepted a promissory note from MHF in the total principal amount of \$2,427,094, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of \$3,518,764. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 48 scattered site units of which the last unit was sold in April 2011.

⁽²⁷⁾ Renaissance Plaza Deed of Trust Note in the original principal amount of \$7,000,000. MHF paid all amounts in arrears totaling \$428,052 in February 1991. In connection with the default, MHF also paid additional principal of \$6,880,050; interest totaling \$1,498,664, and operating deficits in the amount of \$2,781,137. The Renaissance Plaza project, which consists of three buildings, has been sold pursuant to the orders of a judicial receivership. Closing on the sale of one building occurred on December 30, 1993. MHF received two notes in payment of the purchase price: a first lien mortgage in the amount of \$2,722,544 at 6.22% interest, \$365,000 of which is an amortizing loan, the balance to be paid out of cash flow, if any from the properties; and a second lien gap note in the amount of \$512,404 at 0% interest until maturity. The gap note was paid in full at the closing of financing for rehabilitation of the building on February 18, 1994. The closing of the other two buildings occurred on December 14, 1994. MHF received three notes in payment of the purchase price for the two buildings: a first lien mortgage in the amount of \$2,600,000 at 7.4% interest to begin amortizing on January 1, 1997; a second lien mortgage in the amount of \$4,450,000 at 8.23% interest to be paid out of cash flow, if any, from the properties; and a third lien gap note in the amount of \$500,000 at 0% interest until maturity (April 13, 1995), and a default rate of 7.4% interest. The gap note was paid in full at the closing of financing for rehabilitation of the two buildings on February 14, 1995. The \$2,600,000 deed of trust note was sold at par and assigned to the Administration on September 24, 1996, in connection with an issuance of bonds by the Administration.

⁽²⁸⁾ In February 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original principal amount of \$3,900,000 for a project called Mount Pleasant. MHF paid a claim for the project in the amount of \$4,107,891 on February 15, 1996. The property was sold to new ownership who planned to rehabilitate the project using a combination of new equity funds and State and City of Baltimore financing in combination with proceeds of the Administration's Multi-Family 1995 December Bond Issue in the amount of \$2,550,000. New Administration and MHF loan documents were executed in conjunction with a loan closing in July 1996. MHF received a Deed of Trust Note in the amount of \$1,087,259 of which \$293,770 is an amortizing 0% interest loan, and the balance is a cash flow loan with interest accruing at 2% per annum. MHF received partial recovery of \$2,450,000 at the time of closing and \$1,066,720 in September 1996. Reserves for construction contingencies and various operating expenses, in the amount of \$460,305, were funded from the recovery proceeds. In June 1998, a construction reserve held by MHF in the amount of \$198,000 and cost certification savings received from the Administration in the amount of \$100,513 were applied to reduce the outstanding principal balance of the Deed of Trust note held by MHF.

⁽²⁹⁾ In May 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original amount of \$2,000,000, which financed a project known as Lease Purchase. MHF paid a claim for the project in the amount of \$1,587,498 on May 15, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral.

MHF accepted a deed of assignment on this project on July 12, 1996. Thirty-four of the original 40 units have been sold and the majority of the remaining units are occupied by tenants, some of whom are candidates to purchase their properties.

Actuarial Study

The Insurance Agreement amended in 2006 no longer requires periodic actuarial studies.

FHLMC Reinsurance Agreement

On December 28, 1994, MHF, the Department, the Administration, and the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”) entered into a Reinsurance Agreement (the “Reinsurance Agreement”). The purpose of the Reinsurance Agreement was to cede to and fully reinsure with FHLMC, MHF’s mortgage insurance obligations with respect to certain loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure, without any contingent liability for MHF, 17 loans insured by MHF having an original unpaid principal balance of \$70,346,036 and, as of June 30, 2012, an aggregate unpaid principal balance of \$3,401,534. Nine of these loans were financed originally with the Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) and acquired with proceeds of the Administration’s Housing Revenue Bonds Series 1996 A Bonds, and are identified in APPENDIX D – “DESCRIPTION OF LOANS AND DEVELOPMENTS” in the Official Statement for the Administration’s Housing Revenue Bonds, Series 1999 D. The remainder of these loans was financed with the proceeds of the Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans).

All of the units in each of the developments financed with loans reinsured by FHLMC are subject to Section 8 housing assistance payments. The contracts relating to these payments have been assigned to FHLMC as collateral security. However, FHLMC cannot exercise any remedies with respect to the housing assistance payment contracts unless and until it has paid any insurance claim with respect to a reinsured loan.

FHLMC may, under the terms of the Reinsurance Agreement, require that the Administration foreclose without assignment to FHLMC upon any reinsured loan in the event of a breach of certain warranties regarding the absence of environmental hazards.

On September 7, 2008, the Director of the Federal Housing Finance Agency (“FHFA”) appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the “Reform Act”) and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury (“Treasury”) entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHEO.gov> and <http://www.Treasury.gov>.

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly, and current reports, proxy statements and other information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing

annual financial disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

Staff

The Director of MHF is appointed by the Secretary of the Department and serves at the pleasure of the Secretary, with such authority as the Secretary determines to delegate to the Director. The Director also serves as the Director of the Division of Credit Assurance of the Department.

Financial operations for MHF have been centralized and are now within the Division of Finance and Administration for the Department.

Certain senior staff members of the Division of Credit Assurance, and the Division of Finance and Administration and MHF are as follows:

Name	Position
George Eaton	Director, Division of Credit Assurance and MHF
Allen W. Cartwright, Jr.	Deputy Director, MHF and Director, Single Family Operations
Susan Traylor	Director, Division of Finance and Administration
Ruth Putnam	Deputy Director, Division of Finance and Administration
Bill Beans	Director, Multi-Family Operations

George Eaton was appointed Director of the Division of Credit Assurance and the Maryland Housing Fund as of March 1999, having been Acting Director since December 1998. He has been with the Department since October 1995. He also served as Director of Multi-Family Operations from May to December 1998. From 1996 through April 1998, he was the Director for State Funded Loans for MHF. Before joining the Department, he worked for a national property management company as a District Manager, as Assistant Director at University of Maryland teaching hospital, and as Assistant Administrator of the Johns Hopkins University Hospital. He also holds an MA in Administration and has taught at several Maryland Community Colleges.

Allen W. Cartwright, Jr. joined the staff of the Division of Credit Assurance as the Deputy Director of MHF in March 2006. Mr. Cartwright also serves as Director, Single Family Operations. Mr. Cartwright previously served as MHF Manager of Finance from 1988 through 1991. Prior to rejoining the Division of Credit Assurance in 2006, Mr. Cartwright was the Chief of Mission Support and then Chief of Customer Care for the Washington Suburban Sanitary Commission from April 2000 through November 2005. Mr. Cartwright also served as the Director of Finance and then the Assistant Secretary of Finance and Administration for the Maryland Department of Natural Resources from May 1991 through April 2000. He has worked as a finance manager for the Federal Home Loan Mortgage Corporation (Freddie Mac), MCI and DuPont. He is a Certified Public Accountant and earned his BS in Commerce from the McIntire School of Commerce at the University of Virginia.

Susan Traylor, Director of the Division of Finance and Administration since June 2007. She has been with the Department since 1998, when she joined as Director of Accounting. Prior to joining State service, she was the Chief Financial Officer of Macmillan Publishing and the Official Airlines Group. Previously, she held various financial positions with the Maxwell Communications Group and Exxon Corporation. She holds a B.A. in Economics from Western Maryland College and M.S. in Industrial Administration from Carnegie-Mellon University.

Ruth Putnam was named Deputy Director of Finance and Administration in 2008. She continues to act as the Director of MHF Finance and State Funded Loans, a position held since January 2001. She has been with the Department since 1990. Prior to joining the Department, she worked as Manager of Investor Relations in a private corporation.

Bill Beans was named Director of Multi-Family Asset Management in November 2004. He has been with the Department since 1987 and has previously served as the Director of Homeownership Programs, Deputy Director of the Community Assistance Administration and Director of Single Family Asset Management. Prior to coming to the Department, Mr. Beans worked in various housing related positions for local governments in Maryland.

Additional Information

For additional information, please contact Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

THE FHA INSURANCE PROGRAM

The following is a brief description of the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, (the “Risk Sharing Act”) and Sections 221(d)(3) (“Section 221(d)(3)”), 221(d)(4) (“Section 221(d)(4)”) and 223(f) (“Section 223(f)”) of Title II of the National Housing Act, as amended, and is qualified in its entirety by reference to the National Housing Act and the Risk Sharing Act and the regulations thereunder.

FHA Multi-Family Mortgage Insurance

FHA is authorized under the National Housing Act, as amended, to insure mortgage loans, including mortgage loans financing developments containing five or more dwelling units. FHA mortgage insurance provided pursuant to Section 221(d)(3) and Section 221(d)(4) are the principal forms of federal mortgage insurance available for new construction or substantial rehabilitation purposes. Section 223(f) provides insurance for refinancing of mortgages on existing properties. Prior to issuing a commitment for mortgage insurance pursuant to these sections, FHA or an FHA-approved lender processes a mortgage loan through several stages of review to determine the acceptability of the development securing the mortgage loan. Pursuant to this program, FHA insures mortgage loans providing acquisition, construction, substantial rehabilitation and long-term financing of a development.

Nine of the Transferred Loans acquired with the proceeds of the Series 1996 A Bonds are insured by FHA, one pursuant to Section 221(d)(3) and the remainder pursuant to Section 221(d)(4).

Insurance Benefits

If a default on a mortgage loan which is fully insured by FHA continues for a period of 30 days, regulations require that a written notice of the default be filed with FHA. Within 45 days of the date the mortgage becomes eligible to receive mortgage insurance benefits, the mortgagee is required to give written notice of the mortgagee’s intention to file an insurance claim. FHA mortgage insurance provides an option to the mortgagee either to assign the mortgage loan to FHA or to acquire title to the development by foreclosure and convey it to FHA.

Under the Section 221(d)(3) and 221(d)(4) programs, FHA will pay claims for insurance benefits in cash, in debentures, or in a combination of both, at the option of the Administration as mortgagee.

Under the Section 223(f) program, FHA may elect to pay claims in cash or debentures, or a combination of both, as determined by FHA at or prior to the time of payment. In the event of a claim on a Mortgage Loan, the Administration will request payment in cash, but there can be no assurance that FHA will make payment in cash for Mortgage Loans insured under Section 223(f). Currently, two Mortgage Loans are insured under Section 223(f).

Following an assignment of a defaulted mortgage loan to FHA and the filing of a claim for insurance benefits, FHA will pay insurance benefits in an amount equal to the sum of (1) the unpaid principal amount of the mortgage loan, computed as of the date of default, (2) certain eligible payments made by the mortgagee, and (3) interest on the insurance proceeds from the date of default at the FHA debenture rate in effect when the FHA insurance commitment was issued or as of the date of initial endorsement, whichever is higher, less (a) an amount equal to 1% of the unpaid balance of the loan and (b) certain amounts received by the mortgagee from the mortgage or the property after the date of default and (c) certain cash items retained by the mortgagee. For defaults occurring after final endorsement, FHA may, but is not obligated to, pay 90% of the insurance claim within 15 days of assignment of the defaulted mortgage loan to FHA is recorded. For defaults occurring prior to final endorsement, FHA may, but is not obligated to, pay 70% of the insurance claim with 15 days of the recordation of the mortgage to HUD. In each case, HUD will pay the balance of the insurance claim after audit, usually within three to 12 months. In each case prompt payment by FHA is subject to, among other things, complete delivery by the mortgagee of all documentation required under FHA mortgage insurance. All of the Mortgage Loans insured by FHA have either been finally endorsed or are further credit enhanced by Guaranteed Securities.

The Loan Documents

The FHA Loans are made pursuant to certain standard form FHA documents some of which (but not including certain documents for new construction or substantial rehabilitation loans) are hereinafter generally described.

Regulatory Agreement. The owner of a development enters into a Regulatory Agreement with FHA which sets forth certain of the owner's obligations in connection with the management and operation of such development.

Pursuant to the Regulatory Agreement, the owner must establish a reserve fund for replacements. The reserve fund for replacements will be funded by monthly payments by the owner in the amount established by the mortgagee as directed by FHA. Moneys in such fund may be disbursed, with prior FHA approval, to replace structural elements or mechanical equipment of the development or for certain other purposes.

The owner may not make, receive or retain any distribution of assets or income from the development, except from "Surplus Cash." "Surplus Cash" is defined in the HUD regulations as cash remaining at the end of any semiannual or annual fiscal period after the payment of (1) all sums due under the mortgage and the mortgage note, (2) all amounts required to be deposited in the reserve fund for replacements, and (3) all obligations of the development other than the mortgage (unless otherwise provided for). Surplus Cash does not include amounts held in special funds required to be maintained for the development or tenant security deposits.

In the event the owner violates any provisions of the Regulatory Agreement, and fails to cure the default within 30 days after the mailing of notice from FHA, or such longer period as FHA may determine, the Agreement provides that FHA may notify the mortgagee of the default and request the mortgagee to declare a default under the mortgage and mortgage note.

Mortgage Note. In the State of Maryland the debt instrument for FHA-insured loans secured by real estate is a deed of trust note. References to a mortgage note herein are applicable to a deed of trust note.

The standard form FHA mortgage note is a nonrecourse obligation since the maker is not personally liable for the payment of the principal of the indebtedness and interest thereon. Each mortgage note evidencing an FHA Loan is in a face amount approved by FHA and has been endorsed for insurance by FHA at the initial closing of the mortgage loan as the same may be modified at final closing when the loan is cost certified. Each FHA-insured mortgage note is a fully amortizing note maturing up to 40 years after the date set by FHA for commencement of amortization.

Mortgage. In the State of Maryland the underlying security for a deed of trust note is a deed of trust. References to a mortgage herein are applicable to a deed of trust.

In order to secure the payment of the debt evidenced by the mortgage note for an FHA Loan, the owner of the related Development has conveyed for the benefit of the payee under the mortgage note its title to the project site, together with all buildings, improvements and fixtures to be constructed on the site and all articles of personal property of the owner located on the site (collectively, the “mortgaged property”) and, in addition, has assigned to the mortgagee all rents, profits and income to be derived from the mortgaged property. Until final payment of the indebtedness, each owner agrees not to encumber the mortgaged property in any way without the consent of the Administration or the mortgagee and FHA.

In addition to the monthly payments due under the mortgage note, the mortgage obligates the owner to deposit with the mortgagee in escrow on the first day of each month sums sufficient to provide the mortgagee with funds to pay the next annual mortgage insurance premium and to pay estimated taxes, water charges, special assessments and fire and other hazard insurance premiums, if any, with respect to the mortgaged property.

Collection of Insurance Benefits

In the case of a monetary default, the date of default is deemed to be the date on which payment was originally due (i.e., the first of the month). Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest which had accrued in the previous month and was due and payable on the date of default. FHA will reimburse the mortgagee only for interest at the applicable “debenture rate” commencing on the date of default.

Upon a default by the mortgagor which entitles the mortgagee to assign the mortgage to FHA, the mortgagee must notify FHA of the default and of the mortgagee’s intention to assign the mortgage within the time frames set out in the applicable FHA handbooks. Upon receipt of this notification and election, FHA reviews the documentation to determine whether the mortgagee is entitled to assign the mortgage and to receive insurance benefits under the mortgage insurance contract. Prior to actual assignment of the loan to FHA and receipt of insurance benefits, the mortgagee must also satisfy certain legal requirements including submission of a title policy showing (except for encumbrances approved by FHA) that no liens or encumbrances are superior or inferior to the mortgage lien.

The mortgagee is required to submit all required documentation within 45 days from the date the mortgage is assigned to FHA unless the time is extended by FHA. The documentation required to be supplied to FHA includes (1) an assignment of claims of the mortgagee against the mortgagor or others arising out of the mortgage; (2) all policies of title or other insurance or surety bonds or other guaranties and any claims thereunder, including evidence that the effective date of the title coverage has been

extended to include assignment to FHA, (3) all records and accounts relating to the mortgage, (4) all property of the mortgagor held by the mortgagee, and (5) any additional information required by FHA. If the election is not made or the documents are not delivered within the 45 days, FHA will not pay the mortgagee interest on sums outstanding from the date the election should have been made or the date the required documents should have been submitted to FHA, whichever is applicable, to the date when the insurance claim is finally paid unless FHA has agreed to extend the period with interest.

Failure of a mortgagor to comply with the income and rental requirements of Section 103(b)(4)(A) of the 1954 Code or Section 142(d) of the 1986 Code, as applicable, does not constitute an event of default under the FHA Loans.

Partial Settlement Upon Assignment. FHA may request the mortgagee in lieu of assignment, to accept partial payment of the claim under the mortgage insurance contract and to recast the mortgage, under such terms and conditions as FHA may determine.

Deposits Held by Mortgagee. The mortgagee is responsible for all deposits under its control. FHA deducts from any insurance claim the amount of cash or cash equivalents held by the mortgagee on behalf of the owner. Where deposits are held by the mortgagee in the form of a letter of credit, it is the mortgagee's responsibility to convert the letter of credit to cash in the event the funds are necessary. For insurance purposes, FHA views a letter of credit held in lieu of cash deposit as the equivalent of cash. Letters of credit accepted by the Administration or the mortgagee must be unconditional and irrevocable. FHA does not review or approve letters of credit.

The mortgagee is responsible for all funds in its custody and must therefore obtain approvals from FHA and others, when required, prior to release of any funds which may be in its possession. Failure to protect properly such funds may result in a deduction from the FHA insurance claim in an amount equal to the funds FHA asserts should have properly been held as a deposit.

Warranties Upon Assignment. In the event of an assignment of a mortgage, FHA requires the mortgagee to warrant that (1) no act or omission of the mortgagee has impaired the validity and priority of the mortgage; (2) the mortgage is prior to all mechanics' and materialmen's liens filed on record subsequent to the recording of the mortgage, regardless of whether such liens attached prior to the recording date; (3) the mortgage is prior to all liens and encumbrances which may have attached or defects which may have arisen subsequent to the recording of the mortgage, except such liens or other matters as may be approved by FHA; (4) the amount stated in the instrument of assignment is actually due under the mortgage and there are no offsets or counterclaims against such amount; and (5) the mortgagee has a good right to assign the mortgage. In assigning its security interest in chattels, including materials, located on the premises covered by the mortgage, or its security interest in building components stored either on-site or off-site at the time of the assignment, the mortgagee is required to warrant that (a) no act or omission of the mortgagee has impaired the validity or priority of the lien created by the chattel security instruments; (b) the mortgagee has a good right to assign the security instruments; and (c) the chattel security instruments are a first lien on the items covered by the instruments except for any liens or encumbrances approved by FHA.

Title Insurance Policy (Mechanics' and Other Liens). The mortgagee will be required to furnish FHA with a title policy which names FHA as the insured party and which assures FHA that the mortgage loan to be assigned constitutes a first lien on the mortgaged premises, subject only to those exceptions previously approved by FHA. The mortgagee will be required to remove any intervening liens and to obtain an updated title endorsement within the 45-day period during which documents are required to be submitted. FHA may deduct the amount of any liens which have priority over the mortgage lien from the mortgagee's FHA insurance claim.

Tax liens against the property which have priority over the lien of the mortgage or which are due within 60 days of the assignment to FHA must be paid by the mortgagee. Although the mortgagee will be reimbursed for funds it advances to pay real estate taxes on the mortgaged property, failure to pay taxes when due may result in a penalty which will not be reimbursed by FHA as part of the insurance claim.

Losses on Advances other than Mortgage Proceeds. Although the mortgagee will be reimbursed for advances properly made for taxes, insurance premiums and preservation of the property, such reimbursement may not fully compensate the mortgagee for the making of the advances since the mortgagee will be paid only debenture interest on those advances from the date of default.

Reimbursement for Maintaining the Mortgaged Property. FHA will reimburse the mortgagee for funds advanced to maintain or preserve the mortgaged property if the approval of FHA is received prior to the time the funds are advanced.

FHA Risk-Sharing Program

The Risk Sharing Act authorizes the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable those HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “Regulations”) pursuant to the Housing Act. The FHA Risk-Sharing Program established by the Risk Sharing Act allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect. The FHA Risk-Sharing Program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA.

This mortgage insurance program requires that an interested HFA first be approved as a qualified HFA. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement with the Commissioner of FHA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the FHA Risk-Sharing Program include new construction projects, substantial rehabilitation projects, acquisition of existing projects, projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program. Risk-sharing projects must constitute “affordable housing,” which means that either 20% or more of the units are rent-restricted (as defined below) and occupied by families whose income is 50% or less of the area median income as determined by HUD, with adjustments to income based on household size, or that 40% or more of the units are rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments to income based on household size. A residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30% of the income limitation applicable to the unit as published from time to time by HUD.

The Administration has entered into a risk-sharing agreement with HUD dated as of November 30, 1994 (the “Risk-Sharing Agreement”) which sets out the terms for the Administration’s participation in the FHA Risk-Sharing Program. The Administration has a “Level I” approval under the regulations which means it may elect to reimburse HUD for between 50% and 90% (in increments of

10%) of any losses incurred as a result of a default under a loan. Level I approval permits the Administration to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans without further review by HUD. The Administration also has a “Level II” approval which means it may insure either 10% or 25% of any losses on the mortgage loan (based on certain loan-to-value criteria). In the event of a loan default, the Risk-Sharing Agreement requires the Administration to share with HUD in any loss arising as a consequence of the loan default.

The Administration authorizes the use of the FHA Risk-Sharing Program in connection with new Loans financed by Bonds on a case-by-case basis. In such cases, MHF is expected to reimburse the Administration for the Administration’s share of any loss.

The FHA Risk-Sharing Program regulations require that the Administration establish a dedicated account at a financial institution acceptable to HUD in the initial amount of \$500,000. This account, with a current balance of \$647,227, has been established by restricting such amount in the Administration’s General Bond Reserve Fund for such purpose. HUD may make withdrawals from this account for the purpose of meeting the Administration’s obligations under the program and the Risk-Sharing Agreement. HUD no longer requires deposits into this reserve for new Risk-Sharing Loans due to the Administration’s more recent credit rating.

FHA Insurance under the FHA Risk-Sharing Program with respect to any mortgage loan may be terminated upon the occurrence of certain events, including the following: (1) the corresponding mortgage is paid in full; (2) the Administration acquires mortgaged property and notifies the Commissioner that it will not file an insurance claim; (3) a party other than the Administration acquires property at a foreclosure sale; (4) the Administration notifies the Commissioner of a voluntary termination; (5) the Administration or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (6) the receipt by the Commissioner of an application for final claims settlement by the Administration; or (7) the Administration acquires the mortgaged property and fails to make an initial claim.

During its participation in the program, the HFA must take responsibility for certain functions, including those relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the HFA that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD has specifically retained certain functions, including monitoring compliance with the Davis-Bacon Act, environmental laws, enforcement of certain fair housing and equal opportunity laws and other program criteria. Certain HUD requirements may only be applicable when construction advances are insured.

Upon completion of construction, presentation of a closing docket, including an executed regulatory agreement between the HFA and the mortgagor, and certifications required by the Regulations, FHA issues a final endorsement of the mortgage note for the costs related to the project which have been certified by an independent certified public accountant and have been approved by the Administration. Although the Administration has been given authority to approve cost certifications by a mortgagor, HUD has the authority, in its sole discretion, at any time prior to and including final endorsement, to adjust the amount of mortgage insurance.

The Regulations define an event of default under an FHA-insured mortgage as (1) a failure to make any payment due under the mortgage or (2) a failure to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage) if the mortgagee, because of such failure, has accelerated the debt. A mortgagee is

entitled to receive the benefits of insurance after the mortgagor has defaulted and such default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Administration has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Administration must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of the Administration, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where the Administration certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to the Administration is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. **The Administration must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms for the mortgages within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment shall be returned to HUD within 30 days of the retirement. Within 30 days of the initial claim payment, the Administration must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the Administration's obligation to HUD under its Risk-Sharing Agreement.

In determining the mortgage note interest component of the initial claim amount, if the Administration fails to meet any of the requirements of the Regulations within the specified time (including any granted extension of time), HUD shall curtail the accrual of mortgage note interest by the number of days by which the required action was late. Losses sustained as a consequence of the sole negligence of the Administration will be the sole obligation of the Administration, notwithstanding the risk apportionment otherwise agreed to by HUD and the Administration.

When FHA pays a claim, the Risk-Sharing Agreement provides that the Administration will issue a debenture (each, a "Debenture") to HUD for the full amount of the claim, which shall be supported by the full faith and credit of the Administration. Each Debenture will have a term of five years, will bear interest at HUD's published debenture rate, and interest will be payable annually. The Risk Sharing Act contemplates that during the five year term of each Debenture, the Administration would work toward curing the default, foreclosure or resale of the related development. Upon the due date of each Debenture, the total loss to be shared by the Administration and HUD shall be computed pursuant to the Risk-Sharing Agreement. As noted, MHF is expected to reimburse the Administration for its share of any loss.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed in lieu of foreclosure or (2) expiration of the term of the Debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the mortgage note and risk-sharing agreement.

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semiannual reports, annual financial statements and must maintain its

eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

THE GNMA GUARANTY PROGRAM

GNMA is a wholly-owned corporate instrumentality of the United States within the United States Department of Housing and Urban Development (“HUD”) with its principal office in Washington, D.C.

A Guaranteed Security is a “fully modified pass through” mortgage-backed security that requires monthly payments by an FHA-approved lender, as the issuer of the Guaranteed Security (the “Lender”), to the registered holder of the Guaranteed Security of principal of and interest on such Guaranteed Security when due, whether or not the Lender receives payments on the mortgage note underlying such Guaranteed Security, plus any prepayments of principal of the mortgage note received by the Lender. GNMA guarantees timely payment of principal of and interest on Guaranteed Securities. Loans that are credit enhanced by Guaranteed Securities are described in APPENDIX D - “DESCRIPTION OF LOANS AND DEVELOPMENTS.”

GNMA Guaranty

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of and interest on Guaranteed Securities that are based on and backed by a mortgage insured by FHA. Section 306(g) provides further that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” In order to meet its obligations under such guaranty, GNMA is empowered under Section 306(d) of Title III of the National Housing Act to borrow from the United States Treasury, through the issuance of its general obligations, in an amount sufficient to enable GNMA to perform its obligations under its guaranty of the timely payment of the principal of and interest on Guaranteed Securities that are guaranteed by GNMA. The United States Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the United States Treasury to the Secretary of HUD, that the United States Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty. GNMA warrants to the registered owner of Guaranteed Securities, that, in the event it is called upon to make payment pursuant to such guaranty of the payment of principal of and interest on the Guaranteed Securities, it will, if necessary, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payments.

Guaranteed Securities issued in connection with mortgage loans on multi-family projects are issued in two forms-construction loan certificates for projects under construction and project loan certificates for completed projects. Prior to the issuance of a Guaranteed Security, the Lender must become an approved issuer of GNMA-guaranteed securities and obtain GNMA’s commitment to guarantee such Security, and in the case of a project under construction, the Lender must obtain GNMA’s commitment to guarantee payments of the construction loan certificates, and upon completion of the project, the project loan certificate.

Project loan certificates can be issued only after the project has been completed and the mortgage loan on the project finally endorsed for mortgage insurance by HUD.

Construction loan certificates are issued periodically - usually monthly - as construction of the project progresses, in the amount of the principal amount of the mortgage loan that at the time of such issuance has been disbursed and endorsed for insurance by FHA. Immediately following final

endorsement for mortgage insurance by HUD, the construction loan certificates are exchanged for the project loan certificate.

As a condition to the issuance of each construction loan certificate, the Lender will be obligated to deliver certain documents to GNMA not later than 3 business days prior to the anticipated delivery date of such Guaranteed Security, including evidence of the advance of the mortgage loan and its endorsement for insurance by FHA. During such 3 business day period between the date of an advance under the mortgage loan and the issuance of a GNMA guaranty of the related construction loan certificate, it is possible that the Borrower could default under the mortgage loan or the Lender could default under a GNMA guaranty agreement (the "GNMA Guaranty Agreement"). In connection with other mortgage loans, GNMA has stated, among other things, that, in the event of either or both types of default, it nevertheless will (except in the event of fraud or misrepresentation by the Lender) be obligated to approve the issuance of the construction loan certificate corresponding to the advance under the mortgage loan made prior to the default.

Servicing of Mortgage

Under contractual arrangements between a Lender and GNMA, the Lender is responsible for servicing and otherwise administering the mortgage securing a Guaranteed Security in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer's Guide.

The monthly remuneration of the Lender, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the Guaranteed Security outstanding. GNMA regulations and policies have fixed the total of these servicing and guaranty fees at a minimum of 0.25% per annum and a maximum of 0.50% per annum calculated on the principal balance of the Guaranteed Security outstanding on the last day of the month preceding such calculation. A Guaranteed Security carries an interest rate that is fixed below the interest rate on the underlying mortgage note by the amount of such servicing and guarantee fees.

Payments of principal of and interest on the mortgage notes are expected to be received by the Lender from the mortgagor in amounts and at times sufficient to be the source of the payments of principal of and interest on the Guaranteed Securities. If such payments are less than the amount due, the Lender is obligated to advance its own funds to make the timely payment of all amounts due on the GNMA Security. GNMA guarantees such timely payment in the event of failure by the Lender to make scheduled payments when due. The Guaranteed Security does not represent a liability or an obligation of the Lender and recovery may be sought only from GNMA.

The Lender is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled on the 15th day of each month. However, the Guaranteed Securities will not constitute a liability nor evidence recourse against the Lender if such payments are not received as scheduled. If such payments are not received as scheduled, the Administration has recourse directly to GNMA.

In the event of a default by the Lender, including (1) a request to GNMA to make a payment of principal of or interest on a Guaranteed Security when the mortgagor is not in default under the mortgage note, (2) insolvency of the Lender or (3) default by the Lender under any other guaranty agreement with GNMA, the GNMA Guaranty Agreement provides that GNMA shall have the right, by letter to the Lender, to effect the complete extinguishment of the Lender's interest in the mortgage, and the mortgage will become the absolute property of GNMA, subject only to the unsatisfied rights of the owner of the GNMA security. In such event, the GNMA Guaranty Agreement provides that on and after the time GNMA directs such a letter of extinguishment to the Lender, GNMA will be the successor in all respects

to the Lender in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Lender's indemnification of GNMA), placed on the Lender by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time, GNMA may enter into an agreement with any other eligible issuer of GNMA securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities theretofore placed on the Lender, and provided that, no such agreement shall detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the Guaranteed Security, or otherwise adversely affect the rights of the holders thereof.

Payment of Principal and Interest on the Guaranteed Securities

Payment of interest on Guaranteed Securities is required to be made in monthly installments on or before the 15th day of each month commencing the month next following the date of issue of the Guaranteed Securities. Payment of the principal of Guaranteed Securities is expected to commence 15 days after the commencement of amortization of principal of the mortgage note.

Following the issuance of the Guaranteed Securities and commencement of the payment of principal thereon, Guaranteed Securities are payable in equal monthly installments, subject to prepayment. Each installment on Guaranteed Securities is applied first to interest and then to the reduction of the principal balance then outstanding. Interest is paid at the specified rate on the unpaid portion of the principal of the Guaranteed Securities. The amount of principal due on Guaranteed Securities is in an amount equal to the scheduled principal amortization currently due on the underlying mortgage notes. Payments of principal and interest are subject to adjustment due to prepayments or other early unscheduled recoveries of principal on the underlying mortgage note.

The Lender agrees to pay to the owner of a Guaranteed Security monthly installments of not less than the interest due on the Guaranteed Security at the rate specified in the Guaranteed Security, together with any scheduled installments of principal, whether or not collected from the mortgagor and any prepayments or early recoveries of principal. Final payment is made upon surrender of the Guaranteed Securities. The Guaranteed Security does not represent a liability or an obligation of the Lender and recovery may be sought only from GNMA.

THE FANNIE MAE STAND-BY GUARANTY PROGRAM

Under Fannie Mae's Stand-by Guaranty Program, Fannie Mae agrees to provide Credit Enhancement for Fannie Mae Enhanced Loans pursuant to, and subject to the limitations of, the related Fannie Mae Credit Enhancement Instrument. The Fannie Mae Credit Enhancement Instrument secures certain payments under the Mortgage Note. The Borrower is obligated to reimburse Fannie Mae for any funds provided by Fannie Mae under a Fannie Mae Credit Enhancement Instrument will be set forth in a Reimbursement Agreement, between the applicable Borrower and Fannie Mae. Certain Fannie Mae Enhanced Loans do not have a separate Construction Phase, and references herein to such Construction Phase, as well as references to Conversion and related concepts, do not apply to such Loans.

Fannie Mae's participation in the financing of a Development will not extend beyond the Construction Phase unless the Conditions to Conversion set forth in the related Construction Phase Financing Agreement among Fannie Mae, the Fannie Mae Construction Lender and the Fannie Mae Loan Servicer, and acknowledged and agreed to by the Borrower, are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae). If the Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae), the Fannie Mae Loan Servicer, on or before the Termination Date, shall issue a Final Notice of Conversion, in which event the related Fannie Mae

Enhanced Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae's participation in the financing will continue. If, however, the Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Fannie Mae Loan Servicer fails to issue a Final Notice of Conversion on or before the Termination Date, such Fannie Mae Enhanced Loan will not convert from the Construction Phase to the Permanent Phase, and the related Bonds will be subject to special mandatory redemption in whole at a redemption price equal to the principal amount of such Bonds plus accrued interest to the Redemption Date. In the event of such a special mandatory redemption in whole, the redemption price is to be paid with funds provided under the Fannie Mae Credit Enhancement Instrument. Alternatively, in lieu of such redemption, such Bonds may be purchased by the Trustee for the account of the related Fannie Mae Construction Lender. The Termination Date is the date specified by Fannie Mae in the Construction Phase Financing Agreement, and generally corresponds to the expected time needed for construction or rehabilitation and rent-up of the units; the Fannie Mae Loan Servicer may request one six-month extension of the Termination Date. The grant of any further extension is in the sole discretion of Fannie Mae.

The Conditions to Conversion include, for example, completion of construction of the Development and the achievement of a specified level of occupancy from the leasing of units in the Development. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur. In addition, even if Conversion occurs, no assurance can be given that the principal amount of the related Fannie Mae Enhanced Loan, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of such Fannie Mae Enhanced Loan; if the principal amount of such Fannie Mae Enhanced Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of such Fannie Mae Enhanced Loan, the principal amount of such Fannie Mae Enhanced Loan must, as a Condition to Conversion, be reduced by the applicable Borrower's prepayment of such Fannie Mae Enhanced Loan in part; upon such prepayment, a corresponding portion of the related Bonds will be subject to special mandatory redemption at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and such Bonds will be subject to special mandatory redemption in whole.

Prior to Conversion, Fannie Mae will, pursuant to the Construction Phase Financing Agreements, be protected against risk of loss by the Fannie Mae Construction Lender through a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Fannie Mae Construction Lender, the Construction Phase Financing Agreements and the Construction Phase Credit Facilities may result in the prepayment of a Fannie Mae Enhanced Loan and a corresponding special mandatory redemption of the related Bonds.

Under Fannie Mae's Credit Enhancement Instrument, Fannie Mae agrees to pay any scheduled principal and interest due on the related Fannie Mae Enhanced Loan if payment is not made by the Borrower on or before the set forth in the Credit Enhancement Instrument. The obligations of Fannie Mae are solely those of Fannie Mae, a federally chartered, stockholder-owned corporation, and are not backed by the full faith and credit of the United States.

The Trustee will accumulate and invest the monthly payments on each Fannie Mae Enhanced Loan for application semiannually to payments of interest or principal and interest, as due, on the related Bonds and for the payment of certain fees.

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APPENDIX G

FEDERAL HOUSING SUBSIDY PROGRAMS

Section 8 Program

General. The following is a brief description of the housing assistance payments program for new construction and substantial rehabilitation authorized by Section 8 of the United States Housing Act of 1937, as amended (the "Housing Act") as such program relates to the Loans. Such description is qualified in its entirety by reference to the applicable provisions of the Housing Act and the regulations promulgated thereunder. Although the Housing and Urban Recovery Act of 1983 repealed the new construction and substantial rehabilitation programs of Section 8 as of October 1, 1983, any projects receiving funding under such programs are still subject to regulation under those programs. The housing assistance payments program authorized by Section 8 for moderate rehabilitation or for existing housing may differ. Reference is made to the Housing Act and regulations thereunder for a complete description.

Provision has been made under the Housing Act and the United States Department of Housing and Urban Development ("HUD") regulations for the administration of Section 8 subsidies through state housing finance or development agencies, including the Administration.

Subsidy Contracts. Under the Section 8 housing assistance payments program, three principal contracts are executed. The owner and a public housing agency, such as the Administration, execute an Agreement to Enter Into Housing Assistance Payments Contract ("AHAP") with respect to a development to be constructed or rehabilitated. This AHAP is approved by HUD and, subject to certain conditions, commits the owner to enter into a Housing Assistance Payments Contract ("HAP Contract") upon completion and acceptance of the development. The HAP Contract is executed by the owner and the public housing agency and approved by HUD. In connection with the AHAP, the public housing agency and HUD enter into an Annual Contributions Contract ("ACC") which provides for the disbursement by the public housing agency, as HUD's agent, of housing assistance payments in accordance with the terms of the HAP Contract. The ACC and the HAP Contract usually provide for the payment of the Section 8 subsidy for an initial term, sometimes automatically renewable for additional terms of not more than five years each, with a maximum term of up to 40 years. See APPENDIX D - "DESCRIPTION OF LOANS AND DEVELOPMENTS" for selected information on the Loans, including the terms of applicable HAP Contracts.

None of the Loans were made subject to HUD's financing adjustment factor rule published in 1981.

Payments received under the HAP Contracts constitute a primary source of revenues for many of the Developments. Therefore, the termination of a HAP Contract prior to the maturity date of the related loan would have a material adverse impact on the ability of a Development to generate revenues sufficient to pay the principal of and interest on a Loan if the HAP Contract or other similar financial assistance program is not extended by HUD at the expiration of a HAP Contract, if a public housing agency does not continue to allocate on an annual basis Section 8 certificates or housing vouchers to tenants in a development, or the owner is otherwise unable to lease substantially all of the units in the development at rentals which produce revenues equivalent to those which would have been received if the term of the HAP Contract had been extended for the term of a Loan. In such event, there is a likelihood of a default on the related Loan if the term of such Loan exceeds that of the HAP Contract.

Calculation and Payment of Subsidy. The HAP contract specifies a “Contract Rent” for each assisted dwelling unit. The Contract Rent is generally limited by the “fair market rents” established by HUD and published in the Federal Register and by the rents of unassisted units of similar age, design, location and amenities. The Contract Rent for the assisted dwelling units in each development is adjusted by HUD annually pursuant to an adjustment factor established by HUD.

An amount equal to the Contract Rent for each assisted dwelling unit is set aside by HUD in an ACC Reserve Account for each development. Each month, HUD pays from such accounts to the public housing agency, for the account of the owner, an amount equal to the Contract Rent and utilities allowance for each assisted dwelling unit less up to 30% of the resident’s income, with certain adjustments. This latter amount is paid directly to the owner by the resident. The proportion of the Contract Rent actually paid by HUD and the resident may vary from month to month depending upon the resident’s income. Funds left in the project account are held over to cover future contingencies or rent increases.

Generally, the Section 8 subsidy is payable only when a dwelling unit is occupied by an eligible tenant. However, HUD regulations provide for payments to be made under certain limited circumstances when the unit is not occupied. Subject to certain conditions, after rent-up a subsidy equal to 80% of Contract rents is payable for vacant units for a period of 60 days, and thereafter for an additional 12-month period in an amount equal to the debt service attributable to the unit, subject to additional conditions.

The housing assistance payments are made by HUD directly to the owner and, together with any tenants’ contributions, are available to pay debt service on the mortgage note and operating costs of the development and, except in the case of owners organized as nonprofit entities, a return on the owner’s initial equity in the development. The owner is responsible to pay debt service, escrows and reserve requirements.

Adjustment of Subsidy Amount. HUD regulations provide for the determination by HUD of an adjustment factor at least once a year. On each anniversary date of the HAP Contract, Contract Rents are adjusted upon request from the owner to the contract administrator in accordance with this factor. Current law and HUD regulations require that rent adjustments not result in material differences between the Contract Rents and rents for comparable unassisted units, except to the extent that the differences existed at the time of execution of the HAP Contract. Current law requires HUD to deny rent adjustments to those Section 8 projects with rents above the applicable fair market rents established by HUD unless the mortgagor demonstrates that the adjusted rent would not exceed rents for comparable unassisted units (plus the initial rent difference), and also requires HUD to reduce the annual adjustment factor by one percentage point for those units in which there was no tenant turnover during the previous year. In addition, provision is made in HUD regulations for special additional adjustments to reflect increases in the actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent that such general increases are not adequately compensated for by the automatic annual adjustments. There is no assurance that such adjustments or special additional adjustments will in fact be sufficient to cover such cost increases. Current federal law provides that Contract Rents in effect on or after April 15, 1987 for newly constructed, substantially rehabilitated or moderately rehabilitated projects may not be reduced unless the project has been refinanced in a manner that reduces the periodic payments of the owner.

The ACC provides that the maximum amount of annual contributions initially available for housing assistance payments will equal the initial Contract Rents and utilities allowances for all assisted units in the development.

In the event that increases in Contract Rents resulting from automatic or special adjustments require annual contributions in excess of the amount then available under the ACC, and HUD approves the estimated required amount for the project, the Section 8 program provides that the Secretary of HUD shall take such steps as may be necessary, including paying annual contributions in amounts in excess of the amounts initially contracted for, reserving annual contributions authorized for the purpose of amending ACCs, or allocating a portion of new authorizations to amend ACCs and HAP Contracts, to assure that assistance payments are increased on a timely basis to cover increases in Contract Rents or decreases in family incomes. HUD's ability to implement such steps may be dependent upon Congressional appropriations of funds.

Termination of Subsidy Contracts. Housing assistance payments do not automatically terminate if a mortgage loan is in default. In addition, in the event of foreclosure, or an assignment or sale to the public housing agency in lieu of foreclosure, or in the event of assignment or sale agreed to by the public housing agency and approved by HUD, housing assistance payments in most cases continue in accordance with the terms of the HAP Contract. However, HUD has reserved the right in the event of a default with respect to the mortgagor's obligations under the HAP Contract to take corrective action, abate or terminate housing assistance payments or terminate the HAP Contract in accordance with the provisions of the ACC after providing reasonable notice to the public housing agency and opportunity to correct the default.

Compliance with Subsidy Contracts. Each ACC and HAP Contract contains, where applicable, agreements on the part of HUD, the Administration and the owner concerning, among other things, maintenance of the housing development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as non-discrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the public housing agency or the owner, or both, may abate the payment of the federal subsidy, in whole or in part. Under Loans financed by the Administration, default by an owner in the performance of its obligations is an event of default under the terms of its mortgage, which would permit foreclosure by the Administration.

Housing assistance payments will continue as long as the owner complies with the requirements of the HAP Contract and has leased the assisted units to eligible tenants or satisfies the criteria for receiving assistance for vacant units. The public housing agency, which has primary responsibility for administering the HAP Contract subject to review and audit by HUD, may require the owner to cure any default under the HAP Contract and may abate housing assistance payments and recover over-payments pending remedy of the default. If the default is not cured, the public housing agency may terminate the HAP Contract or take other corrective action, as directed by HUD. HUD has an independent right to determine whether the owner is in default, to take corrective action, and to apply appropriate remedies.

If HUD determines that the Administration has failed to fulfill its obligations, HUD may, after notice to the Administration giving it a reasonable opportunity to pursue corrective action, require that the Administration assign to HUD all its rights under the HAP Contract.

HUD's ability to fund contract amendments or renewals is subject to annual appropriations. HUD's provision of such amendments and renewals was partially disrupted for a temporary period during the past year, when HUD determined appropriations to be inadequate to fulfill all such needs.

Eligible Tenants. An eligible tenant for a Section 8-assisted unit or a Housing Voucher is a family or an individual whose income, determined in accordance with HUD schedules and criteria, does not exceed the income limits prescribed by HUD for the area in which the development is located. Under existing HUD regulations, the income limit is generally fifty percent (50%) of the area's median income,

with further adjustment for the size of the tenant's family and regional economic conditions; although tenants in up to twenty five percent (25%) of units (fifteen percent (15%) for developments with HAP contracts dated after October 1, 1981) may have incomes up to eighty percent (80%) of the area's medium income, as adjusted by HUD. Recent legislation also requires that not less than forty percent (40%) of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed thirty percent (30%) of area median income (as determined by HUD and adjusted for family size) at the time of admission.

Expiring HAP Contracts. Until 1997, there was substantial uncertainty as to what would happen to Section 8 assisted developments upon the expiration of their HAP contracts at the end of their terms. HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, signed into law on October 27, 1997, included within it the "Multifamily Assisted Housing Reform and Affordability Act of 1997" (as amended, the "Restructuring Act"), which has been further amended by the "Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act," enacted by Congress as part of HUD's Year 2000 Appropriations Act (the "Year 2000 Amendments"). The Restructuring Act implements a new "Mark-to-Market" program pursuant to which many FHA insured Section 8 developments with expiring HAP Contracts and above-market rents will be eligible for restructuring plans, and, upon restructuring, may receive continuing Section 8 assistance. These restructuring plans may include refinancing and/or partial payment of mortgage debt, intended to permit the reduction of Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance. The Restructuring Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, the Year 2000 Amendments provided for a new program for preservation of Section 8 developments (including Section 236 developments that have project based HAP Contracts) that allows increases in Section 8 rent levels for certain developments that have below market rents, to market or near market rate levels (the "Mark-to-Market Program").

The restructuring (or expiration and renewal of HAP Contracts) is designed also to result in a change from "project-based" to "tenant-based" Section 8 payments in many cases. In the former circumstances, the HAP Contract is associated with a particular development and the units therein, and when a tenant moves from the development, the successor tenant, assuming that he or she is within the applicable income limits, will receive the benefit of the Section 8 payments. With "tenant-based" assistance, the Section 8 subsidy is associated with a particular tenant, and when the tenant moves from the development, the successor tenant will not receive the benefit of the Section 8 payments.

Although the primary focus of the Mark-to-Market Program is developments that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have HAP Contracts with substantially shorter terms, the Restructuring Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 developments for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Upon the request of the owner of such a development, HUD is currently required to renew an expiring HAP Contract (absent certain actions or omissions of an owner or affiliate and subject to certain verifications). Under current HUD policy, renewals are expected to be made for an initial term of one year, with initial rents at the lesser of: (1) existing rents adjusted by an Operating Costs Adjustment Factor ("OCAF") established by HUD, or (2) a budget-based rent determined by HUD. Under current law, future rent adjustments will be determined using an OCAF or a budget-based adjustment. While it is anticipated that any such adjustment will be structured so as to take due account of debt service requirements, there can be no assurance that rent adjustments will provide for contract rents adequate to pay principal and interest on Bonds. More generally, there can be no assurance

that future policies or funding levels will continue to make renewals and rent adjustments available on the same terms as are currently anticipated.

Under the Year 2000 Amendments, Section 8 developments with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government, such as the Administration, are subject to the Mark-to-Market program unless implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. To the extent any such state and local government financed Section 8 developments with FHA-insured mortgages are determined not to qualify for the Mark-to-Market program, such developments would be treated in the same manner as other Section 8 developments, as discussed above, that do not have FHA-insured mortgages. To the extent any such Section 8 developments are determined to be eligible for the Mark-to-Market program, all or a portion of the debt for such developments may be prepaid as part of a restructuring agreement.

HAP Contract rents under the Restructuring Act may be significantly lower than the current HAP Contract rents in Section 8 developments, and the corresponding reduction in Section 8 subsidy payments for such developments could materially adversely affect the ability of the owners of such developments to pay debt service on the Loans. Any termination or expiration of HAP Contracts, without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a mortgagor, poor condition of the development or other causes) could also have a material adverse impact on the ability of the related Section 8 developments to generate revenues sufficient to pay debt service on the Loans. In such an instance, a default under the FHA-insured mortgage would result in a claim for payment of mortgage insurance benefits.

While the Restructuring Act generally allows owners to renew HAP Contracts (absent certain material adverse conduct or conditions), owners are not required to renew HAP Contracts beyond their expiration. Upon an election not to renew a HAP Contract owners are required to provide certain notices and transitional tenant protections.

In recent internal correspondence, HUD has interpreted a provision in certain HAP Contracts to mean that upon a refinancing or other prepayment of the permanent mortgage loan, the HAP Contract terminates. This affects only developments that do not have FHA-insured mortgages and have HAP Contracts that (i) have terms of 30 or 40 years, (ii) were originated under the State Agency Program, and (iii) were, as a general matter, executed prior to February, 1980. The Administration is examining the effect, if any, of this policy on its portfolio. HUD has indicated that it is willing to amend the offending language in such HAP Contracts to remove the termination provision, but it is not known whether the owners of Section 8 assisted developments will agree to such an amendment, or whether this new interpretation by HUD will result in a greater number of mortgage prepayments.

Section 236 Program

General. Under Section 236 of the National Housing Act, the Secretary of HUD (the “HUD Secretary”) enters into contracts with owner-mortgagors to make interest reduction payments to the mortgagee, on behalf of the project owner, in an amount generally equal to the difference between the monthly payment for principal, interest and mortgage insurance premium and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 percent per annum. Such Section 236 Contracts are project-based and coterminous with the related mortgages.

As a condition to receiving the interest reduction payments, the project owner must operate the project in accordance with tenant eligibility and rent requirements established by law and further prescribed by the HUD Secretary, maintain the project in satisfactory condition and meet various other HUD requirements. The HUD Secretary is to review tenant income requirements at least annually.

Interest Rate Subsidy. For each dwelling unit there is established, with the approval of the HUD Secretary, (i) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 percent per annum and (ii) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and a mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental paid by the tenant of each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the lesser of (i) the fair market rental charge, or (ii) the actual rent paid for a comparable unit in comparable unassisted housing in the market area in which the housing is located, up to 30 percent of the tenant's adjusted income.

With respect to those projects which the HUD Secretary determines have separate utility metering for some or all dwelling units, the HUD Secretary is authorized: (i) to permit the basic rental charge and the fair market rental charge to be determined on the basis of operating the project without the payment of the cost of utility services used by such dwelling units; and (ii) to permit the charging of a rental for such dwelling units at such an amount, less than 30 percent of a tenant's adjusted income, as the HUD Secretary determines represents a proportionate decrease for the utility charges to be paid by such tenant, but in no case shall such rental be lower than 25 percent of a tenant's adjusted income.

The project owner shall, as required by the HUD Secretary, accumulate, safeguard, and periodically pay to the HUD Secretary, on a unit-by-unit basis as distinct from a net project basis, all rental charges collected in excess of the basic rental charges ("Section 236 Excess Rents"). With HUD's consent, and subject to certain restrictions, such Section 236 Excess Rents may be retained by the project owner for project use. Otherwise, Section 236 Excess Rents must be remitted to HUD.

In order to induce advances by owners for capital improvements (excluding any owner contributions that may be required by the HUD Secretary), in establishing basic rental charges and fair market rental charges, the HUD Secretary may include an amount that would permit a return of such advances with interest to the owner out of project income, on such terms and conditions as the HUD Secretary may determine. Any resulting increase in rent contributions shall be:

- (i) to a level not exceeding the lower of 30 percent of the adjusted family income of the tenant or the published existing fair market rent for comparable housing established under the Section 8 program;
- (ii) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more; and
- (iii) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent.

Assistance under the Section 8 program shall be provided, to the extent available under appropriations acts, if necessary, to mitigate any adverse effects of these provisions on income-eligible tenants.

Interest reduction payments are made upon receipt by the HUD Secretary of a billing containing representations of facts by the Administration. If the HUD Secretary finds that interest reduction payments have been excessive because of inaccurate facts contained in the billing or other cause, the

Administration is obligated to immediately refund the amount that was overpaid. Adjustments in the interest reduction payments are also made in the event a subsidized dwelling unit is destroyed or rendered not habitable for any reason unless the unit is restored or rehabilitated within a reasonable time or unless an unsubsidized unit is designated in its place.

Covenants of Owner. In the Section 236 Contract the project owner covenants and agrees with respect to each subsidized dwelling unit of the project, among other things, that:

(i) Any revision in the basic rental or fair market rental for any subsidized dwelling unit shall be made or approved by the Administration as well as subject to approval by the HUD Secretary, and the HUD Secretary agrees that it will not unreasonably withhold approval of rent revisions made or approved by the Administration;

(ii) Preference for occupancy in subsidized dwelling units shall be given to displaced families and to families whose incomes are within the lowest practicable limits for obtaining rental units in the project; and

(iii) The mortgagor shall not sell, convey or transfer the project except to a purchaser who is approved by the HUD Secretary and is entitled to participation under Section 236 and who assumes the project owner's duties and obligations under the Section 236 Contract.

Covenants of Administration. The Administration covenants and agrees that it will not assign the project mortgage or agree to the forbearance or deferment of any payment due under the project mortgage without the prior written approval of the HUD Secretary; except that, in connection with the issuance of its notes and bonds for the purpose of providing financing under the project mortgages, the Administration may assign or pledge the project mortgage and its rights thereunder as security for its note or bond holders or to a trustee without the written approval of the HUD Secretary. The HUD Secretary shall terminate payments under the Section 236 Contract if the property is acquired by any owner not eligible under Section 236 of the National Housing Act. Section 236 was amended in 1989 to include public entities as eligible owners, as well as non-profit owners.

Termination of HUD Payments. The HUD Secretary may also terminate interest reduction payments under the Section 236 Contract:

(i) Upon default by the project owner or the Administration under any provision of the agreement; or

(ii) If any action of foreclosure is instituted by the Administration, unless the Administration (i) gives to the HUD Secretary in advance written notice of its intention to institute such foreclosure and (ii) submits to the HUD Secretary in advance a plan acceptable to the HUD Secretary providing for continuity of eligibility of the project for receiving the benefits of Section 236.

A payment default under the related mortgage, in and of itself, is not a default under the Section 236 Contract.

If a project is sold upon foreclosure to a new owner (which could include another public entity on behalf of the Administration), upon satisfaction of the requirements specified in (ii) above, the Section 236 interest reduction payments would continue with respect to any mortgage loan assumed or incurred by the new project owner on the same annual and total basis and formula as specified in the related Section 236 Contract.

In the event the HUD Secretary terminates Section 236 interest reduction payments under the Section 236 Contract, the HUD Secretary shall give prior written notice thereof to the Administration stating the reasons therefor. If payments are terminated or to be terminated, such payments may be reinstated or continued by the HUD Secretary at its discretion and on such conditions as the HUD Secretary may prescribe.

Section 236, the rules, regulations and directives promulgated pursuant thereto and the Section 236 Contracts, do not contain any express requirement that any savings which result from a reduction in the Administration's cost of borrowing due to a refunding of its obligations issued to finance a mortgage loan must be used to lower the interest rate on the mortgage loan and thereby to reduce HUD Payments. Consequently, the Administration does not intend to reduce the interest rate on any of the Transferred Loans receiving Section 236 interest reduction payments as a result of the issuance of the Series 1996 A Bonds to refund the bonds originally issued by the Administration to finance such Loans. Based on the foregoing, the Administration does not believe that HUD or any other party is entitled to all or a portion of the Administration's debt service savings that result from the issuance of the Series 1996 A Bonds. However, no assurance can be provided that HUD will not assert a right to reduce the amount of payments payable under the Section 236 Contracts based upon the issuance of the Series 1996 A Bonds. If such a right is asserted, HUD could take certain actions including attempting to reduce payments under the Section 236 Contract.

Prepayment of Loan. Each Borrower will covenant in the applicable Section 236 Loan documents not to prepay such Loan prior to 20 years from the date the Project was occupied. Each such Loan permits the Borrower to prepay such Loan at any time after such date subject only to certain temporary affordability restrictions and transitional protections for affected tenants. The Year 2000 Amendments permit mortgagors of Section 236 Loans to refinance their mortgages (if the mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy.

Any prepayment of Loans could result in the redemption of Bonds at any time, at a redemption price equal to 100% of the principal amount of Bonds redeemed, plus accrued interest to the redemption date as described under "THE OFFERED BONDS - Redemption Provisions."

Transfer of Loan. Each Section 236 Contract provides that the corresponding Section 236 Loan may only be assigned, including any assignment or reassignment between the Administration and the Trustee, with HUD's prior written approval.

Decoupling Program. Congress passed legislation in 1999 that permits owners of Section 236 developments to refinance their mortgages (if such mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy. HUD program guidelines implementing this legislation describe this as "decoupling" the subsidy from the original mortgage loan. Among other things, in order to benefit from the decoupling program, the development owner must agree to enforce the income restrictions applicable to tenants in the development for a period ending five years beyond the term of the assistance under the Section 236 Contract. Under the program, HUD enters into a new Section 236 Contract with the development owner and the mortgagee pursuant to which the subsidy is continued and the new financing is approved. HUD exercises considerable discretion in implementing the program. Section 236 Contracts executed pursuant to the decoupling program may have terms different from those described herein for the program generally.

APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution, and such summary is qualified in its entirety by reference to the Bond Resolution.

Purposes for Which Bonds May Be Issued. §1.01.

Bonds may be issued under the Bond Resolution to provide funds for one or more of the following purposes:

- (1) for the making, purchasing or otherwise financing of Qualified Loans;
- (2) for the refinancing of Qualified Loans (including, without limitation, Qualified Loans in default);
- (3) for the refunding of any or all Outstanding Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, including any or all interest and redemption premiums thereon;
- (4) for the payment of any “Development Cost” as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted by the Act;
- (5) for the funding of reserves; or
- (6) achieving any other of the Administration’s purposes, as described in the Act, as now or hereafter in effect.

Contract with Trustee and Bondholders. §1.02.

As provided in the Act and in consideration of the acceptance by the Trustee of the trusts created pursuant to the Bond Resolution and of the purchase and acceptance of Bonds of any Series issued under the Bond Resolution by any who shall from time to time be holders thereof:

- (a) The provisions of the Bond Resolution and applicable Series Resolutions shall be a contract of the Administration with the Trustee and the holders of the Bonds.
- (b) The Administration covenants that it will cause to be paid to and deposited with the Trustee all proceeds of Bonds, all payments of Loans, and all income and receipts therefrom.

Series Resolutions. §2.02.

The Administration may, in a Series Resolution, allow permitted variances from provisions of the Bond Resolution (including, without limitation, any modifications to redemption or Qualified Hedge notice provisions) and any other provisions deemed advisable by the Administration and not in conflict with or in substitution for the provisions of the Bond Resolution.

Purchase of Bonds. §4.06.

The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration or the Trustee shall pay the purchase price of such Bonds together with accrued interest thereon from such funds as may be available therefor pursuant to the Bond Resolution, any applicable Series Resolution, or as otherwise may be made available by the Administration.

The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedure as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

Funds and Accounts. §5.01.

The following funds and accounts are established under the Bond Resolution:

- (1) Bond Proceeds Fund;
- (2) Revenue Fund;
- (3) Redemption Fund;
- (4) Debt Service Reserve Fund;
- (5) Collateral Reserve Fund; and
- (6) Acquired Development Fund.

All such funds and accounts shall be held and maintained by the Trustee. The Administration may establish accounts and sub-accounts within each fund and account to the extent consistent with the Bond Resolution and such other funds or accounts as may be authorized pursuant to a Supplemental Resolution. All monies or securities held by the Trustee pursuant to the Bond Resolution or a Supplemental Resolution shall be held in trust and applied only in accordance with the provisions of the Bond Resolution, the applicable Supplemental Resolution, the Act and other applicable law.

The Administration may at any time direct the transfer of moneys or Permitted Investments between or among any fund or account created pursuant to the Bond Resolution, provided such transfers are otherwise in accordance with the provisions of the Bond Resolution. The Administration may, but is under no obligation to, at any time deposit or cause to be deposited into any fund or account under the Bond Resolution moneys from any source, including, without limitation, funds of the Administration.

Bond Proceeds Fund. §5.02.

Any proceeds of the sale of Bonds representing principal, premium or other amounts required to be deposited therein pursuant to the Bond Resolution and any Supplemental Resolution or Series

Resolution and any other amounts determined by the Administration to be deposited therein from time to time shall be deposited in the related Series Account of the Bond Proceeds Fund.

Amounts in the Bond Proceeds Fund shall be expended only: (i) to finance one or more of the purposes authorized by the Bond Resolution; (ii) to pay Costs of Issuance; (iii) to pay principal of and interest on the Bonds when due, to the extent amounts in the Revenue Fund are insufficient for such purpose; (iv) to purchase or redeem Bonds; (v) to pay, purchase or redeem bonds, notes or other obligations of the Administration or any other entity; (vi) for any other use or purpose permitted by the applicable Series Resolution and the Act, and (vii) if so provided in a Supplemental Resolution, to reimburse a Credit Facility Provider or Credit Enhancer for amounts paid or obtained under a Credit Facility or Credit Enhancement for any of the purposes described in clauses (iii), (iv), (v) or (vi) of this paragraph.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Bond Proceeds Fund at any time for the purpose of making payments pursuant to clause (i) or (ii) of the preceding paragraph, but only upon receipt of:

(1) a written requisition setting forth each amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Administration) and the purpose of each such payment; and

(2) a certificate of an Authorized Officer identifying such requisition and stating that (A) the amount to be withdrawn from the Bond Proceeds Fund pursuant to such requisition is a proper charge thereon, (B) if such requisition is in connection with the financing of a Loan, including construction advances thereon, such Loan complies with the provisions of the Bond Resolution, and (C) the amount of all payments theretofore or thereupon made by the Administration does not exceed the amount necessary to finance the purpose of such payment.

At any time the Administration may direct the Trustee in writing to transfer amounts in the Bond Proceeds Fund not required for the financing of the Administration's purposes to the Redemption Fund or to apply such amounts directly to the redemption, purchase or retirement of Bonds.

Revenue Fund. §5.03.

The Administration shall cause all Revenues to be deposited promptly with the Trustee in the related Series Account of the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution or any Supplemental Resolution or any other funds from any source directed to be deposited therein by the Administration.

The Trustee shall pay out of the Revenue Fund:

(i) on or before each Interest Payment Date or other date or dates on which the following obligations are payable, the amounts required for the payment of Parity Interest, Principal Installments or Sinking Fund Installments, if any, related to Parity Bonds, and principal payments on other Parity Obligations, and

(ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of premium, if any, and accrued interest on outstanding Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for,

and in each such case, such amounts shall be applied by the Trustee to such payments; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

Any amount accumulated in the Revenue Fund up to the unpaid balance of each Sinking Fund Installment may, and, if so directed in writing by the Administration, shall, be applied by the Trustee prior to the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to such Sinking Fund Installment: (i) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the purchases referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such purchases may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

Except as otherwise provided in an applicable Supplemental Resolution, upon the purchase or redemption of any Bond, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of the next Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. Any such instructions shall be given in such manner as, in the best judgment of the Administration, shall provide for the payment of the Sinking Fund Installments thereafter to become due from the remaining Revenues to be derived in connection with the Loans and any other Revenues expected to be available for such payments after considering the amounts payable pursuant to the Loans at such time. The portion of any Sinking Fund Installment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculating Sinking Fund Installments due on a future date.

As soon as practicable after the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to any Sinking Fund Installment, the Trustee shall proceed to select and call for redemption, on such due date, Bonds of the maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Installment. The Trustee shall so call such Bonds for redemption whether or not it then has monies in the Revenue Fund sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Revenue Fund the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by the Trustee to such redemption; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

On each Interest Payment Date, following the payments made in accordance with subsection (b) above, and subject to the requirements and priorities set forth in any applicable Series Resolution authorizing a Series of Bonds, the Trustee shall transfer from the Revenue Fund:

(i) first, an amount equal to the amount necessary to be transferred to the Debt Service Reserve Fund for each Series of Parity Bonds in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available),

(ii) second, to the Bond Proceeds Fund, such amount as the Administration determines is required to finance the purposes or uses described in the Bond Resolution, as evidenced by a certificate of an Authorized Officer,

(iii) third, if so directed by the Administration, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses,

(iv) fourth, if so directed by the Administration, to any Credit Facility Providers, Credit Enhancers or Qualified Hedge Providers an amount equal to any fees due and owing to such Credit Facility Providers, Credit Enhancers or Qualified Hedge Providers,

(v) fifth, to the Administration, an amount equal to any Operating Expenses, to the extent unpaid,

(vi) sixth, to the entities providing Permitted Investments with respect to the funds and accounts or any arrangements or agreements with respect thereto, amounts equal to the fees due and payable on or before the next succeeding Interest Payment Date to such entities, as designated in a certificate of an Authorized Officer, provided that the transfers made pursuant to the foregoing clauses (ii) through (v) shall be consistent with the most recent Cash Flow Statement or Cash Flow Certificate,

(vii) seventh, interest on Subordinate Contract Obligations, Principal Installments or Sinking Fund Installments, if any, related to Subordinate Bonds, and principal payments or other amounts (including Termination Payments) due under, other Subordinate Contract Obligations, and

(viii) eighth, an amount equal to the amount necessary to be transferred to Debt Service Reserve Fund for each Series of Subordinate Bonds in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available).

If the amounts to be transferred pursuant to the foregoing clauses (ii) through (v) are greater than permitted by the most recent Cash Flow Statement or Cash Flow Certificate, such greater amounts may be transferred upon the receipt by the Trustee of a new Cash Flow Statement or Cash Flow Certificate taking such increased transfers into account. At any time after the transfers described in (i) through (viii) above have been made, except as otherwise provided in a Series Resolution, the Administration may upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate, withdraw free and clear of the lien of the Bond Resolution any amount remaining in the Revenue Fund.

The Trustee may at any time make transfers from the Revenue Fund, upon the written direction of an Authorized Officer, to the Redemption Fund for the purposes of such fund. No such transfer shall be made, however, unless there is on deposit in the Revenue Fund after such transfer an amount equal to the

Debt Service accrued on all Outstanding Bonds, and any amounts accrued on Parity Obligations and Subordinate Contract Obligations, as of the date of such transfer.

No payments shall be required to be made into the Revenue Fund so long as the amount on deposit therein shall be sufficient to pay all outstanding Bonds (including the Sinking Fund Installments for the retirement thereof) Parity Obligations, and Subordinate Contract Obligations in accordance with their terms, and any Revenues thereafter received by the Administration may be applied to any lawful purpose of the Administration free and clear of the pledge and lien of the Bond Resolution.

The Administration reserves the right to transfer any legally available funds, including, without limitation, proceeds of Refunding Bonds, to the Trustee for credit to the Revenue Fund to pay all or a portion of scheduled principal or interest payments on any Loan, to cure or avert a default on any Loan, or to make any payment of principal, premium, interest or Sinking Fund Installment with respect to any or all of the Bonds. The Administration shall be entitled to recover from the Borrower any amounts so advanced, together with interest thereon at the rate payable on the Loan, or to enforce its right to such recovery under the Loan.

Redemption Fund. §5.04.

The Trustee shall credit to the Redemption Fund all Recovery Payments, moneys permitted to be transferred from the Debt Service Reserve Fund, the Revenue Fund and the Bond Proceeds Fund and any other amounts provided by or on behalf of the Administration (including, without limitation, proceeds of refunding bonds or other obligations); each of which shall be used and applied, as directed by an Authorized Officer, to any of the following purposes: (i) to provide additional funds to the Bond Proceeds Fund for an increase in the amount of a Loan authorized by the Administration or for new Loans to be made, purchased or financed by the Administration, (ii) for the purchase or redemption of Outstanding Bonds as directed by an Authorized Officer, or (iii) for transfer to the Revenue Fund of amounts included in a Recovery Payment representing interest on a Loan. Upon the direction of an Authorized Officer, the Trustee shall transfer any excess funds then held in the Redemption Fund to the Revenue Fund.

Upon receipt of the instructions from an Authorized Officer, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with the foregoing paragraph to the purchase of Bonds so designated at the most advantageous price obtainable or the redemption of Bonds.

If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Debt Service Reserve Fund. §5.05.

If moneys in the Revenue Fund are insufficient to provide for the payment when due of any Principal Installment, interest on the Bonds or any Sinking Fund Installment, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the related Series Account of the Revenue Fund the amount of the deficiency then remaining. See "Security for the Bonds - Debt Service Reserve Fund."

Collateral Reserve Fund. §5.06.

Moneys or Cash Equivalents shall be deposited into the related Series Account of the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution, which may establish terms, conditions and provisions relating to the funding of the Collateral Reserve

Fund, disbursement of moneys or Cash Equivalents from such fund, and maintenance of moneys or Cash Equivalents required to be held in such fund with respect to either a Series of Bonds or generally. The amount of moneys or Cash Equivalents required to be held in the Collateral Reserve Fund may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction, which Cash Flow Certificate shall also state that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. Any balance in the Collateral Reserve Fund in excess of the Collateral Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Collateral Reserve Fund and credited by the Trustee to any other fund.

Acquired Development Fund. §5.07.

Acquired Development Receipts shall be held by the Trustee in the Acquired Development Fund and shall be used solely for the payment of Acquired Development Expenses; provided that any amount specified by an Authorized Officer as not being needed to maintain the Acquired Development Expense Requirement shall be transferred to the Revenue Fund. Payments from the Acquired Development Fund shall be made upon the direction of an Authorized Officer. Upon receipt of each such direction of an Authorized Officer, the Trustee shall pay the amount stated therein to the Administration by check or draft or shall arrange for the transfer, deposit or payment of such amounts as directed by the Authorized Officer.

Enforcement of Loan Provisions. §6.05.

The Administration shall take all reasonable steps, actions and proceedings it deems appropriate or necessary for the enforcement of all terms, covenants and conditions of Loans made, purchased or financed by the Administration, including the prompt collection of Loan repayments and fees and charges and other Revenues.

The Administration may, in its discretion, modify, amend or alter any security for, or any terms or provisions, of any Loan or Mortgage, provided that, if such modification, amendment or alteration is material, the Administration has filed with the Trustee a Cash Flow Certificate taking such sale, release, modification, amendment or alteration into account. The Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

Whenever the Administration deems it necessary or appropriate to protect and enforce the rights of the Administration under a Mortgage securing a Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Administration either shall (i) make claim under any Credit Enhancement relating to the Loan and, if required, assign such Loan to the Credit Enhancer, (ii) commence foreclosure proceedings against the Borrower or the Development, or (iii) take such other action or exercise such other rights of the Administration upon default with respect to the Borrower or the Development as may be determined by the Administration to be in the best interests of the Bondholders. If the Loan is the subject to any Credit Enhancement, the Administration may take such actions or commence such proceedings (or refrain therefrom) as necessary or required by the Credit Enhancer and any applicable rules, regulations or procedures applicable to any Credit Enhancement in order to collect upon or exercise its rights with respect to the Credit Enhancement. To the extent necessary for the protection and enforcement of its rights under such Mortgage, the Administration may accept a deed in lieu of foreclosure or bid for and purchase the Development covered by such Mortgage at the foreclosure

or other sale thereof and may acquire and take possession of such Development if to do so would, in the Administration's judgment, be in the best interests of the Bondholders.

Upon foreclosure of a Mortgage or upon acquisition of an Acquired Development in lieu of foreclosure of a Mortgage, and so long as the Administration shall have title to or be in possession of the Acquired Development, the Administration may, as the case may be, construct, operate and administer such Acquired Development in the place and stead of the Borrower. To the extent moneys on deposit in the Bond Proceeds Fund relating to the Acquired Development or other moneys are available for such purpose, the Administration may apply such moneys to complete the construction and development thereof, if not already completed. The Administration may pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Acquired Development from money withdrawn from the Acquired Development Fund. The Trustee is authorized to pay to the Administration, upon its request, any amount on deposit in the Bond Proceeds Fund with respect to any Acquired Development foreclosed or otherwise acquired by the Administration, upon receipt of advice from an Authorized Officer that such amount is required to pay an item that would have been included in the cost of the Acquired Development had the Administration not acquired the same.

Upon or after foreclosure of a Development under a Mortgage or acquisition thereof from the Borrower in lieu of foreclosure:

- (1) the Administration may convey title to the Acquired Development, provided that such conveyance results in the collection of Credit Enhancement benefits, if any, relating to the Loan;
- (2) the Administration may sell the Acquired Development at the best obtainable price, as determined by and in the judgment of the Administration;
- (3) the Administration may sell the Acquired Development to a Borrower and make a Loan with respect thereto, as if such Borrower were the original Borrower;
- (4) if the Acquired Development has not been completed, the Administration may elect to complete all or any part thereof and sell the Acquired Development as completed and any land not required for such completion as separate parcels for an aggregate price determined in accordance with paragraphs (2) or (5) above; or
- (5) notwithstanding the foregoing, if the fair market value of the Acquired Development, as determined by the Administration based on such appraisals as it deems necessary, is less than the amount computed in accordance with the Bond Resolution, it may nevertheless be sold at its fair market value.

Prepayments of Loans. §6.06.

The Bond Resolution provides that the Administration will not consent to the Prepayment of any Loan unless all of the following requirements are met:

- (1) The Prepayment is permitted by the Credit Enhancer (if any) of the Loan.
- (2) The Administration requires that any voluntary Prepayment shall be in an amount determined by the Administration to be sufficient to provide for payment by the Administration of the following:

(i) an amount sufficient to redeem all Bonds that the Administration, in its discretion, determines to redeem in connection with such Prepayment (“Redemption Bonds”) in a principal amount at least equal to the amount of the Prepayment as of the date selected by the Administration for redemption of such Redemption Bonds (the “Redemption Date”);

(ii) the interest to accrue on the Redemption Bonds to such Redemption Date and premium due on such Redemption Bonds, if any; and

(iii) the costs and expenses of the Administration in effecting such redemption.

(3) In addition to the foregoing, the Administration may require that any voluntary Prepayment shall include an amount sufficient to provide for payment of other costs and expenses incurred in connection with the issuance of the Outstanding Bonds of the Series from which proceeds were used to finance the Loans, as determined by the Administration (including, without limitation capitalized interest, costs of issuance, reserves, bond discount and legal fees not included in the principal of the Loan).

(4) If required, the Administration furnishes to the Trustee a Cash Flow Certificate taking such Prepayment into account.

In determining the foregoing amount, the Administration may include a reasonable estimate of income to be derived from the investment of such Prepayment until the Redemption Date.

Sale of Loans; Release from Lien of Bond Resolution. §6.07.

The Administration is authorized to sell, assign or otherwise dispose of a Loan (and to release the same from the lien of the Bond Resolution), in addition to a sale, assignment or disposition otherwise permitted under the Bond Resolution or any applicable Supplemental Resolution, provided the proceeds of such sale, assignment or disposition shall be treated as a Recovery Payment for purposes of the Bond Resolution and provided, further, that, with respect to any Loan not in default, the Administration files with the Trustee a Cash Flow Certificate taking into account such sale, assignment or disposition.

The Administration is authorized to release a Loan from the lien of the Bond Resolution, provided the Administration files with the Trustee a Cash Flow Certificate taking into account such release.

The Administration is authorized to release a Loan secured by a Credit Facility or Credit Enhancement, reserves created or held with respect to such Loan or the Series of Bonds (or portion of such Series) issued to make, purchase or finance such Loan and any other moneys to be received with respect to such Loan from the lien of the Bond Resolution at the direction of the Credit Facility Provider or Credit Enhancer which issued or provided any Credit Facility securing the Series of Bonds which financed the Loan or the Credit Enhancement securing the Loan, provided such Credit Facility or Credit Enhancement continues in effect. Such release may occur only after payment is made under the terms of the Credit Facility or Credit Enhancement.

Maintenance of Debt Service Reserve Requirement. §6.08.

In the event the amounts held in the Debt Service Reserve Fund shall for any reason be less than the Debt Service Reserve Requirement, the Administration shall cause deposits to be made to the Debt Service Reserve Fund from moneys available in the Revenue Fund until the amounts in such fund shall

equal or exceed the Debt Service Reserve Requirement. *The failure of the Administration to maintain the Debt Service Reserve Requirement shall not, in and of itself, constitute an Event of Default under the Bond Resolution.* See “SECURITY FOR THE BONDS - Debt Service Reserve Fund.”

Accounts and Reports. §6.09.

The Administration shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to the Bond Resolution, which shall at all reasonable times be subject to the inspection of the Trustee or of the holders of an aggregate of not less than five percent in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Annually, within 180 days after the close of each Fiscal Year, the Administration shall file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant’s Report, including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such period and a statement of income, expenses and changes in fund balances for such period. Revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Administration and the accountant to be necessary to present fairly the results of operations for the Fiscal Year and the financial position of such funds and accounts at the end of the Fiscal Year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

Cash Flow Statements and Certificates. §6.13.

See the discussion of Cash Flow Statements and Cash Flow Certificates under the heading “SECURITY FOR THE BONDS - Cash Flow Statements and Certificates.”

A Cash Flow Statement shall be based upon the Administration’s reasonable expectations, and shall be based upon assumptions consistent with those used in the most recent Cash Flow Statement or such other assumptions as shall not adversely affect any of the Rating Agency’s ratings on the Bonds. In calculating the amount of interest due on Bonds in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding on Bonds bearing interest at a variable rate as defined in a Supplemental Resolution, the interest rate used shall be assumed to be the fixed rate, which in the judgment of the remarketing agent for such Bonds, or such other financial consultant selected by the Administration and experienced in the sale of municipal securities (having due regard to the prevailing market conditions), would be necessary to enable such Bonds to be sold at par in the secondary market on the date of such calculation or such higher or lower rate which does not adversely affect any of the Rating Agency’s ratings on the Bonds. The calculations contained in a Cash Flow Statement may be prepared by the Administration or a financial advisor or a financial or accounting firm acceptable to the Administration.

Discharge of Lien. §7.01.

If the Administration shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of Parity Obligations and Subordinate Contract Obligations the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein and in the Bond Resolution, then unless the Trustee is advised by an Authorized Officer to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Bond Resolution, and execute and deliver to the Administration such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release, assign and deliver unto the Administration any and all the estate, right, title and

interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Bond Resolution, except cash held by the Trustee or any Paying Agent for the payment of the principal of, premium, if any, and interest on the Parity Obligations and Subordinate Contract Obligations.

Any Parity Obligations or Subordinate Contract Obligations shall be deemed to be paid for all purposes of the Bond Resolution when payment of the principal of, premium, if any, and interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either: (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment or (B) either Federal Obligations or Pre-Refunded Municipal Obligations maturing as to principal and interest in such amount and at such time as will ensure, together with any moneys held for payment of the Parity Obligations or Subordinate Contract Obligations, the availability of sufficient moneys to make such payment. At such times as a Parity Obligation or Subordinate Contract Obligation shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Bond Resolution, except for the purposes of any such payment from such moneys, Federal Obligations or Pre-Refunded Municipal Obligations.

Notwithstanding the foregoing, no deposit under clause (B) of the immediately preceding paragraph shall be deemed a payment of such Parity Obligations and Subordinate Contract Obligations as aforesaid until: (i) proper notice of redemption of such Parity Obligations or Subordinate Contract Obligations shall have been previously given in accordance with the Bond Resolution, or in the event said Parity Obligations or Subordinate Contract Obligations are not by their terms subject to redemption within the next succeeding 60 days, until the Administration shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Parties or holders or owners of the Parity Obligations or Subordinate Contract Obligations, in accordance the Bond Resolution that the deposit required by subparagraph (ii) above has been made with the Trustee and that said Parity Obligations and Subordinate Contract Obligations are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Parity Obligations and Subordinate Contract Obligations; or (ii) the maturity of such Parity Obligations and Subordinate Contract Obligations.

Notwithstanding the foregoing, in the case of Parity Obligations or Subordinate Contract Obligations which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Parity Obligations or Subordinate Contract Obligations as aforesaid until the Administration shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

- (i) stating the date when the principal (and premium, if any) of each such Parity Obligations or Subordinate Contract Obligations is to be paid, whether at maturity or on a redemption date;
- (ii) to call for redemption pursuant to the Bond Resolution any Parity Obligations or Subordinate Contract Obligations to be redeemed prior to maturity pursuant to paragraph (i) above; and
- (iii) to notify, as soon as practicable, in the manner prescribed by the Bond Resolution the holders of such Parity Obligations or Subordinate Contract Obligations that the deposit required has been made with the Trustee and that said Parity Obligations or Subordinate

Contract Obligations are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Parity Obligations or Subordinate Contract Obligations as specified in paragraph (i) above.

If the Administration shall pay or cause to be paid, or there otherwise shall be paid to the Parties to or the holders of all Parity Obligations and Subordinate Contract Obligations, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, such Parity Obligations and Subordinate Contract Obligations shall cease to be entitled to any lien, benefit or security under the Bond Resolution and the applicable Series Resolution, and the applicable Series Resolution and all covenants, agreements and obligations of the Administration to Parties to or the holders of such Parity Obligations and Subordinate Contract Obligations shall thereupon cease, terminate and become void and be discharged and satisfied.

All moneys so deposited with the Trustee as provided in this Section may at the direction of the Administration also be invested and reinvested in Federal Obligations or Pre-Refunded Municipal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations or Pre-Refunded Municipal Obligations in the hands of the Trustee which is not required for the payment of the Parity Obligations and Subordinate Contract Obligations and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for application as are other moneys deposited in such fund. The Trustee may sell, transfer or otherwise dispose of the Federal Obligations and Pre-Refunded Municipal Obligations deposited with the Trustee pursuant to this Section; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other Federal Obligations and Pre-Refunded Municipal Obligations, the principal of and the interest on which when due will provide monies which, together with the monies on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Parity Obligations and Subordinate Contract Obligations on and prior to the redemption date or maturity date thereof, as the case may be.

All moneys, Federal Obligations and Pre-Refunded Municipal Obligations set aside and held in trust pursuant for the payment of Parity Obligations and Subordinate Contract Obligations (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Parity Obligations and Subordinate Contract Obligations (including interest and premium thereof, if any) with respect to which such moneys, Federal Obligations and Pre-Refunded Municipal Obligations have been so set aside in trust.

Events of Default. §8.01.

Each of the following shall constitute an event of default under the Bond Resolution:

(a) Interest on any of the Bonds is not paid within 30 days after the same becomes due, or the principal or redemption price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption, or a Sinking Fund Installment is not paid when due;

(b) If there is a material default in the performance or observance of any other of the Administration's covenants, agreements or conditions contained in the Bond Resolution, a Series Resolution or the Bonds, and such default is not remedied after notice thereof; or

(c) If the Administration 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.

No default under clause (b) above shall constitute an Event of Default until actual notice of such default shall be given to the Administration by the Trustee or by the holders of not less than 100% in aggregate principal amount of all Bonds Outstanding and the Administration shall have had 180 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided that if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Administration within the applicable period and diligently pursued until the default is corrected.

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds, only Bonds other than Subordinate Bonds shall be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds, any acceleration or other remedy shall relate only to Subordinate Bonds.

Under no circumstances shall the Administration's failure to pay (i) Parity Obligations other than Bonds, (ii) Termination Payments or (iii) Subordinate Contract Obligations constitute an Event of Default.

Remedies; Rights of Bondholders. §8.02.

Upon the occurrence of an Event of Default described in Paragraph (a) under the heading "Events of Default. §8.01" above, the Trustee may pursue any available remedy under the Act, at law or in equity to enforce the payment of the principal and interest on the Parity Obligations and Subordinate Contract Obligations then Outstanding, including, declaring the principal of all Parity Obligations and Subordinate Contract Obligations Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such Parity Obligations and Subordinate Contract Obligations shall thereupon become immediately due and payable.

In addition, upon the occurrence of an Event of Default, the Administration shall:

(a) if requested so to do by the holders of no less than 100% in aggregate principal amount of Bonds then Outstanding, effectuate the assignment to the Trustee of any or all of the Loans and Mortgages held by the Administration and financed under the Program;

(b) subject the books of record and account of the Administration and all records relating to the Program to the inspection and use of the Trustee and of its agents and attorneys; and

(c) whenever the Trustee shall demand, account as if it were the trustee of an express trust for all Revenues and other money, securities and funds and accounts pledged or held under the Bond Resolution for such period as shall be stated in such demand.

Right of Bondholders to Direct Proceedings. §8.03.

The holders of 100% of the aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings under the Bond Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Resolution.

Rights and Remedies of Bondholders. §8.07.

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Bond Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy under the Bond Resolution, unless (1) a default has occurred of which the Trustee has been notified or of which it is deemed to have notice, (2) such default shall have become an Event of Default and the owners of not less than 100% in aggregate principal amount of Bonds then Outstanding shall have made written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, (3) they have offered to the Trustee indemnity as required by the Bond Resolution, and (4) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity shall be instituted, had and maintained for the equal and ratable benefit of the holders of all Bonds then Outstanding (other than owners of Subordinate Bonds, who shall be entitled to the priority established with respect to the applicable Series of Subordinate Bonds). However, nothing contained in the Bond Resolution shall affect or impair the right of any Bondholders to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Administration to pay the principal of and interest on each of the Bonds issued under the Bond Resolution to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

Waivers of Events of Default. §8.09.

The Trustee may at its discretion waive any Event of Default under the Bond Resolution and its consequences, and shall do so upon the written request of the holders of (1) more than 100% in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Supplemental Bond Resolutions. §9.01 - §9.03.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration supplementing the Bond Resolution may be adopted, which resolution, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms to:

- (a) close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on, the issuance in the future of Bonds;
- (b) add to the covenants or agreements of the Administration in the Bond Resolution, other covenants or agreements to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (c) add to the limitations, restrictions or provisions in the Bond Resolution, other limitations, restrictions or provisions to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (d) surrender any right, power or privilege reserved to or conferred upon the Administration by the Bond Resolution;
- (e) confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or any other money, Loans, funds or accounts; or
- (f) specify, determine or authorize by Series Resolution any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration, amending or supplementing the Bond Resolution, may be adopted, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Administration of an instrument in writing made by the Trustee consenting to such resolution, shall be fully effective in accordance with its terms to:

- (a) cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution;
- (b) insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; or
- (c) amend the Bond Resolution in any respect which, in the opinion of the Trustee, is not materially adverse to the interests of the Bondholders and will not, in and of itself, adversely affect the ratings on the Bonds in effect immediately before the adoption of such amendment.

Except as provided above, the holders of not less (i) two-thirds in aggregate principal amount of the Parity Bonds (as to Supplemental Resolutions relating to the Parity Bonds) or (ii) two-thirds in aggregate principal amount of the Subordinate Bonds (as to Supplemental Resolutions relating to the Subordinate Bonds), shall have the right, from time to time, anything contained in the Bond Resolution to

the contrary notwithstanding, to consent to and approve the execution by the Administration and the Trustee of such Supplemental Resolutions hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any Supplemental Resolutions; provided that nothing in this paragraph shall permit, or be construed as permitting, without the consent of the holders of all Outstanding Parity Bonds or Subordinate Bonds, as the case may be, (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any Bond issued under the Bond Resolution, or (b) a reduction in the principal amount of any Bond or the rate of interest, or sinking fund redemption requirements, thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution, or (e) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Bond Resolution or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

Investment of Funds and Accounts. §10.02.

Except as otherwise provided in the Bond Resolution, the Administration may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the funds and accounts held by the Trustee in Permitted Investments, the maturity or redemption date (at the option of the Administration or the Trustee) of which shall coincide as nearly as practicable with the times at which moneys in said fund or account will be required for the purposes provided in the Bond Resolution.

Except as otherwise provided in a Series Resolution, the amount in any fund or account held by the Trustee under the provisions of the Bond Resolution shall be determined as of the end of each month as follows:

- (i) the bid and asked prices of investments as published by a nationally recognized pricing service on or the date immediately preceding the date of determination, or the average bid price at the time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;
- (ii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (iii) as to any investment not specified above: the value thereof established by prior agreement between the Administration and the Trustee.

The Trustee shall sell at the best price obtainable, as determined by the Administration, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

Trustee. Article XI.

The Trustee or any successor Trustee shall be a bank, trust company or national banking association having trust powers and a combined capital and surplus of not less than \$50,000,000. The Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of the Bond Resolution or Bonds, or to advance

any of its own moneys, unless properly indemnified. The Trustee shall not be liable in connection with the performance of its duties under the Bond Resolution, except for its own negligence or default.

The Trustee may become the owner of or may deal in Parity obligations or Subordinate Contract Obligations or may act as a Servicer as fully and with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Administration and giving or publishing notice thereof, specifying the date when such resignation is proposed take effect, within 20 days after the giving of such written notice. Such resignation shall not, however, take effect unless previously a successor shall have been appointed by the Administration or Bondholders as provided in the Bond Resolution, in which event such resignation shall take effect immediately on the appointment of such successor and its acceptance of such appointment.

The Trustee, or any successor thereof, may be removed at any time by the Administration (so long as the Administration is not in default under the Bond Resolution) in its sole discretion (including, without limitation, competitive or negotiated bidding for services) by notice given by the Administration to the Trustee, or by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Administration.

If the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed or if any public office shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Trustee and to the Administration. Pending such appointment, the Administration shall forthwith appoint a successor Trustee to fill such vacancy until a successor Trustee shall be appointed by Bondholders as authorized under the Bond Resolution.

The Administration reserves the right to approve, in its sole discretion, any successor Trustee if any Trustee is merged or converted or consolidated or if any Trustee sells or transfers all, substantially all or any portion of its corporate trust business. Any proposed transfer of the trusts created under the Bond Resolution to a successor not approved by the Administration shall constitute sufficient ground for removal of the Trustee. The Administration, in its sole discretion, reserves the right, in the future and from time to time, to undertake to obtain competitive proposals from financial and trust institutions for the performance of the services of Trustee, Registrar and Paying Agent under the Bond Resolution. The Trustee, Paying Agent and Registrar each agree that in the event its proposal is not accepted by the Administration in such circumstances, it shall resign as Trustee, Registrar or Paying Agent upon request of the Administration. Alternatively, at the option of the Administration, the failure of the Trustee, Registrar or Paying Agent to be the party whose proposal is accepted for trustee, registrar or paying agent services in the future shall constitute sufficient reason for removal of the Trustee, Registrar or Paying Agent under the Bond Resolution by the Administration.

Publication of Notice. §12.07.

Whenever the Administration or the Trustee is required or permitted to give or publish notice of any event or occurrence under the Bond Resolution, such notice shall be given or published in such manner and by such means as the Administration or the Trustee, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Administration or the Trustee, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to one or more “nationally recognized municipal securities information repositories” (as such terms is defined in Securities and Exchange Commission Rule 15c2-12) or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the person entitled to receive the notice at such person’s address as shown on the records of the Administration or the Trustee.

APPENDIX I

**FINANCIAL STATEMENTS OF THE
COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

JUNE 30, 2012 AND 2011

Community Development Administration
Housing Revenue Bonds

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Disclosures of Change in Fair Value of Investments and Mortgage-Backed Securities, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Reznick Group, P.C.

Baltimore, Maryland
September 28, 2012

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 41,785	\$ 40,588
Mortgage-backed securities	4,009	4,209
Mortgage loans		
Single family	31	26
Multi-family construction and permanent financing	2,952	2,764
Accrued interest receivables	1,889	2,105
Total restricted current assets	<u>50,666</u>	<u>49,692</u>
Restricted long-term assets		
Investments	8,380	7,101
Mortgage-backed securities, net of current portion	331,982	367,592
Mortgage loans, net of current portion and allowance		
Single family	135	186
Multi-family construction and permanent financing	68,015	72,714
Deferred bond issuance costs	98	107
Total restricted long-term assets	<u>408,610</u>	<u>447,700</u>
Total restricted assets	<u>\$ 459,276</u>	<u>\$ 497,392</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued interest payable	\$ 10,043	\$ 11,305
Accounts payable	41	-
Bonds payable	8,925	7,935
Deposits by borrowers	1,749	2,023
Total current liabilities	<u>20,758</u>	<u>21,263</u>
Long-term liabilities		
Bonds payable, net of current portion	375,259	422,194
Deposits by borrowers, net of current portion	6,331	5,561
Deferred income	4,008	4,616
Total long-term liabilities	<u>385,598</u>	<u>432,371</u>
Total liabilities	406,356	453,634
NET ASSETS		
Restricted	<u>52,920</u>	<u>43,758</u>
Total liabilities and net assets	<u>\$ 459,276</u>	<u>\$ 497,392</u>

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenue		
Interest on mortgage loans	\$ 4,444	\$ 4,919
Interest on mortgage-backed securities	18,660	21,951
Interest income on investments	603	664
Increase (decrease) in fair value of investments	1,283	(280)
Fee and deferred income	643	699
Other operating revenue	<u>31</u>	<u>19</u>
	<u>25,664</u>	<u>27,972</u>
Operating expenses		
Interest expense on bonds	21,452	25,312
Professional fees and other operating expenses	219	236
Amortization of bond issuance costs	9	10
Loss on early retirement of debt	<u>-</u>	<u>1</u>
	<u>21,680</u>	<u>25,559</u>
Operating income	<u>3,984</u>	<u>2,413</u>
Nonoperating revenue (expenses)		
Increase (decrease) in fair value of mortgage-backed securities	<u>6,303</u>	<u>(7,348)</u>
Total nonoperating revenue (expenses)	<u>6,303</u>	<u>(7,348)</u>
Transfers of funds, as permitted by the Resolution	<u>(1,125)</u>	<u>(3,000)</u>
Changes in net assets	9,162	(7,935)
Net assets - restricted at beginning of year	<u>43,758</u>	<u>51,693</u>
Net assets - restricted at end of year	<u>\$ 52,920</u>	<u>\$ 43,758</u>

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 9,049	\$ 18,306
Principal and interest received on mortgage-backed securities	60,978	80,171
Escrow funds received	2,622	3,243
Escrow funds paid	(2,126)	(5,480)
Purchase of mortgage loans	-	(3,009)
Professional fees and other operating expenses	(195)	(236)
Other income received	31	19
Other reimbursements	<u>17</u>	<u>-</u>
Net cash provided by operating activities	<u>70,376</u>	<u>93,014</u>
Cash flows from investing activities		
Interest received on investments	<u>605</u>	<u>668</u>
Net cash provided by investing activities	<u>605</u>	<u>668</u>
Cash flows from noncapital financing activities		
Payments on bond principal	(45,945)	(73,105)
Reimbursement of bond costs	-	34
Interest on bonds	(22,714)	(27,378)
Transfers among Funds	<u>(1,125)</u>	<u>(3,000)</u>
Net cash used in noncapital financing activities	<u>(69,784)</u>	<u>(103,449)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	1,197	(9,767)
Cash and cash equivalents on deposit with trustee at beginning of year	<u>40,588</u>	<u>50,355</u>
Cash and cash equivalents on deposit with trustee at end of year	<u><u>\$ 41,785</u></u>	<u><u>\$ 40,588</u></u>

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,984	\$ 2,413
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease in assets		
Mortgage loans	4,592	10,295
Mortgage-backed securities	42,113	57,934
Accrued interest receivables	216	369
(Decrease) increase in liabilities		
Accrued interest payable	(1,262)	(2,066)
Accounts payable	41	-
Deposits by borrowers	496	(2,237)
Deferred income	(608)	(613)
Amortizations		
Deferred income on loans	(35)	(86)
Investment premiums	4	4
Deferred bond issuance costs	9	10
(Increase) decrease in fair value of investments	(1,283)	280
Loss on early retirement of debt	-	1
Interest received on investments	(605)	(668)
Interest on bonds	<u>22,714</u>	<u>27,378</u>
Net cash provided by operating activities	<u>\$ 70,376</u>	<u>\$ 93,014</u>

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2012 and 2011

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2012 and 2011, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with accounting guidance issued by GASB, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2012 and 2011, all of the Fund's cash equivalents were invested in money market mutual funds which are more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees. Loan fees are deferred and amortized over the life of the related loans using the effective interest method. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 10 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all the mortgage loans of the Fund are insured or guaranteed. Less than 1% of the loan portfolio is uninsured and CDA has established an allowance for loan losses on these loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group. See Notes 4 and 10 for additional information.

Accrued Interest Receivables

Accrued interest receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue. When bonds are redeemed early with mortgage prepayments, a proportionate share of the remaining unamortized costs is recognized as a loss on the Statements of Revenue, Expenses and Changes in Net Assets.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7 and 8 for more information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 8 for further information on changes in long-term obligations.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2012 and 2011, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

CDA receives multi-family financing fees at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 11 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities.

Use of 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting period. Actual results could differ from these estimates.

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the Housing Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

The following assets, reported at fair value and held by the Fund as of June 30, 2012 and 2011, are evaluated in accordance with accounting guidance issued by GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2012	2011
Cash and cash equivalents:		
Federated Prime Cash Obligations Fund	\$ 41,785	\$ -
Federated Treasury Obligations Fund	-	40,588
Investments:		
Obligations of the U.S. Treasury	8,380	7,101
GNMA mortgage-backed securities	335,991	371,801
Total	<u>\$ 386,156</u>	<u>\$ 419,490</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

As of June 30, 2012, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized cost	Fair value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	\$ 41,785	\$ 41,785	\$ 41,785	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,498	8,380	-	-	-	8,380	-
GNMA mortgage- backed securities	317,193	335,991	-	-	-	-	335,991
Total	<u>\$ 364,476</u>	<u>\$ 386,156</u>	<u>\$ 41,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,380</u>	<u>\$ 335,991</u>

As of June 30, 2011, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized cost	Fair value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Treasury Obligations Fund	\$ 40,588	\$ 40,588	\$ 40,588	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,502	7,101	-	-	-	7,101	-
GNMA mortgage- backed securities	359,306	371,801	-	-	-	-	371,801
Total	<u>\$ 405,396</u>	<u>\$ 419,490</u>	<u>\$ 40,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,101</u>	<u>\$ 371,801</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. The Federated Treasury Obligations Fund invests primarily in repurchase agreements collateralized by Treasury securities and U.S. Treasuries. Both operate in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Both can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2012 and 2011, the cost of the money market mutual funds approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2012 and 2011, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2012 and 2011, the ratings on Housing Revenue Bonds were Aa2 by Moody's Investors Service and AA+ by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with accounting guidance issued by GASB.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

As of June 30, 2012, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	\$ 41,785	10.82%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	335,991	87.01%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>8,380</u>	<u>2.17%</u>		Direct U.S. Obligations	
Total	<u><u>\$ 386,156</u></u>	<u><u>100.00%</u></u>			

As of June 30, 2011, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Treasury Obligations Fund	\$ 40,588	9.68%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	371,801	88.63%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>7,101</u>	<u>1.69%</u>		Direct U.S. Obligations	
Total	<u><u>\$ 419,490</u></u>	<u><u>100.00%</u></u>			

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

All mortgage-backed securities held by the Fund are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are “fully modified pass-through” mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the Guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2012 and 2011, the Fund’s investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

NOTE 4 - MORTGAGE LOANS

All the mortgage loans are secured by first liens on the related property and approximately 99% are insured or credit enhanced by FHA, MHF, FHLMC, FNMA or GNMA. As of June 30, 2012 and 2011, interest rates on such loans range from 3.7% to 7.85% with remaining loan terms ranging from less than 3 years to 38 years and less than 4 years to 39 years, respectively. For the years ended June 30, 2012 and 2011, an allowance for loan losses in the amount of \$43 has been established for uninsured loans.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 5 - ACCRUED INTEREST RECEIVABLES

Accrued interest receivables as of June 30, 2012 and 2011 were as follows:

	2012	2011
Accrued mortgage loan interest	\$ 387	\$ 400
Accrued investment interest	48	46
Accrued mortgage-backed securities interest	1,454	1,659
	<u>\$ 1,889</u>	<u>\$ 2,105</u>

NOTE 6 - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds are tax-exempt and have fixed interest rates.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2012 and the debt outstanding and bonds payable as of June 30, 2012:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2011	Bond Activity			Debt Outstanding at June 30, 2012	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2012
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	\$ 13,120	\$ -	\$ (1,630)	\$ -	\$ 11,490	\$ -	\$ 11,490
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,425	-	(60)	-	1,365	-	1,365
Series 1999 A	02/01/99	4.60% - 5.35%	2011 - 2041	14,830	-	(200)	-	14,630	-	14,630
Series 1999 B	10/15/99	5.60% - 6.40%	2011 - 2042	9,440	-	(110)	(9,330)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,960	-	(260)	-	5,700	-	5,700
Series 2000 A	10/01/00	5.20% - 6.10%	2011 - 2042	25,545	-	(300)	-	25,245	-	25,245
Series 2001 A	07/01/01	4.85% - 5.625%	2011 - 2043	27,500	-	(365)	(12,310)	14,825	-	14,825
Series 2001 B	10/01/01	4.50% - 5.45%	2011 - 2043	42,645	-	(995)	(16,465)	25,185	-	25,185
Series 2002 A	03/01/02	4.80% - 5.70%	2011 - 2043	8,910	-	(100)	-	8,810	-	8,810
Series 2002 B	10/01/02	3.75% - 5.05%	2011 - 2045	31,515	-	(380)	-	31,135	-	31,135
Series 2002 C	10/01/02	3.75% - 5.00%	2011 - 2035	6,155	-	(120)	-	6,035	-	6,035
Series 2002 D	10/01/02	3.75% - 5.00%	2011 - 2035	7,635	-	(140)	-	7,495	-	7,495
Series 2003 A	04/01/03	3.85% - 5.22%	2011 - 2045	23,530	-	(260)	-	23,270	-	23,270
Series 2003 B	07/01/03	3.50% - 5.00%	2011 - 2045	16,580	-	(200)	-	16,380	-	16,380
Series 2003 C	09/01/03	4.00% - 5.90%	2011 - 2045	10,255	-	(105)	-	10,150	(6)	10,144
Series 2003 D	12/01/03	3.70% - 5.125%	2011 - 2045	11,480	-	(130)	-	11,350	-	11,350
Series 2004 B	03/31/04	3.05% - 4.70%	2011 - 2046	19,235	-	(235)	-	19,000	-	19,000
Series 2004 C	06/10/04	4.20% - 5.40%	2011 - 2047	34,290	-	(340)	-	33,950	-	33,950
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,530	-	(80)	-	1,450	-	1,450
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,135	-	(70)	-	6,065	-	6,065
Series 2005 B	04/21/05	3.90% - 5.10%	2011 - 2047	18,630	-	(205)	-	18,425	-	18,425
Series 2005 C	12/14/05	3.95% - 5.15%	2011 - 2047	12,600	-	(370)	-	12,230	-	12,230
Series 2006 A	04/27/06	4.05% - 5.05%	2011 - 2047	9,685	-	(110)	-	9,575	-	9,575
Series 2006 B	04/27/06	4.05% - 5.00%	2011 - 2039	2,945	-	(135)	-	2,810	-	2,810
Series 2006 C	04/27/06	3.70% - 4.75%	2011 - 2036	1,965	-	(40)	-	1,925	-	1,925
Series 2006 D	09/27/06	4.91%	7/1/2048	4,425	-	(115)	-	4,310	-	4,310
Series 2007 A	06/14/07	3.95% - 4.95%	2011 - 2049	21,175	-	(310)	-	20,865	-	20,865
Series 2007 B	08/30/07	5.51%	1/1/2038	4,810	-	(60)	-	4,750	-	4,750
Series 2007 C	12/20/07	5.38%	1/1/2043	1,510	-	(15)	-	1,495	-	1,495
Series 2008 A	05/29/08	5.24%	7/1/2038	5,630	-	(95)	-	5,535	-	5,535
Series 2008 B	05/29/08	5.63%	7/1/2049	10,230	-	(110)	-	10,120	-	10,120
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,830	-	(50)	-	3,780	-	3,780
Series 2009 A	11/24/09	5.25%	7/1/2041	7,605	-	(145)	-	7,460	-	7,460
Total				<u>\$ 430,135</u>	<u>\$ -</u>	<u>\$ (7,840)</u>	<u>\$ (38,105)</u>	<u>\$ 384,190</u>	<u>\$ (6)</u>	<u>\$ 384,184</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2011 and the debt outstanding and bonds payable as of June 30, 2011:

	Issue dated	Range of interest rates	Range of maturities	Debt Outstanding at June 30, 2010	Bond Activity			Debt Outstanding at June 30, 2011	Discounts/premiums and other deferred costs	Bonds payable at June 30, 2011
					New bonds issued	Scheduled maturity payments	Bonds redeemed			
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	\$ 19,925	\$ -	\$ (1,945)	\$ (4,860)	\$ 13,120	\$ -	\$ 13,120
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,485	-	(60)	-	1,425	-	1,425
Series 1997 A	06/01/97	5.70% - 6.00%	2017 - 2039	33,700	-	(430)	(33,270)	-	-	-
Series 1997 B	09/01/97	5.55% - 5.75%	2017 - 2039	6,965	-	(90)	(6,875)	-	-	-
Series 1997 C	12/01/97	5.00% - 5.65%	2010 - 2039	12,720	-	(170)	(12,550)	-	-	-
Series 1999 A	02/01/99	4.50% - 5.35%	2010 - 2041	15,020	-	(190)	-	14,830	-	14,830
Series 1999 B	10/15/99	5.50% - 6.40%	2010 - 2042	14,310	-	(225)	(4,645)	9,440	-	9,440
Series 1999 C	10/15/99	5.85% - 6.40%	2014 - 2040	480	-	(5)	(475)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	6,205	-	(245)	-	5,960	-	5,960
Series 2000 A	10/01/00	5.10% - 6.10%	2010 - 2042	25,825	-	(280)	-	25,545	-	25,545
Series 2001 A	07/01/01	4.70% - 5.625%	2010 - 2043	27,850	-	(350)	-	27,500	-	27,500
Series 2001 B	10/01/01	4.40% - 5.45%	2010 - 2043	43,320	-	(675)	-	42,645	-	42,645
Series 2002 A	03/01/02	4.70% - 5.70%	2010 - 2043	9,000	-	(90)	-	8,910	-	8,910
Series 2002 B	10/01/02	3.65% - 5.05%	2010 - 2045	31,880	-	(365)	-	31,515	-	31,515
Series 2002 C	10/01/02	3.65% - 5.00%	2010 - 2035	6,270	-	(115)	-	6,155	-	6,155
Series 2002 D	10/01/02	3.65% - 5.00%	2010 - 2035	7,770	-	(135)	-	7,635	-	7,635
Series 2003 A	04/01/03	3.60% - 5.22%	2010 - 2045	23,785	-	(255)	-	23,530	-	23,530
Series 2003 B	07/01/03	3.30% - 5.00%	2010 - 2045	16,775	-	(195)	-	16,580	-	16,580
Series 2003 C	09/01/03	3.80% - 5.90%	2010 - 2045	10,360	-	(105)	-	10,255	(6)	10,249
Series 2003 D	12/01/03	3.40% - 5.125%	2010 - 2045	11,610	-	(130)	-	11,480	-	11,480
Series 2004 B	03/31/04	2.75% - 4.70%	2010 - 2046	19,460	-	(225)	-	19,235	-	19,235
Series 2004 C	06/10/04	4.00% - 5.40%	2010 - 2047	35,540	-	(1,250)	-	34,290	-	34,290
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,600	-	(70)	-	1,530	-	1,530
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,205	-	(70)	-	6,135	-	6,135
Series 2005 B	04/21/05	3.70% - 5.10%	2010 - 2047	18,830	-	(200)	-	18,630	-	18,630
Series 2005 C	12/14/05	3.80% - 5.15%	2010 - 2047	12,955	-	(355)	-	12,600	-	12,600
Series 2006 A	04/27/06	4.00% - 5.05%	2010 - 2047	9,795	-	(110)	-	9,685	-	9,685
Series 2006 B	04/27/06	4.00% - 5.00%	2010 - 2039	3,075	-	(130)	-	2,945	-	2,945
Series 2006 C	04/27/06	3.65% - 4.75%	2010 - 2036	2,005	-	(40)	-	1,965	-	1,965
Series 2006 D	09/27/06	4.91%	7/1/2048	4,425	-	-	-	4,425	-	4,425
Series 2007 A	06/14/07	3.85% - 4.95%	2010 - 2049	21,685	-	(510)	-	21,175	-	21,175
Series 2007 B	08/30/07	5.51%	1/1/2038	4,875	-	(65)	-	4,810	-	4,810
Series 2007 C	12/20/07	5.38%	1/1/2043	1,520	-	(10)	-	1,510	-	1,510
Series 2008 A	05/29/08	5.24%	7/1/2038	5,720	-	(90)	-	5,630	-	5,630
Series 2008 B	05/29/08	5.63%	7/1/2049	10,280	-	(50)	-	10,230	-	10,230
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,880	-	(50)	-	3,830	-	3,830
Series 2009 A	11/24/09	2.75% - 5.25%	2011 - 2041	8,755	-	-	(1,150)	7,605	-	7,605
Total				\$ 503,240	\$ -	\$ (9,280)	\$ (63,825)	\$ 430,135	\$ (6)	\$ 430,129

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2012, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2012 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Years ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 19,917	\$ 8,925
2014	19,507	7,885
2015	19,117	7,865
2016	18,727	9,460
2017	18,279	7,555
2018 - 2022	85,955	36,410
2023 - 2027	75,808	43,275
2028 - 2032	63,228	54,990
2033 - 2037	47,106	68,650
2038 - 2042	27,399	79,485
2043 - 2047	7,836	54,760
2048 - 2052	310	4,930
Total	<u>\$ 403,189</u>	<u>\$ 384,190</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2011, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2011 and excluding the effect of unamortized discounts/premiums and other deferred costs as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Years ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2012	\$ 22,474	\$ 7,935
2013	22,096	7,985
2014	21,701	8,810
2015	21,261	8,925
2016	20,816	10,390
2017 - 2021	97,564	39,855
2022 - 2026	86,658	46,075
2027 - 2031	73,263	58,210
2032 - 2036	56,036	73,715
2037 - 2041	34,534	87,580
2042 - 2046	11,493	69,775
2047 - 2051	786	10,880
Total	<u>\$ 468,682</u>	<u>\$ 430,135</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Bonds payable		
Beginning balance	\$ 430,129	\$ 503,234
Additions	-	-
Reductions	<u>(45,945)</u>	<u>(73,105)</u>
Ending balance	384,184	430,129
Less due within one year	<u>(8,925)</u>	<u>(7,935)</u>
Total long-term bonds payable	<u>375,259</u>	<u>422,194</u>
Deposits by borrowers		
Beginning balance	7,584	9,821
Additions	2,622	3,243
Reductions	<u>(2,126)</u>	<u>(5,480)</u>
Ending balance	8,080	7,584
Less due within one year	<u>(1,749)</u>	<u>(2,023)</u>
Total long-term deposits by borrowers	<u>6,331</u>	<u>5,561</u>
Deferred income		
Beginning balance	4,616	5,229
Additions	-	-
Reductions	<u>(608)</u>	<u>(613)</u>
Ending balance	<u>4,008</u>	<u>4,616</u>
Total long-term deferred income	<u>4,008</u>	<u>4,616</u>
Total long-term liabilities	<u><u>\$ 385,598</u></u>	<u><u>\$ 432,371</u></u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 9 - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in Housing Revenue Bonds are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

During the years ended June 30, 2012 and 2011, the Fund transferred the following amounts, as permitted, among Funds:

	<u>2012</u>	<u>2011</u>
Excess revenue transferred to the General Bond Reserve Fund	<u>\$ (1,125)</u>	<u>\$ (3,000)</u>

NOTE 10 - MORTGAGE INSURANCE

Approximately 99% of the Fund's mortgage loans are insured or credit enhanced as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

Single family mortgagors pay the premiums for primary mortgage insurance. Generally, loans are insured in an amount that is at least 25% of the loan amount.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2012 and 2011

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

NOTE 12 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of CDA through September 28, 2012 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2012.

Subsequent to the year ended June 30, 2012, the following activity took place:

CDA issued the following bonds:

On July 26, 2012	Series 2012 A	\$9,340
On August 30, 2012	Series 2012 B	\$5,505
On September 13, 2012	Series 2012 C	\$7,200

CDA redeemed the following bonds:

On August 6, 2012	Series 1996 A	\$1,670
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Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES
(in thousands)

June 30, 2012 and 2011
(Unaudited)

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Assets.

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2012, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
1997	\$ (352)	\$ (352)
1998	\$ 832	\$ 480
1999	\$ (407)	\$ 73
2000	\$ 48	\$ 121
2001	\$ 193	\$ 314
2002	\$ 157	\$ 471
2003	\$ 889	\$ 1,360
2004	\$ (678)	\$ 682
2005	\$ 897	\$ 1,579
2006	\$ (866)	\$ 713
2007	\$ 48	\$ 761
2008	\$ 444	\$ 1,205
2009	\$ 202	\$ 1,407
2010	\$ 472	\$ 1,879
2011	\$ (280)	\$ 1,599
2012	\$ 1,283	\$ 2,882

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2012 and 2011
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2012, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
2000	\$ (3,825)	\$ (3,825)
2001	\$ (3,291)	\$ (7,116)
2002	\$ 3,340	\$ (3,776)
2003	\$ 21,435	\$ 17,659
2004	\$ (11,126)	\$ 6,533
2005	\$ 12,879	\$ 19,412
2006	\$ (27,704)	\$ (8,292)
2007	\$ 3,661	\$ (4,631)
2008	\$ (5,987)	\$ (10,618)
2009	\$ 17,358	\$ 6,740
2010	\$ 13,103	\$ 19,843
2011	\$ (7,348)	\$ 12,495
2012	\$ 6,303	\$ 18,798

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APPENDIX J

FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

MARYLAND HOUSING FUND

JUNE 30, 2012 AND 2011

Maryland Housing Fund

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development (DHCD) of the State of Maryland as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of MHF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Maryland Housing Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Maryland Housing Fund of the Department of Housing and Community Development of the State of Maryland as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Baltimore, Maryland
October 10, 2012

Maryland Housing Fund
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Unrestricted current assets		
Deposit with State Treasurer		
Operating account	\$ 2,588,198	\$ 4,391,228
Loans and interest receivable, net of allowance for loans and related losses	149,874	167,078
Acquired property	6,119,848	72,635
Other	961,493	98,682
	<u>9,819,413</u>	<u>4,729,623</u>
Total unrestricted current assets		
Restricted current assets		
Deposit with State Treasurer		
Reserve accounts	87,054,385	89,414,019
Reserve account - Reinsurance Pool Program	913,198	12,500,000
	<u>87,967,583</u>	<u>101,914,019</u>
Total restricted current assets		
Total current assets	<u>97,786,996</u>	<u>106,643,642</u>
Non-current assets		
Investment held for borrower	2,019,005	1,555,114
Loans and interest receivable, net of allowance for loans and related losses and current portion	267,004	284,491
	<u>2,286,009</u>	<u>1,839,605</u>
Total non-current assets		
Total assets	<u>\$ 100,073,005</u>	<u>\$ 108,483,247</u>

(continued)

Maryland Housing Fund

STATEMENTS OF NET ASSETS - CONTINUED

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 661,670	\$ 81,424
Accrued compensated absences	94,614	77,644
Accrued workers' compensation	1,130	1,130
Mortgage escrow accounts	279,202	283,832
Unearned premiums	1,491,425	2,247,492
Allowance for unpaid insurance losses	1,584,200	5,464,098
	<u>4,112,241</u>	<u>8,155,620</u>
Total current liabilities		
Non-current liabilities		
Accrued compensated absences, net of current portion	190,215	165,678
Accrued workers' compensation, net of current portion	2,870	6,161
Investment held for borrower	1,987,104	1,555,114
Allowance for unpaid insurance losses, net of current portion	11,718,522	18,819,736
	<u>13,898,711</u>	<u>20,546,689</u>
Total non-current liabilities		
Total liabilities	<u>18,010,952</u>	<u>28,702,309</u>
Net assets		
Restricted net assets		
Multi-Family Reserve	44,698,739	44,698,739
Single Family Regular Reserve	19,816,789	20,650,923
Revitalization (Pilot) Reserve	2,216,821	2,216,821
General Reserve	9,253,385	9,796,640
Unallocated Reserve	11,068,651	12,050,896
	<u>87,054,385</u>	<u>89,414,019</u>
Total restricted net assets		
Unrestricted accumulated deficit	<u>(4,992,332)</u>	<u>(9,633,081)</u>
Total net assets	<u>82,062,053</u>	<u>79,780,938</u>
Total liabilities and net assets	<u><u>\$ 100,073,005</u></u>	<u><u>\$ 108,483,247</u></u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Net premiums	\$ 3,952,362	\$ 3,053,897
Interest income on reserves	1,068,651	2,050,896
Interest income on loans	532,106	534,221
Other income	<u>37,354</u>	<u>130,638</u>
Total operating revenues	<u>5,590,473</u>	<u>5,769,652</u>
Operating expenses		
General and administrative	4,688,511	3,555,414
Acquired property	6,386,307	656,022
Net losses on sales of acquired property	676,072	24,524
(Benefit) provision for insurance and loan losses	<u>(10,492,428)</u>	<u>8,457,327</u>
Total operating expenses	<u>1,258,462</u>	<u>12,693,287</u>
Change in net assets	<u><u>\$ 4,332,011</u></u>	<u><u>\$ (6,923,635)</u></u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2012 and 2011

	Restricted Net Assets						Unrestricted	
	Multi-Family Reserve	Single Family Regular Reserve	Revitalization (Pilot) Reserve	Home and Energy Loan Program (HELP) Reserve	General Reserve	Unallocated Reserve	Accumulated Deficit	Total
Balance at June 30, 2010	\$ 44,698,739	\$ 33,773,875	\$ 2,224,450	\$ -	\$ 10,000,000	\$ 12,682,372	\$ (13,992,491)	\$ 89,386,945
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	-	2,050,896	(2,050,896)	-
Transfers out	-	-	-	-	-	(2,682,372)	-	(2,682,372)
Change in net assets	-	(13,122,952)	(7,629)	-	(203,360)	-	6,410,306	(6,923,635)
Balance at June 30, 2011	44,698,739	20,650,923	2,216,821	-	9,796,640	12,050,896	(9,633,081)	79,780,938
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	-	1,068,651	(1,068,651)	-
Transfers out	-	-	-	-	-	(2,050,896)	-	(2,050,896)
Change in net assets	-	(834,134)	-	-	(543,255)	-	5,709,400	4,332,011
Balance at June 30, 2012	<u>\$ 44,698,739</u>	<u>\$ 19,816,789</u>	<u>\$ 2,216,821</u>	<u>\$ -</u>	<u>\$ 9,253,385</u>	<u>\$ 11,068,651</u>	<u>\$ (4,992,332)</u>	<u>\$ 82,062,053</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Receipts from premiums, net	\$ 3,195,539	\$ 2,966,160
Receipts from loans	78,115	2,475,021
Receipts from mortgage escrows	139,313	164,233
Payments for mortgage escrows	(143,944)	(218,350)
Receipts from miscellaneous fees	36,320	129,604
Payments for general and administrative expenses	(4,581,353)	(3,535,268)
Sale proceeds from acquired property	1,785,344	159,979
Payments for acquired property	(15,276,555)	(910,774)
Receipts from interest earned on reserves	1,068,651	2,050,896
Transfer to state funded programs	<u>(2,050,896)</u>	<u>(2,682,372)</u>
Net cash (used in) provided by operating activities	<u>(15,749,466)</u>	<u>599,129</u>
Net (decrease) increase in cash	(15,749,466)	599,129
Deposit with State Treasurer, balance - beginning of year	<u>106,305,247</u>	<u>105,706,118</u>
Deposit with State Treasurer, balance - end of year	<u><u>\$ 90,555,781</u></u>	<u><u>\$ 106,305,247</u></u>

(continued)

Maryland Housing Fund

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ 4,332,011	\$ (6,923,635)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Transfer to state funded programs	(2,050,896)	(2,682,372)
Decrease in loans and interest receivable	34,691	31,402
Increase in acquired property	(6,047,213)	(6,943)
Increase in investments and other assets	(1,326,702)	(155,562)
Increase (decrease) in accounts payable and other accrued liabilities	1,045,822	(21,909)
(Decrease) increase in allowance for unpaid insurance losses	(10,981,112)	10,446,476
Decrease in unearned premiums	<u>(756,067)</u>	<u>(88,328)</u>
Net cash (used in) provided by operating activities	<u>\$ (15,749,466)</u>	<u>\$ 599,129</u>

See notes to financial statements

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - PROGRAM DESCRIPTION

The Maryland Housing Fund (MHF) was established in 1971 by Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, to encourage the flow of private investment capital into multiple-unit and Single Family housing by insuring qualified lending institutions against losses on mortgage loans. MHF is authorized to insure mortgage loans, including mortgage loans for Multi-Family developments financed by public agencies such as the Community Development Administration (CDA), and to provide primary insurance for Single Family mortgage loans. MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan, but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss. Legislation enacted in 1981 enables MHF to originate mortgage loans to assist in the disposal of property acquired through foreclosure or pursuant to any other payment in settlement of a claim or loss. MHF is a unit within the division of Housing Credit Assurance of the Department of Housing and Community Development (DHCD).

MHF maintains five restricted insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance; the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization (PILOT) Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of claims or for any other purpose consistent with the contractual obligations with the Administration's bondholders. Prior to 2011, MHF had maintained a sixth reserve for the Home and Energy Loan Program (HELP). The reserve balance of \$500,000 was transferred to the Unallocated Reserve as the last loan insured under the program was paid off in fiscal year 2009. In 2008, Legislation was passed under Senate Bill 983 requiring MHF to transfer from the Unallocated Account to DHCD's State Funded Revolving Housing Loan Programs all amounts in excess of \$10,000,000 at the end of each fiscal year. These transfers can be found on the Statements of Changes in Net Assets as Transfers Out located on page 7 of this document.

The MHF statute provides that any moneys of MHF that DHCD creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 1 - PROGRAM DESCRIPTION (Continued)

MHF's reserve funds are derived from the net proceeds of five issues of State of Maryland (State) general obligation bonds aggregating \$39,300,000 and \$7,500,000 in proceeds derived from State appropriations. In addition, the funds have earned investment income and paid claims. The unrestricted accumulated deficit reflects MHF's operations since inception less interest income. The reserves are held by the Office of the Treasurer of the State, which credits MHF with income on investment of reserves for the benefit of MHF.

A. The Multi-Family Reserve supports several programs. All existing Multi-Family insurance, other than the program from private lenders, is 100% insurance of projects financed by revenue bonds. These programs include:

- Regular Multi-Family Program fully insures permanent mortgages originated prior to 1997 funded by CDA and the Housing Opportunities Commission of Montgomery County.
- Risk-Share Program insures both construction and permanent mortgages financed with CDA bonds with credit enhancement under the Federal Housing Administration (FHA) Risk Sharing Program. Under the program, upon payment of a claim by FHA, CDA would be responsible for reimbursement to FHA of up to 50% of the claim. MHF would reimburse CDA for its share of such losses. This is an active multi-family program.
- Special Housing Opportunity Program (SHOP) insures mortgages financed or refinanced for the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population which are owned by and sponsored by nonprofit organizations. This is an active multi-family program.
- Single Family mortgages funded through private lenders and CDA for permanent mortgages in publicly designated renewal or redevelopment areas. Insurance offered provided 100% coverage and is backed by the Multi-Family Reserve Fund. MHF continues to manage the existing portfolio but ceased issuing new insurance in 1997.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 1 - PROGRAM DESCRIPTION (Continued)

B. The Single Family Regular Reserve insures mortgages funded by private Maryland lending institutions and CDA. These programs include:

- Single Family Regular Program consists of mortgages originated prior to 1997. These mortgages may have had primary insurance (MHF is liable for the top 25% of the original mortgage) and/or pool insurance (MHF is liable for the bottom 75% of the original mortgage). Pool insurance coverage was limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). Effective August 1, 2010, MHF was released from any obligation to provide the pool insurance on these loans. MHF continues to provide primary insurance on these loans.
- Mortgage Protection Program consists of 30 and 40 year mortgages originated after 2005, funded through CDA bonds with primary coverage of only the top 35% of the original mortgage and up to six months of mortgage payments (limited to no more than \$2,000 per month). These mortgages maintain a fixed rate of interest for the full loan term and allow borrowers to finance a one-time mortgage insurance premium in the mortgage, which will require no additional outlay of cash for closing, while lowering the monthly mortgage payment. MHF no longer issues new insurance under this program.
- Reinsurance Program commenced in 2011 and consists of mortgages that CDA originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program, CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has paid \$12.5 million in claims or December 31, 2020. All claims are paid from the Single Family Regular Reserve.

C. Revitalization (Pilot) Reserve insures mortgages funded through CDA and private Maryland lenders for 100% of the mortgage balance.

- Pilot Programs stimulates the flow of private mortgage capital into areas which have suffered decreasing home ownership and associated economic and social instability. These mortgages originated prior to 2005.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 1 - PROGRAM DESCRIPTION (Continued)

- Healthy Neighborhood Program provides credit enhancement to a loan program sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas in the City of Baltimore. MHF guarantees less than 3% of the outstanding loan balance under this program.
- D. General Reserve insures 35% coverage on CDA single family mortgages as an incentive to refinance or restructure loans for Maryland borrowers who are in trouble with an existing loan. MHF continues to maintain active mortgages but no longer issues new commitments under this program.
- E. Unallocated Reserve may be allocated and transferred by the Secretary into each of the reserves, restricted by the Secretary as a reserve for the payment of a claim as part of a work-out, applied by MHF as payment of a claim or retained in the Unallocated Reserve pending allocation, transfer or restriction. Investment earnings on each of the five Reserves are credited to the Unallocated Reserve. Legislation enacted in fiscal year 2008 requires MHF to transfer from the Unallocated Reserve, any funds in excess of \$10 million annually to the State Funded Housing Loan Programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Relationship with the State

MHF is one of many programs administered by DHCD and the State. Other State agencies, such as the Department of Budget and Management, support DHCD by providing services for DHCD and thus allocate a portion of their expenses to DHCD. MHF has no direct employees and are entirely supported by staff at DHCD to perform all necessary functions of MHF. Thus, MHF's accompanying financial statements are not indicative of MHF as if it were a stand-alone entity. MHF is included in the enterprise funds of the State.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Generally Accepted Accounting Principles

MHF reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). MHF applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Accounting Research Bulletins (ARBS) of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. Use of 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

D. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

E. Investments

The investment is a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

F. Loans and Interest Receivable, Net of Allowance for Loans and Related Losses

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Acquired Property

Property acquired as a result of claims settled is carried at the principal claim cost, less management's estimate of expenses and losses related to the maintenance and sale of the property, which management believes approximates fair value less costs to sell. As of June 30, 2012, acquired property consisted of \$6,119,848 of Single Family property and \$-0- of Multi-Family property. As of June 30, 2011, acquired property consisted of \$72,635 of Single Family property and \$-0- of Multi-Family property.

H. Allowance for Unpaid Insurance Losses

MHF provides for estimated insurance losses under each insurance plan. The allowance for unpaid insurance losses is increased by provisions charged to current operating expenses and reduced by claim payments. The provision for possible insurance losses is based on management's review of insured properties, considering past loss experience and current economic conditions which may affect the frequency of claims and the recovery of claim costs. Actual results could differ from those estimates.

I. Restricted Net Assets

In accordance with accounting guidance issued by the GASB, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all funds and accounts whose purpose is to pay possible future claims are restricted as to their use, as is interest earned on these restricted assets.

J. Revenues and Expenses

Operating revenues and expenses generally result from mortgage insurance activities in connection with MHF's ongoing operations. The principal operating revenue is mortgage insurance premiums. Operating expenses include expenses relating to claims from defaulted loans and general and administrative expenses. The interest earned on reserve accounts is restricted revenue.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Premium Income Recognition

Premium income on all loans are recognized on a straight-line basis over the benefit period covered by the premiums.

L. General and Administrative

MHF is subject to an allocation of intradepartmental support costs of the DHCD, which are included in general and administrative in the Statements of Revenues and Expenses. Such costs could affect MHF's financial position or operating results in a manner that differs from those that might have been obtained if MHF was autonomous. MHF records these costs as invoiced by DHCD for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year-end. Any adjustment is included on invoices and recorded in the period in which the adjustment is identified.

NOTE 3 - CASH AND INVESTMENTS

A. Deposit with State Treasurer

MHF defines cash and cash equivalents as cash and short-term investments that are held on deposit with the State Treasurer. Cash receipts and disbursements of MHF are made through a cash pool maintained by the State Treasurer. None is uninsured and uncollateralized. MHF has on deposit with the State Treasurer both unrestricted and restricted cash and cash equivalents. MHF reports its operating account as unrestricted. MHF reserve accounts are reported as restricted

Additional information can be obtained from the State of Maryland Comprehensive Annual Financial Report.

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MHF adheres to Maryland State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MHF's policy for reducing its exposure to credit risk is to comply with Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. MHF's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, MHF will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. Investments and collateralized securities are held in trust by the trustee or the trustee agent, kept separate from the assets of the bank and from other trust accounts and are held in MHF's name.

E. Investment Held for Borrower

The investment consists of a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

The following asset reported at fair market value and held by MHF at June 30, 2012 and 2011 is evaluated in accordance with accounting guidance issued by the GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk. This investment is held as collateral on a Multi-Family loan and matures on April 15, 2024.

	<u>2012</u>	<u>2011</u>
Investment held for borrower (Obligations of U.S. Government Agencies)	<u>\$ 2,019,005</u>	<u>\$ 1,555,114</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS
AND RELATED LOSSES

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Mortgage loans, notes receivable and interest receivable were as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Multi-Family	\$ 7,698,975	\$ 7,721,048
Single Family	139,561	150,690
Interest receivable on loans	8,681,460	8,194,265
	<u>16,519,996</u>	<u>16,066,003</u>
Allowance for possible losses on Multi-Family loans	(7,299,721)	(7,299,721)
Allowance for possible losses on Single Family loans	(121,937)	(121,937)
Allowance for possible losses on interest receivable	<u>(8,681,460)</u>	<u>(8,192,776)</u>
Total allowance for possible losses	<u>(16,103,118)</u>	<u>(15,614,434)</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 416,878</u>	<u>\$ 451,569</u>
Current portion, net of allowance	\$ 149,874	\$ 167,078
Non-current portion, net of allowance	<u>267,004</u>	<u>284,491</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 416,878</u>	<u>\$ 451,569</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS
AND RELATED LOSSES (Continued)

Changes in the allowance for possible losses on loans and interest receivable were as follows
for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 15,614,434	\$ 17,603,583
Increase (decrease) in provision	<u>488,684</u>	<u>(1,989,149)</u>
Balance, end of year	<u>\$ 16,103,118</u>	<u>\$ 15,614,434</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 5 - UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2012 and 2011, and the changes for the years then ended were as follows:

	2012		
	Unearned premiums at beginning of year	Premiums written	Premiums earned
	Unearned premiums at end of year		
Multi-Family Programs			
Construction and Permanent			
Mortgages	\$ 978,757	\$ 863,962	\$ 1,079,203
SHOP Loans	42,069	85,505	77,760
Multi-Family HELP	-	-	-
Total Multi-Family Programs	1,020,826	949,467	1,156,963
Single Family Programs			
Single Family Regular			
Primary	1,094,408	245,543	725,240
Pool	-	-	-
Reinsurance Pool	-	1,998,240	1,998,240
Revitalization (Pilot)	1,876	2,268	3,093
Community Development			
Administration under			
Multi-Family Reserve	326	777	825
General	130,056	-	68,001
Total Single Family Programs	1,226,666	2,246,828	2,795,399
Total for the year ended June 30, 2012	\$ 2,247,492	\$ 3,196,295	\$ 3,952,362
	\$ 1,491,425		

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 5 - UNEARNED PREMIUMS (Continued)

	2011			Unearned premiums at end of year
	Unearned premiums at beginning of year	Premiums written	Premiums earned	
Multi-Family Programs				
Construction and Permanent				
Mortgages	\$ 394,691	\$ 1,628,403	\$ 1,044,337	\$ 978,757
SHOP Loans	49,383	69,649	76,963	42,069
Multi-Family HELP	35	-	35	-
Total Multi-Family Programs	444,109	1,698,052	1,121,335	1,020,826
Single Family Programs				
Single Family Regular				
Primary	1,592,120	248,386	746,098	1,094,408
Pool	98,880	15,506	114,386	-
Reinsurance Pool	-	999,120	999,120	-
Revitalization (Pilot)	2,318	3,590	4,032	1,876
Community Development				
Administration under				
Multi-Family Reserve	336	915	925	326
General	198,057	-	68,001	130,056
Total Single Family Programs	1,891,711	1,267,517	1,932,562	1,226,666
Total for the year ended June 30, 2011	\$ 2,335,820	\$ 2,965,569	\$ 3,053,897	\$ 2,247,492

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 6 - NON-CURRENT OBLIGATIONS

Changes in non-current obligations for the years ended June 30, 2012 and 2011 were as follows:

	2012				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated absences	\$ 243,322	\$ 41,507	\$ -	\$ 284,829	\$ 94,614
Workers' compensation	7,291	-	(3,291)	4,000	1,130
Investment held for borrower	1,555,114	431,990	-	1,987,104	-
Allowance for unpaid insurance losses	24,283,834	-	(10,981,112)	13,302,722	1,584,200
Total for the year ended June 30, 2012	<u>\$26,089,561</u>	<u>\$ 473,497</u>	<u>\$ (10,984,403)</u>	<u>\$ 15,578,655</u>	<u>\$ 1,679,944</u>
	2011				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated absences	\$ 209,658	\$ 33,664	\$ -	\$ 243,322	\$ 77,644
Workers' compensation	2,682	4,609	-	7,291	1,130
Investment held for borrower	1,476,112	79,002	-	1,555,114	-
Allowance for unpaid insurance losses	13,837,358	10,446,476	-	24,283,834	5,464,098
Total for the year ended June 30, 2011	<u>\$15,525,810</u>	<u>\$ 10,563,751</u>	<u>\$ -</u>	<u>\$ 26,089,561</u>	<u>\$ 5,542,872</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 7 - ALLOWANCE FOR UNPAID INSURANCE LOSSES

The allowance for unpaid insurance losses is the estimated claims settlement on notices of default that has been received by MHF, as well as loan defaults that have been incurred but have not been reported by the lenders. FASB guidance specifically excludes mortgage guaranty insurance from its guidance relating to the reserves for losses.

For insured Multi-Family program properties, MHF establishes loss reserves on a case-by-case basis when insured loans are identified as currently in default based on MHF's expected claim payment, net of estimated recovery. At June 30, 2012, MHF has no Multi-Family loans in default. As a result, MHF provides only limited loss reserves on the Multi-Family portfolio.

For insured Single Family loans, MHF establishes its loss reserves based on past loss experiences and the current real estate market. MHF also reserves for defaults that have been incurred but have not been reported prior to the close of an accounting period, using estimated claim rates and claim sizes for the estimated number of defaults not reported. For Single Family program properties, insured loans which have gone through foreclosure and MHF has not paid a claim, MHF also reserves for losses based on past loss experiences and the current real estate market.

MHF's reserve process is based upon the assumptions of past experience, including the current real estate market and housing values in the locations where MHF has experienced high claim rates. Therefore, the reserves are necessarily based on estimates and the ultimate liability may vary from such estimates. Management regularly reviews the evaluation of the loss reserves utilizing current information and updates the assumptions in the estimation process accordingly. Any resulting adjustments are reflected in the current period's earnings as either a provision for losses or reduction in losses. Management believes that the allowance for unpaid insurance losses at June 30, 2012 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 7 - ALLOWANCE FOR UNPAID INSURANCE LOSSES (Continued)

Changes in allowance for unpaid insurance losses were as follows:

	<u>Multi-Family</u>	<u>Single Family</u>	<u>Total</u>
Balance at June 30, 2010	\$ 6,098,786	\$ 7,738,572	\$ 13,837,358
(Decrease) increase in provision	<u>(1,179,654)</u>	<u>11,626,130</u>	<u>10,446,476</u>
Balance at June 30, 2011	4,919,132	19,364,702	24,283,834
Increase (decrease) in provision	<u>695,868</u>	<u>(11,676,980)</u>	<u>(10,981,112)</u>
Balance at June 30, 2012	<u><u>\$ 5,615,000</u></u>	<u><u>\$ 7,687,722</u></u>	<u><u>\$ 13,302,722</u></u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2012, net of partial claim payments, were as follows:

	<u>Number</u>	<u>Current Balances</u>
CDA Construction and Permanent Mortgages	49	\$ 102,055,156
Loans financed by the Housing Opportunities		
Commission of Montgomery County	3	5,748,618
CDA SHOP Loans	155	18,272,804
CDA Single Family Loans under		
Multi-Family Reserves	<u>13</u>	<u>156,861</u>
	<u><u>220</u></u>	<u><u>\$ 126,233,439</u></u>

As of June 30, 2012, MHF had commitments of \$12,374,373 which had not yet been drawn.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Single Family Mortgages

All loans insured by MHF are with approved lenders and are collateralized by a first or second lien against the improved property, which must be located in the State of Maryland. The details of insured loans and commitments to insure loans as of June 30, 2012, were as follows:

	Insured Mortgages			
	Original Commitments		Current Balances	
	Number	Amount	Amount	Contingent Liability
Primary insurance coverage				
Single Family Regular				
25% insured	1,887	\$ 99,000,990	\$ 54,692,415	\$ 13,673,104
35% insured	371	81,089,698	77,400,815	27,090,285
Revitalization (Pilot) Program				
100% insured	29	934,437	499,264	499,264
2.5% insured	185	34,298,611	32,441,984	811,050
General				
35% insured	40	10,107,158	9,842,786	3,444,975
Total	2,512	\$ 225,430,894	\$ 174,877,264	\$ 45,518,678
Single Family Regular Reinsurance Program	5,342	\$ 1,113,537,760	\$ 1,075,829,953	\$ 913,198

As of June 30, 2012, MHF had committed primary insurance coverage on 18 mortgages under the Revitalization Reserve, Healthy Neighborhood Program in the amount of \$2,244,444 and is liable for 2.5%.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originated prior to 2005.

Effective January 1, 2011, MHF and CDA entered into a Reinsurance Pool Program for loans that CDA had originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has paid \$12.5 million in claims or December 31, 2020. As of June 30, 2012, MHF had paid \$14,135,702 in claims to CDA for this program and recovered \$2,548,900 leaving \$913,198 available to pay additional claims in the pipeline.

NOTE 9 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. MHF's only liability for retirement and post-employment benefits is its required annual contribution, which was paid in full by MHF to the State of Maryland prior to year-end. The System is considered part of the State's financial reporting entity, and is not considered a part of MHF's reporting entity. The System prepares a separate Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

NOTE 10 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net assets but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net assets are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net assets require disclosure in the accompanying notes. Management evaluated the activity of MHF through October 10, 2012 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

In September 2012, MHF transferred \$1,068,651 to the State Housing Loan Programs pursuant to 2008 Senate Bill 983 requiring MHF to transfer all amounts in excess of \$10,000,000 at the end of each fiscal year.

APPENDIX K

BOOK ENTRY SYSTEM

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Offered Bonds. The Offered Bonds will be 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 Offered Bond certificate will be issued for each of the Offered Bonds, each in the aggregate principal amount of such Offered Bond, and will be deposited with DTC.

DTC, the world’s largest securities depository, 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 (“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.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered 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 Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered 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 registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Administration 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered 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 Administration or the Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Administration or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Administration or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Offered Bond certificates are required to be printed and delivered.

The Administration may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Administration believes to be reliable, but the Administration takes no responsibility for the accuracy thereof.

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APPENDIX L

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

LETTERHEAD OF KUTAK ROCK LLP, WASHINGTON, D.C.

[Closing Date]

Community Development Administration
Maryland Department of Housing and
Community Development
100 Community Place
Crownsville, MD 21032

COMMUNITY DEVELOPMENT ADMINISTRATION MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

\$4,700,000 Housing Revenue Bonds Series 2012 D

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), in connection with the issuance and sale of \$4,700,000 aggregate principal amount of its Housing Revenue Bonds, Series 2012 D (the “Series 2012 D Bonds”).

The Series 2012 D Bonds are being issued under and pursuant to (1) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (previously Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland) (the “Act”), (2) the resolution of the Administration adopted as of November 1, 1996, and amended and restated as of July 1, 2006, entitled “Resolution Providing for the Issuance of Housing Revenue Bonds” (the “Bond Resolution”) and (3) a Series Resolution Providing for the Issuance and Sale of Housing Revenue Bonds, Series 2012 D, adopted by the Administration as of November 1, 2012 (the “Series Resolution”). The Bond Resolution and the Series Resolution are referred to collectively as the “Resolution.” The Director of the Administration determined, pursuant to Section 4-245(a) of the Act, that the issuance of the Series 2012 D Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of the Department. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Resolution or the Act.

Based upon the foregoing, we are of the opinion that:

- 1) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as a unit of the Division of Development Finance of the Department with such political and corporate powers as set forth in the Act and with good, right and lawful authority, among other things, to carry out the Program of making Qualified Loans, to issue the Series 2012 D Bonds to provide funds therefor and to perform its obligations under the terms and conditions of the Resolution.
- 2) The Resolution has been duly adopted by the Administration and approved by the Secretary and is valid and binding upon the Administration and is enforceable in accordance with its terms.
- 3) The Series 2012 D Bonds are valid and legally binding limited obligations of the Administration secured by a pledge in the manner and to the extent set forth in the Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. The Resolution creates the valid pledge of and the valid lien which it purports to create upon the Revenues and other assets and income described in the Resolution, subject only to the provisions of the Resolution permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Resolution.
- 4) Under existing law, interest on the Series 2012 D Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Series 2012 D Bond for any period during which such Series 2012 D Bond is held by a person who is a “substantial user” of the facilities financed with the proceeds of the Series 2012 D Bonds or a “related person.” within the meaning of Section 147(a) of the Code. Furthermore, interest on the Series 2012 D Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.
- 5) Under existing statutes, the Series 2012 D Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

The foregoing opinion is qualified only to the extent that the enforceability of the Series 2012 D Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors’ rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2012 D Bonds. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason.

Very truly yours,

