

## BOOK-ENTRY ONLY

*In the opinion of Bond Counsel, assuming compliance with certain covenants in the Bond Resolutions intended to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended, and subject to the exceptions under "Tax Exemption and Related Considerations" herein, interest on the 2009/2011 Series C Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the 2009/2011 Series C Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT"), and is not includable in adjusted current earnings for purposes of corporate AMT. A discussion of the requirements for, the extent of and exceptions to such exclusion is contained under "Tax Exemption and Related Considerations" herein. In the opinion of Bond Counsel, the 2009/2011 Series C Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes.*



**\$56,385,000**  
**COMMUNITY DEVELOPMENT ADMINISTRATION**  
**MARYLAND DEPARTMENT OF HOUSING AND**  
**COMMUNITY DEVELOPMENT**  
**Single Family Housing Revenue Bonds**  
**\$22,555,000 2011 Series C (Non-AMT)**  
**\$33,830,000 2009 Series A-3 (Program Bonds) (Non-AMT)†**

**Interest From:** Date of Delivery

**Due:** As shown on inside cover

This Official Statement (the "Official Statement") sets forth information with respect to the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department"), and the issuance of its Single Family Housing Revenue Bonds 2011 Series C (the "2011 Series C Bonds"). The 2011 Series C Bonds are being offered pursuant to this Official Statement. In connection with the issuance of the 2011 Series C Bonds, a portion of the Administration's Single Family Housing Revenue Bonds 2009 Series A (Program Bonds) (the "Program Bonds") previously issued in the original aggregate principal amount of \$154,290,000 by the Administration in connection with the New Issuance Bond Program of the U.S. Department of the Treasury (described herein) is being released and Converted (as defined herein), and such Program Bonds are being redesignated as the Administration's 2009 Series A-3 Bonds (Program Bonds) (the "2009 Series A-3 Bonds" and, together with the 2011 Series C Bonds, the "2009/2011 Series C Bonds"), as further described herein. The 2009 Series A-3 Bonds are not being publicly reoffered. The 2009/2011 Series C Bonds are issuable only as fully registered bonds and 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 Program Bonds.

Purchases of the 2011 Series C Bonds will be in book-entry form only, initially in authorized denominations of \$5,000, or any integral multiple thereof. The 2009 Series A-3 Bonds are in book-entry form only and were previously purchased in authorized denominations of \$10,000 and integral multiples thereof. Interest on the 2009/2011 Series C Bonds is, except as otherwise provided herein, payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2012, by the Trustee to DTC. DTC is to remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the 2009/2011 Series C Bonds.

The 2009/2011 Series C Bonds are subject to redemption prior to maturity at the times and under the conditions set forth herein. See "THE 2009/2011 Series C Bonds" herein.

Proceeds of the 2009/2011 Series C Bonds will be made available for use by the Trustee, on behalf of the Administration, to purchase mortgage loan pass-through certificates ("GNMA Certificates") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA").

Manufacturers and Traders Trust Company, a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is the Trustee.

**The 2009/2011 Series C Bonds are special obligations of the Administration payable solely from the revenues and assets of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The 2009/2011 Series C Bonds do not constitute a debt of the State of Maryland, 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 2011 Series C Bonds are offered for delivery when, as and if issued, and the 2009 Series A-3 Bonds are being released and converted, subject to the opinions of Ballard Spahr LLP, Washington, D.C., Bond Counsel, as to the validity of the 2009/2011 Series C Bonds and the excludability from gross income of interest thereon for federal income tax purposes. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland and Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel Kutak Rock LLP, Atlanta, Georgia. It is expected that the 2009/2011 Series C Bonds will be delivered in book-entry form through the facilities of DTC in New York, New York on or about December 15, 2011.*

**J.P. Morgan**  
**Loop Capital Markets, L.L.C.**

**BofA Merrill Lynch**  
**M&T Securities, Inc.**

**RBC Capital Markets**  
**Morgan Stanley**

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

November 29, 2011.

† Not Reoffered

## MATURITY SCHEDULE

### 2011 Series C (Non-AMT)

#### \$14,955,000 Serial Bonds

| <b>Due Date<br/>(March 1)</b> | <b>Amount</b> | <b>Interest<br/>Rate</b> | <b>Price</b> | <b>Due Date<br/>(September 1)</b> | <b>Amount</b> | <b>Interest<br/>Rate</b> | <b>Price</b> |
|-------------------------------|---------------|--------------------------|--------------|-----------------------------------|---------------|--------------------------|--------------|
|                               |               |                          |              | 2012                              | \$650,000     | 0.200%                   | 100%         |
| 2013                          | \$655,000     | 0.400%                   | 100%         | 2013                              | 655,000       | 0.650                    | 100          |
| 2014                          | 660,000       | 1.000                    | 100          | 2014                              | 665,000       | 1.050                    | 100          |
| 2015                          | 665,000       | 1.450                    | 100          | 2015                              | 670,000       | 1.550                    | 100          |
| 2016                          | 680,000       | 1.900                    | 100          | 2016                              | 685,000       | 2.050                    | 100          |
| 2017                          | 690,000       | 2.250                    | 100          | 2017                              | 700,000       | 2.350                    | 100          |
| 2018                          | 710,000       | 2.600                    | 100          | 2018                              | 720,000       | 2.700                    | 100          |
| 2019                          | 725,000       | 2.900                    | 100          | 2019                              | 740,000       | 2.950                    | 100          |
| 2020                          | 750,000       | 3.150                    | 100          | 2020                              | 760,000       | 3.150                    | 100          |
| 2021                          | 775,000       | 3.250                    | 100          | 2021                              | 785,000       | 3.250                    | 100          |
| 2022                          | 800,000       | 3.375                    | 100          | 2022                              | 815,000       | 3.375                    | 100          |

**\$2,495,000 3.70% Term Bonds due March 1, 2024 – Price 100%**  
**\$5,105,000 4.50% Term PAC Bonds due March 1, 2027 – Price 107.758%**

### 2009 Series A-3 (Program Bonds) (Non-AMT)†

**\$33,830,000 2.49%‡ Term Bonds due September 1, 2041**

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† Not Reoffered

‡ For a period beginning December 15, 2011 to, but excluding, February 15, 2012, the 2009 Series A-3 Bonds will bear interest at the Short Term Rate (defined herein) and thereafter, the 2009 Series A-3 Bonds will bear interest at the Permanent Rate (defined herein) shown above, unless the 10-Year Constant Maturity Treasury rate, as reported by Treasury as of the close of business on any business day during the period beginning on November 1, 2011 and ending on December 7, 2011, is lower than 1.89%, in which case the Permanent Rate applicable to the 2009 Series A-3 Bonds shall be 0.60% plus the lowest 10-Year Constant Maturity Treasury rate during such period.

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 2011 Series C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Administration and by other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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. The information and expressions of opinion herein speak only as of the date hereof and are subject to change without notice, and neither the delivery of this Official Statement nor any sale 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.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2011 SERIES C BONDS OR OF ANY OTHER BONDS OF THE ADMINISTRATION AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2009/2011 SERIES C BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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**OFFICIAL STATEMENT**  
**of the**  
**COMMUNITY DEVELOPMENT ADMINISTRATION**  
**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**Relating to**

**\$56,385,000**  
**Single Family Housing Revenue Bonds**  
**\$22,555,000 2011 Series C (Non-AMT)**  
**\$33,830,000 2009 Series A-3 (Program Bonds) (Non-AMT)†**

**INTRODUCTION**

The purpose of this Official Statement (this “Official Statement”), which includes the cover page, the inside cover page (including the maturity schedule) and the Appendices, is to set forth information in connection with the (i) issuance and sale by the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), of its Single Family Housing Revenue Bonds, 2011 Series C (Non-AMT) (the “2011 Series C Bonds”) and (ii) related release and Conversion (defined herein) of a portion of the Administration’s Single Family Housing Revenue Bonds, 2009 Series A, originally issued in the aggregate principal amount of \$154,290,000 on December 30, 2009 (the “Program Bonds”), with such released portion in the aggregate principal amount of \$33,830,000 being redesignated as the Administration’s Single Family Housing Revenue Bonds, 2009 Series A-3 (the “2009 Series A-3 Bonds” and, together with the 2011 Series C Bonds, the “2009/2011 Series C Bonds”).

The Program Bonds were issued by the Administration in connection with the New Issue Bond Program of the U.S. Department of the Treasury. See “INTRODUCTION – Bonds Issued Under Bond Resolution; New Issue Bond Program” and “THE 2009/2011 SERIES C BONDS – General Description” herein.

Proceeds of the 2009/2011 Series C Bonds will be made available for use by the Trustee, on behalf of the Administration, to purchase mortgage loan pass-through certificates (“GNMA Certificates”) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”). Except for certain limited instances, the Administration has covenanted to use proceeds of the 2009/2011 Series C Bonds, proceeds of any Additional Bonds and proceeds released in connection with the Program Bonds solely to purchase fully modified mortgage-backed pass-through securities (“MBS Certificates”) guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or Freddie Mac. See “SECURITY FOR THE BONDS – Program Assets” herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The information contained under this caption is qualified by reference to the entire Official Statement. This introduction is only a brief description of the Official Statement and potential investors should review the entire Official Statement, as well as the documents summarized or described herein, in order to make an informed investment decision. All terms not otherwise defined herein shall have the meanings set forth in

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† Not Reoffered

Appendix C – “DEFINITIONS”. **The 2009 Series A-3 Bonds are not being offered pursuant to this Official Statement.**

### **Authorization**

The 2011 Series C Bonds will be issued and the Program Bonds were previously issued 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 Single Family Housing Revenue Bond Resolution providing for the issuance of Single Family Housing Revenue Bonds adopted by the Administration as of December 1, 2009 (the “Bond Resolution”), and accepted by Manufacturers and Traders Trust Company, as trustee (the “Trustee”). The 2011 Series C Bonds will be issued pursuant to a Series Resolution providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2011 Series C that will be adopted by the Administration prior to the issuance of the 2011 Series C Bonds (the “2011 Series C Resolution”). The Program Bonds were issued pursuant to a Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A (Program Bonds), including the Appendix to the Resolution Relating to New Issue Bond Program attached thereto (the “NIBP Appendix”), adopted as of December 1, 2009, as thereafter supplemented and amended by a Supplemental Resolution Supplementing and Amending the Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A (Program Bonds) adopted as of November 1, 2010 (together, the “Original Program Bonds Series Resolution”). The 2009 Series A-3 Bonds are being released and redesignated pursuant to the Original Program Bond Series Resolution, as supplemented and amended by a Third Supplemental Resolution Supplementing and Amending the Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A-3 (Program Bonds) adopted by the Administration prior to the release and redesignation of the 2009 Series A-3 Bonds (the “2009 Series A-3 Supplemental Resolution”). The Bond Resolution, the 2011 Series Resolution, the Original Program Bonds Series Resolution and the 2009 Series A-3 Supplemental Resolution are collectively called the “Bond Resolutions”.

### **Bonds Issued Under Bond Resolution; New Issue Bond Program**

As of the date of this Official Statement, the only Bonds (defined below) issued under the Bond Resolution are (i) the Program Bonds issued by the Administration on December 30, 2009 for which a release has not yet occurred, outstanding on the date hereof in the principal amount of \$33,830,000 which are expected to be released and redesignated as the Series 2009 A-3 Bonds in connection with the issuance of the 2011 Series C Bonds, (ii) the 2009/2011 Series A Bonds (defined below) and (iii) the 2009/2011 Series B Bonds (defined below). The Program Bonds were issued in connection with the New Issuance Bond Program (“NIBP”) of the U.S. Department of the Treasury (the “Treasury”), pursuant to which the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac” and, together with Fannie Mae, the “GSEs”) have issued securities backed by bonds issued by various state and local housing agencies (the “GSE Securities”), which GSE Securities have been purchased by the Treasury. Other than proceeds relating to the previous releases of Program Bonds (defined below), the original proceeds of the Program Bonds are held in escrow in an Escrow Fund (the “Escrow Fund”) by the Trustee. Prior to the release of such proceeds from the Escrow Fund, they are invested in investments with an interest rate that is expected to be sufficient to pay interest on the Program Bonds that have not been subject to a release. The Escrow Fund proceeds are pledged exclusively to the repayment of the Program Bonds for which a release has not occurred.

Under NIBP, the Administration may exercise its right to convert all or a portion of the Program Bonds to long-term fixed rate bonds (a “Conversion”) on no more than six (6) occasions, with the related Release Date (as defined below) having to occur on or prior to December 31, 2011 (unless such date is extended by the Treasury). With each Conversion, the Administration must issue additional serial and/or term bonds sold to public and private investors under the Bond Resolutions (the “Market Bonds”), such that the principal amount of the Market Bonds shall not be less than two-thirds (2/3rds) of the principal amount of the Program Bonds which are proposed to be released and redesignated.

On August 25, 2011, the Administration caused \$60,460,000 of Program Bonds to be released and redesignated as Single Family Housing Revenue Bonds 2009 Series A-1 (Program Bonds) (Non-AMT) (the “2009 Series A-1 Bonds”). In connection with the release and redesignation of the 2009 Series A-1 Bonds, the Administration caused to be issued, as the related series of Market Bonds, its Single Family Housing Revenue Bonds 2011 Series A (Non-AMT) in the aggregate original principal amount of \$40,310,000 (the “2011 Series A Bonds” and together with the 2009 Series A-1 Bonds, the “2009/2011 Series A Bonds”).

On October 27, 2011, the Administration caused \$60,000,000 of Program Bonds to be released and redesignated as Single Family Housing Revenue bonds 2009 Series A-2 (Program Bonds) (Non-AMT) (the “2009 Series A-2 Bonds”). In connection with the release and redesignation of the 2009 Series A-2 Bonds, the Administration caused to be issued, as the related Series of Market Bonds, its Single Family Housing Revenue Bonds 2011 Series B (Non-AMT) in the aggregate original principal amount of \$40,000,000 (the “2011 Series B Bonds” and together with the 2009 Series A-2 Bonds, the “2009/2011 Series B Bonds”).

As of November 15, 2011, proceeds of the 2009/2011 Series A Bonds and the 2009/2011 Series B Bonds in the aggregate amount of \$153,214,840 have been used to purchase GNMA Certificates with interest rates ranging from 3.00% to 4.25%. The Administration expects to use the remaining proceeds of the 2009/2011 Series A Bonds and the 2009/2011 Series B Bonds to purchase GNMA Certificates (or participations therein) with pass-through rates that would permit the Administration to maintain yield compliance and meet other requirements under the 1986 Code. See “THE 2009/2011 SERIES C BONDS - Redemption Provisions - *Risks of Redemption as a Result of Nonorigination.*”

The 2009 Series A-3 Bonds have a release date of December 15, 2011 (the “Release Date”), on which date proceeds of Program Bonds in the amount of \$33,830,000 shall be released from the Escrow Fund for deposit into the 2009/2011 Series C Program Account of the Program Fund and \$33,830,000 of the Program Bonds will be redesignated as the 2009 Series A-3 Bonds. The 2009 Series A-3 Bonds have a conversion date of February 15, 2012 (the “Conversion Date”), on which date the 2009 Series A-3 Bonds will convert into long term fixed rate bonds. The 2009 Series A-3 Bonds shall bear interest (i) at a fixed rate equal to the Short Term Rate (defined herein) from the Release Date to, but excluding, the Conversion Date, and (ii) at the Permanent Rate (defined herein) from the Conversion Date until the final maturity date or prior redemption of the 2009 Series A-3 Bonds. See “THE 2009/2011 SERIES C BONDS - General Terms” herein.

The 2011 Series C Bonds are being issued as Market Bonds in connection with the final redesignation and release of Program Bonds as Series 2009 A-3 Bonds. The 2011 Series C Bonds will be issued as Additional Bonds (as defined herein) pursuant to the Bond Resolution, which will be on a parity with the Program Bonds, the 2009/2011 Series A Bonds, the 2009/2011 Series B Bonds and the 2009 Series A-3 Bonds, and will be equally and ratably secured with such Program Bonds, the 2009/2011 Series A Bonds, the 2009/2011 Series B Bonds and the 2009 Series A-3 Bonds under the Bond Resolution. See “SECURITY FOR THE BONDS” herein. The Program Bonds, including the 2009 Series A-1 Bonds and 2009 Series A-3 Bonds, together with any Additional Bonds issued under the Bond Resolution, including the 2011 Series A Bonds and 2011 Series C Bonds, are referred to collectively as the “Bonds”.

**The Bonds are special obligations of the Administration, payable solely from the revenues and assets 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.**

Upon the release of the Series 2009 A-3 Bonds, the Administration expects, but is not required, to issue bonds to finance new loans for its single family program under the Residential Revenue Bond Resolution. See “INTRODUCTION – Other Single Family Program Bonds of the Administration” herein. No assurance can be provided that the Administration will continue to issue bonds under the Bond Resolution subsequent to the Conversion of all of the Program Bonds or earlier termination of the NIBP.

## **Purpose of Bond Resolution**

The Administration adopted the Bond Resolution pursuant to the Act to finance single family housing loans under the Single Family Housing Revenue Bond Program (the “Program”). In addition to whole single family housing loans, the Administration may finance under the Bond Resolution portions of or participations in single family housing loans made, purchased or otherwise financed by the Administration with Additional Bonds. See “SECURITY FOR THE BONDS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

## **Other Single Family Program Bonds of the Administration**

Since August 21, 1997, the Administration has issued bonds for its single family program primarily pursuant to the Residential Revenue Bond Resolution (defined below) providing for the issuance of Single Family Housing Revenue Bonds adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005 (the “Residential Revenue Bond Resolution”). As of July 1, 2011, \$2,186,285,000 in aggregate principal amount of bonds were outstanding under the Residential Revenue Bond Resolution. Once the remaining proceeds on deposit in the Escrow Fund are fully disbursed under the Bond Resolution following the release and redesignation of the Series 2009 A-3 Bonds in connection with the issuance of the 2011 Series C Bonds as described herein, the Administration expects, but is not required, to issue bonds to finance new loans for its single family program under the Residential Revenue Bond Resolution. **Bonds issued under the Bond Resolution are not secured by or payable from the assets of the Residential Revenue Bond Resolution.**

## **Use of Proceeds of the Bonds**

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance mortgage loans, or portions of or participations in mortgage loans (“Mortgage Loans”), to finance or refinance the purchase of owner-occupied single family residences by persons or families of limited incomes, to refund Bonds or other obligations (including bonds issued by the Administration under resolutions other than the Bond Resolution), to fund reserves, to pay Costs of Issuance (as defined herein) or to achieve any other of the Administration’s purposes. Mortgage Loans must meet the requirements set forth in the Bond Resolution and any Series Resolution adopted in connection therewith. Program Assets may include, without limitation, whole loans (with or without Credit Enhancement), including Mortgage Loans, and mortgage-backed securities.

The funds made available from the issuance of the 2011 Series C Bonds and the related release of the 2009 Series A-3 Bonds will be used to finance Mortgage Loans through the purchase by the Trustee on behalf of the Administration of mortgage loan pass-through certificates (the “GNMA Certificates”) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”). See “SECURITY FOR THE 2009/2011 SERIES C BONDS.”

The 2011 Series Resolution and the 2009 Series A-3 Supplemental Resolution contain Series Program Determinations (as defined herein) for the 2009/2011 Series C Bonds, which provide for the financing of Mortgage Loans through the purchase of GNMA Certificates; all such Mortgage Loans backing the GNMA Certificates are required to be insured by FHA (as defined herein) or guaranteed by the United States Department of Veteran Affairs (“VA”), or the United States Department of Agriculture, Rural Development (the “USDA/RD”) through the Guaranteed Rural Housing Loan Program. See Appendix B – “THE PROGRAM,” and Appendix I – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS”.

Brief descriptions of the 2009/2011 Series C Bonds and the security for the Bonds are included in this Official Statement. Descriptions of the Department and the Administration, the Program, the definitions of certain terms and the summary of certain provisions of the Bond Resolutions are included as Appendices A, B, C and D, respectively. Appendix E contains certain information regarding the outstanding indebtedness of the

Administration. **The outstanding indebtedness set forth in Appendix E under “Other Outstanding Bonds of the Administration” is not secured under the Bond Resolution.** Summaries of the GNMA, Fannie Mae and Freddie Mac Mortgage-Backed Securities Programs are included in Appendices F, G and H, respectively. A summary of the FHA Mortgage Insurance Program, the VA Home Loan Guaranty Program, and the USDA/RD Mortgage Guarantee Program is included as Appendix I. The financial statements of the Administration’s Single Family Housing Revenue Bonds and the proposed forms of the opinions of the Bond Counsel are included in Appendices J and K respectively. A description of the Depository Trust Company and Book-Entry is included in Appendix L. **The Appendices to this Official Statement constitute a part of this Official Statement and contain information which any potential investor should read in order to make an informed investment decision.**

Information concerning the 2009/2011 Series C Bonds, the Program Bonds, NIBP, and the Administration and descriptions of certain provisions of the Act, the 2009/2011 Series C Bonds, the Program Bonds and the Bond Resolutions are included in this Official Statement. All summaries herein of any statute, agreement or document are qualified in their entirety by reference to such statute, agreement or document, and all summaries of the 2009/2011 Series C Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Bond Resolutions. Copies of the Bond Resolutions and the Act are available for inspection at the offices of the Administration at 100 Community Place, Crownsville, Maryland 21032-2023. Requests to inspect copies of the Bond Resolutions and the Act should be directed to Investor Relations at (410) 514-7326 or by e-mail at [cda\\_bonds@dhcd.state.md.us](mailto:cda_bonds@dhcd.state.md.us).

## **THE 2009/2011 SERIES C BONDS**

### **General Description**

The 2011 Series C Bonds are issuable only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and the 2009 Series A-3 Bonds are issuable only as fully registered bonds in denominations of \$10,000 and integral multiples thereof. Interest on the 2009/2011 Series C Bonds is to be computed based on a year of 360 days consisting of twelve 30-day months. The 2009/2011 Series C Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), who shall act as securities depository for such 2009/2011 Series C Bonds. So long as DTC or Cede & Co. is the registered owner of the 2009/2011 Series C Bonds, payments of principal, redemption price, purchase price and interest with respect to the 2009/2011 Series C Bonds are to be made directly to DTC by the Trustee, or its successors, as Trustee. Disbursements of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants as more fully described herein. See “APPENDIX L—THE DEPOSITORY TRUST COMPANY AND BOOK-ENTRY” herein.

The 2009 Series A-3 Bonds will mature on the date set forth on the inside cover of this Official Statement and will bear interest from the Release Date until the Conversion Date, at the applicable Short Term Rate equal to the lesser of (A) the sum of the Four Week T-Bill Rate as of the second Business Day prior to the Release Date plus the Spread or (B) the Permanent Rate. On and after the Conversion Date, the 2009 Series A-3 Bonds will bear interest at the Permanent Rate until maturity or earlier redemption. The applicable Spread for purposes of the 2009 Series A-3 Bonds will be 60 basis points (or such other spread determined in accordance with the Bond Resolutions based on the bond rating as of the Release Date). The Permanent Rate means, with respect to the 2009 Series A-3 Bonds, an interest rate per annum certified to the Trustee by the Special Permanent Rate Advisor on or prior to such Release Date equal to the sum of (i) the 10-Year Treasury Rate plus (ii) the applicable Spread. The 10-Year Treasury Rate means, with respect to the 2009 Series A-3 Bonds, the lower of (i) 2.00% (the “Annual Base Rate”), or (ii) the lowest 10 Year Constant Maturity Treasury rate, as reported by Treasury as of the close of business on any business day during the period beginning on November 1, 2011 and ending on December 7, 2011.

For purposes of the 2009 Series A-3 Bonds, the Permanent Rate shall be calculated on the “Permanent Rate Calculation Date” which shall be December 8, 2011, the date on which the Special Permanent Rate Advisor notifies the Administration and the Trustee of the applicable Permanent Rate, which date shall be the first business day at least seven days prior to the applicable Release Date, provided that a bond purchase agreement must be executed with respect to the 2011 Series C Bonds on or prior to such date.

Interest on the 2009 Series A-3 Bonds will be payable on the Conversion Date (for the period from the Release Date) and thereafter will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2012. **The 2009 Series A-3 Bonds are not being offered pursuant to this Official Statement.**

The 2011 Series C Bonds will be dated the date of delivery, and will bear interest at the rates (payable semiannually on March 1 and September 1 of each year, commencing March 1, 2012) and will mature in the amounts and on the dates set forth on the inside cover of this Official Statement.

### **Application of the Program Bonds Proceeds**

The Administration will deposit from the proceeds of the sale of the 2011 Series C Bonds, \$22,951,045.90 into the Program Fund established pursuant to the Bond Resolutions, together with \$33,830,000 released from the Escrow Fund on the Release Date. The Administration will direct the Trustee to use funds made available from the issuance of the 2011 Series C Bonds and the related release and redesignation of the 2009 Series A-3 Bonds to finance Mortgage Loans through the purchase by the Trustee on behalf of the Administration of GNMA Certificates guaranteed as to timely payment of principal and interest by GNMA.

GNMA Certificates purchased with funds made available from the issuance of the 2011 Series C Bonds and the related release and redesignation of the 2009 Series A-3 Bonds will be made a part of the revenues and assets pledged under the Bond Resolution (the “Pledged Property”) to the payment of principal and interest on the 2009/2011 Series C Bonds and any Additional Bonds, including any Market Bonds and any Program Bonds for which a Release Date has occurred, secured equally and ratably with the 2009/2011 Series C Bonds in accordance with the Bond Resolutions. See “SECURITY FOR THE 2009/2011 SERIES C BONDS”.

The costs of issuance relating to the 2009/2011 Series C Bonds, including underwriter’s compensation relating to the 2011 Series C Bonds, will be funded by the Administration from available moneys not included in the proceeds of the 2009/2011 Series C Bonds.

### **Redemption Provisions**

#### *Optional Redemption.*

The 2011 Series C Bonds are subject to redemption at the option of the Administration, in whole or in part at any time, on or after March 1, 2021 at a redemption price equal to the principal amount thereof without premium, except the 2011 Series C Bonds maturing on March 1, 2027, which will be redeemed at a premium that maintains the same yield as the original purchase price thereof, plus accrued interest thereon to but not including the date of redemption.

The 2009 Series A-3 Bonds are subject to redemption, at the option of the Administration, in whole or in part in denominations of \$10,000 or any integral multiple thereof on the first day of each month, at a price of one hundred percent (100%) of the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption.

*Sinking Fund Redemption.*

The 2011 Series C Bonds maturing on March 1, 2024 are subject to mandatory redemption in part by lot on March 1, 2023, and on each September 1 and March 1 thereafter to and including March 1, 2024, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

| <u>Year</u><br><u>(March 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Year</u><br><u>(September 1)</u> | <u>Principal</u><br><u>Amount</u> |
|---------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 2023                            | \$825,000                         | 2023                                | \$840,000                         |
| 2024**                          | 830,000                           |                                     |                                   |

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\*\*Final maturity.

The 2011 Series C Bonds maturing on March 1, 2027, are subject to mandatory redemption in part by lot on March 1, 2024, and on each September 1 and March 1 thereafter to and including March 1, 2027, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

| <u>Year</u><br><u>(March 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Year</u><br><u>(September 1)</u> | <u>Principal</u><br><u>Amount</u> |
|---------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 2024                            | \$ 25,000                         | 2024                                | \$875,000                         |
| 2025                            | 890,000                           | 2025                                | 905,000                           |
| 2026                            | 915,000                           | 2026                                | 930,000                           |
| 2027**                          | 565,000                           |                                     |                                   |

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\*\*Final maturity.

The 2009 Series A-3 Bonds maturing on September 1, 2041, are subject to mandatory redemption in part by lot on March 1, 2027, and on each September 1 and March 1 thereafter to and including September 1, 2041, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

| <u>Year</u><br><u>(March 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Year</u><br><u>(September 1)</u> | <u>Principal</u><br><u>Amount</u> |
|---------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 2027                            | \$ 370,000                        | 2027                                | \$ 950,000                        |
| 2028                            | 970,000                           | 2028                                | 980,000                           |
| 2029                            | 1,000,000                         | 2029                                | 1,010,000                         |
| 2030                            | 1,020,000                         | 2030                                | 1,030,000                         |
| 2031                            | 1,050,000                         | 2031                                | 1,060,000                         |
| 2032                            | 1,080,000                         | 2032                                | 1,090,000                         |
| 2033                            | 1,100,000                         | 2033                                | 1,120,000                         |
| 2034                            | 1,140,000                         | 2034                                | 1,140,000                         |
| 2035                            | 1,170,000                         | 2035                                | 1,170,000                         |
| 2036                            | 1,190,000                         | 2036                                | 1,210,000                         |
| 2037                            | 1,230,000                         | 2037                                | 1,240,000                         |
| 2038                            | 1,250,000                         | 2038                                | 1,270,000                         |
| 2039                            | 1,290,000                         | 2039                                | 1,310,000                         |
| 2040                            | 1,320,000                         | 2040                                | 1,340,000                         |
| 2041                            | 1,360,000                         | 2041**                              | 1,370,000                         |

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\*\*Final maturity.

*Special Redemption of 2009/2011 Series C Bonds From Unexpended Proceeds.*

Unexpended 2009/2011 Series C Bond proceeds in the 2009 Series/2011 Series C Program Account of the Program Fund deposited into the Redemption Fund shall be applied by the Trustee to redeem the 2009 Series A-3 Bonds and the 2011 Series C Bonds on a pro rata by maturity basis at a price equal to the principal amount thereof, plus accrued interest; provided, however, that PAC Bonds (as hereinafter defined) shall be redeemed at a price equal to the principal amount thereof plus a premium that maintains the same yield as the original purchase price thereof, plus accrued interest to the date of redemption. See “THE 2009/2011 SERIES C BONDS - Redemption Provisions - *Risks of Redemption as a Result of Nonorigination.*”

*Special Redemption of 2009/2011 Series C Bonds from Excess Revenues.*

The 2009/2011 Series C Bonds are subject to special redemption, at the option of the Administration, in whole or in part, at any time and at a price equal to the principal amount thereof, plus accrued interest thereon, from excess Revenues under the Bond Resolution; provided, however that the PAC Bonds shall not be redeemed from any such excess Revenues to the extent such redemption would cause the cumulative amount of redemptions of the PAC Bonds to exceed the cumulative amount shown in the initial table set forth under the heading “THE 2009/2011 SERIES C BONDS – Redemption Provisions – *2011 Series C Recovery Payments; PAC Bond Redemption.*”

*Special Redemption of 2009/2011 Series C Bonds From Recovery Payments, including Prepayments.*

The 2009/2011 Series C Bonds are subject to special redemption in whole or in part, at any time and at a price equal to the principal amount thereof, plus accrued interest thereon, from Recovery Payments (inclusive of Prepayments), from GNMA Certificates financed with proceeds of the 2009/2011 Series C Bonds, and such monies shall be applied by the Trustee to redeem 2009/2011 Series C Bonds such that:

(1) So long as any 2011 Series C Bonds remain Outstanding, a pro rata portion (calculated based on the then Outstanding principal amount of the 2009 Series A-3 Bonds and 2011 Series C Bonds) of such Recovery Payments so deposited shall be applied to the redemption of the 2009 Series A-3 Bonds then Outstanding and the remaining monies so deposited shall be applied to the redemption of the 2011 Series C Bonds pursuant to paragraph (2) below. If no 2011 Series C Bonds remain outstanding, 100% of such Recovery Payments so deposited shall be applied to the redemption of the 2009 Series A-3 Bonds.

(2) The remainder of such Recovery Payments after any redemption pursuant to (1) above shall be applied to the redemption of the 2011 Series C Bonds as follows:

(i) First, to the redemption of the PAC Bonds in the manner and in the amounts described under the heading “2011 Series C Recovery Payments; PAC Bond Redemption” herein; and

(ii) Second, to the redemption of Bonds (other than the PAC Bonds unless there are no other 2011 Series C Bonds Outstanding) as determined by the Administration. See “THE 2009/2011 SERIES C BONDS – Redemption Provisions – *Cross-Call Practices*” herein.

In addition to the foregoing, the 2009/2011 Series C Bonds are subject to special redemption, at the option of the Administration, in whole or in part, at any time and at a price equal to the principal amount thereof, plus accrued interest thereon, from Recovery Payments (inclusive of Prepayments) of MBS Certificates financed with proceeds of any other Series of Market Bonds, unless otherwise provided in a Series Resolution with respect to such Market Bonds or required or restricted by the 1986 Code. See “THE 2009/2011 SERIES C BONDS – Redemption Provisions – *Cross-Call Practices*” herein.

**As a result of the special redemption provisions, the Administration can make no assurance that a particular 2011 Series C Bond subject to redemption will not be redeemed prior to its maturity. The Administration cannot accurately predict the volume of Recovery Payments, including Prepayments, or other moneys which will be available for the special redemption of Bonds in the future. See “Risks of Redemption as a Result of Prepayment and Other Excess Revenues” below.**

*2011 Series C Recovery Payments; PAC Bond Redemption.*

Recovery Payments attributable to GNMA Certificates financed with proceeds of the 2009/2011 Series C Bonds not otherwise applied to the redemption of the 2009 Series A-3 Bonds as described under the heading “Special Redemption of 2009/2011 Series C Bonds from Recovery Payments; including Prepayments” above are referred to herein as “2011 Series C Recovery Payments”. An amount equal to 100% of the 2011 Series C Recovery Payments (the “Dedicated 2011 Series C Recovery Payments”) will be applied first to the redemption of the 2011 Series C Bonds maturing on March 1, 2027 (the “PAC Bonds”), in an amount up to the cumulative amounts set forth in the following table, prior to the redemption of other Bonds. Such redemption shall be made so that the cumulative amount of such redemptions shall not exceed the cumulative amount shown as of each date set forth in the table below. Such redemptions may occur at such times and with such frequency as the Administration elects, but at least once in each semiannual period, commencing with the semiannual period ending September 1, 2012. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans including the assumption that all such Mortgage Loans are purchased as expected and that 2011 Series C Recovery Payments on such Mortgage Loans are received at a rate equal to 75% of the Securities Industry and Financial Markets Association standard prepayment model (“SIFMA Model”).

| Payment<br>Date   | Cumulative<br>Amount |
|-------------------|----------------------|
| September 1, 2012 | \$ 75,000            |
| March 1, 2013     | 245,000              |
| September 1, 2013 | 505,000              |
| March 1, 2014     | 845,000              |
| September 1, 2014 | 1,255,000            |
| March 1, 2015     | 1,660,000            |
| September 1, 2015 | 2,045,000            |
| March 1, 2016     | 2,405,000            |
| September 1, 2016 | 2,745,000            |
| March 1, 2017     | 3,065,000            |
| September 1, 2017 | 3,360,000            |
| March 1, 2018     | 3,635,000            |
| September 1, 2018 | 3,890,000            |
| March 1, 2019     | 4,125,000            |
| September 1, 2019 | 4,335,000            |
| March 1, 2020     | 4,530,000            |
| September 1, 2020 | 4,700,000            |
| March 1, 2021     | 4,850,000            |
| September 1, 2021 | 4,975,000            |
| March 1, 2022     | 5,085,000            |
| September 1, 2022 | 5,105,000            |

If the amount available for such redemption is less than \$100,000, the Administration may delay redemption of the PAC Bonds until the amount available for such redemption totals \$100,000 or more.

Dedicated 2011 Series C Recovery Payments in excess of the amounts set forth in the above table and up to the cumulative amounts set forth in the following table, shall be applied to the redemption of 2011 Series C Bonds other than the PAC Bonds; provided that such Dedicated 2011 Series C Recovery Payments may be used to redeem the PAC Bonds if there are no other 2011 Series C Bonds Outstanding or if such redemption is necessary to preserve the tax-exempt status of the 2009/2011 Series C Bonds. 2011 Series C Recovery Payments in excess of cumulative amounts set forth in the following table, may be applied by the Administration to the redemption of 2011 Series C Bonds, including the PAC Bonds. The cumulative amounts in the following table are derived from certain assumptions related to the Mortgage Loans pooled into the GNMA Certificates including the assumption that 2011 Series Recovery Payments are received at a rate equal to 400% of the SIFMA Model.

| Payment<br>Date   | Cumulative<br>Amount |
|-------------------|----------------------|
| September 1, 2012 | \$ 1,045,000         |
| March 1, 2013     | 2,580,000            |
| September 1, 2013 | 4,475,000            |
| March 1, 2014     | 6,620,000            |
| September 1, 2014 | 8,855,000            |
| March 1, 2015     | 10,880,000           |
| September 1, 2015 | 12,620,000           |
| March 1, 2016     | 14,120,000           |
| September 1, 2016 | 15,410,000           |
| March 1, 2017     | 16,520,000           |
| September 1, 2017 | 17,480,000           |
| March 1, 2018     | 18,305,000           |
| September 1, 2018 | 19,010,000           |
| March 1, 2019     | 19,625,000           |
| September 1, 2019 | 20,160,000           |
| March 1, 2020     | 20,610,000           |
| September 1, 2020 | 21,015,000           |
| March 1, 2021     | 21,355,000           |
| September 1, 2021 | 21,665,000           |
| March 1, 2022     | 21,925,000           |
| September 1, 2022 | 22,165,000           |

Prepayments on mortgage loans are commonly measured relative to a prepayment standard model. The SIFMA Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. The SIFMA Model does not purport to be either an historic description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans. One hundred percent (100%) of the SIFMA Model assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first months of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30<sup>th</sup> month. Beginning in the 30<sup>th</sup> month and in each month thereafter during the life of the mortgage loans, 100% of the SIFMA Model assumes a constant prepayment rate of six percent per year. Multiples of the SIFMA Model will be calculated from this prepayment rate series. For example, 200% of the SIFMA Model assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12% per year in month 30 and remaining constant at 12% per year thereafter.

The following table sets forth the last year and weighted average number of years that the PAC Bonds will be Outstanding (“Average Life”) based on the receipt of 2011 Series C Recovery Payments at certain percentages of the SIFMA Model and certain assumptions related to the Mortgage Loans pooled under the GNMA Certificates financed from the proceeds of the 2011 Series C Bonds, including the assumptions that (1)

all such Mortgage Loans are purchased at the times currently anticipated by the Administration, (2) Dedicated 2011 Series C Recovery Payments in amounts in excess of 75% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are applied when received to redeem the 2011 Series C Bonds other than the PAC Bonds, and (3) 2011 Series C Recovery Payments in excess of 400% of the SIFMA Model are applied proportionally to the redemption of all the 2011 Series C Bonds then Outstanding, including the PAC Bonds. In producing the following projections related to the PAC Bonds, the Mortgage Loans financed from the proceeds of the 2011 Series C Bonds are assumed to have originated by May 1, 2012 at a weighted average mortgage rate of 4.00%.

| Percent of SIFMA<br>Standard<br>Prepayment Model | Last Year<br>Outstanding | Average Life<br>(Years) |
|--------------------------------------------------|--------------------------|-------------------------|
| 0%                                               | 2027                     | 13.88                   |
| 25%                                              | 2027                     | 10.49                   |
| 50%                                              | 2027                     | 7.52                    |
| 75%                                              | 2022                     | 5.00                    |
| 100%                                             | 2022                     | 5.00                    |
| 200%                                             | 2022                     | 5.00                    |
| 300%                                             | 2022                     | 5.00                    |
| 400%                                             | 2022                     | 5.00                    |
| 500%                                             | 2019                     | 3.97                    |

However, 2011 Series C Recovery Payments in excess of 400% of the SIFMA Model are not required to be applied proportionally to the redemption of all the 2011 Series C Bonds then Outstanding and subject to redemption. Actual events, including, among others, the actual receipt of 2011 Series C Recovery Payments and the application of such 2011 Series C Recovery Payments in excess of 400% of the SIFMA Model to the redemption of PAC Bonds in amounts that are less than or greater than an amount that is proportional to all the 2011 Series C Bonds then Outstanding, will likely be different than the events assumed in determining the above table. Therefore, the actual last year and weighted average number of years that the PAC Bonds will be Outstanding may differ from any of the years or percentages stated above.

#### *Cross-Call Practices.*

The 2011 Series C Bonds are the third Series of Market Bonds to be issued and the 2009 Series A-3 Bonds are the third Series of Program Bonds to be released and redesignated under the Bond Resolutions. The Administration is permitted to issue Additional Bonds under the Bond Resolution. Unless (i) otherwise provided in a Series Resolution, (ii) required or restricted by the 1986 Code, or (iii) directed by the Administration, Recovery Payments (inclusive of Prepayments) of MBS Certificates (as herein defined) financed with proceeds of any Series of Market Bonds, including the 2011 Series C Bonds, to the extent transferred to the Redemption Fund, may be applied to the redemption of Bonds of any Series, including the 2009/2011 Series C Bonds. The Administration generally expects to apply Recovery Payments (inclusive of Prepayments) of Mortgage Loans financed with the proceeds of any Series of Market Bonds to the redemption of the Series of Bonds having the highest effective bond yield; provided, however, that the Administration reserves the right to redeem Bonds, including the 2009/2011 Series C Bonds, that do not have the highest effective bond yield.

As a result, the 2009/2011 Series C Bonds may be redeemed from Recovery Payments of MBS Certificates financed with the proceeds of other Series of Market Bonds provided that any such redemptions of PAC Bonds shall not cause the amount of PAC Bonds to be redeemed to exceed the amounts set forth in the first table set forth under the subheading “2011 Series C Recovery Payments; PAC Bond Redemption” above.

*“Ten Year Rule” Requirements.*

The 1986 Code requires that prepayments of mortgages financed with an issue of qualified mortgage bonds must be used to redeem bonds of that issue by the close of the next semiannual period, if the prepayments are received more than ten years after the issuance of the bonds or any prior refunded issue (the “Ten Year Rule”). The Ten Year Rule applies generally to all issues of tax-exempt qualified mortgage bonds issued after December 31, 1988. The PAC Bonds shall not be redeemed in accordance with the 10-Year Rule to the extent such redemption would cause the PAC Bonds to be redeemed in an amount which exceeds 75% of the SIFMA Model unless there are no other 2009/2011 Series C Bonds then outstanding.

*Risks of Redemption as a Result of Nonorigination.*

Subject to a *de minimis* exception, proceeds relating to the 2009/2011 Series C Bonds deposited directly to the Program Fund to finance GNMA Certificates and not used to finance GNMA Certificates within 42 months of the date of issuance will be used to redeem the 2009/2011 Series C Bond as required by the 1986 Code. See “THE 2009/2011 SERIES C BONDS – Redemption Provisions – *Special Redemption of 2009/2011 Series C Bonds From Unexpended Proceeds*” herein.

The existing master servicer has notified the Administration that it will be unable to continue to act as master servicer under the Program. A material delay in retaining a replacement master servicer could adversely impact the origination of Mortgage Loans under the Program. See “THE SERVICER AND THE SERVICING AGREEMENT – Recent Developments”.

As of November 15, 2011, proceeds of the 2009/2011 Series A Bonds and the 2009/2011 Series B Bonds in the aggregate amount of \$153,214,840 have been used to purchase GNMA Certificates. As of November 15, 2011, proceeds of the 2009/2011 Series A Bonds in the amount of \$7,339,531 remain on deposit in the 2009/2011 Series A Program Account and proceeds of the 2009/2011 Series B Bonds in the amount of \$41,341,437 remain on deposit in the 2009/2011 Series B Program Account.

As of November 15, 2011, the master servicer has purchased \$22,600,000 of Mortgage Loans that are expected to be securitized into GNMA Certificates. As of November 15, 2011, the master servicer has taken reservations for additional Mortgage Loans in an aggregate principal amount of approximately \$87,000,000; provided, however, that not all of the foregoing reservations are expected to result in the origination of Mortgage Loans, although the Administration reasonably expects that closed Mortgage Loans will be secured into GNMA Certificates. The Administration expects to use the remaining proceeds of the 2009/2011 Series A Bonds, the 2009/2011 Series B Bonds and the 2009/2011 Series C Bonds to purchase GNMA Certificates (or participations therein) with pass-through rates that would permit the Administration to maintain yield compliance and meet other requirements under the 1986 Code for each of the 2009/2011 Series A Bonds, the 2009/2011 Series B Bonds and the 2009/2011 Series C Bonds.

*Risks of Redemption as a Result of Prepayments and Other Excess Revenues.*

All Mortgage Loans backing the MBS Certificates held under the Resolution permit partial or complete prepayment without penalty. Mortgage Loans also may be terminated prior to their respective final maturities as a result of events such as default, sale (including potentially a sale of all or part of the Mortgage Loan portfolio), condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans. Therefore, it is difficult to predict prepayments for the Administration’s portfolio from available data about other pools of mortgage loans.

It is not possible to predict the amount of excess Revenues that may be generated under the Bond Resolution. Any excess Revenues or Recovery Payments of MBS Certificates received under the Bond Resolution shall be applied in accordance with the provisions of the Bond Resolutions and federal tax laws,

which provisions may permit or require the special redemption of 2009/2011 Series C Bonds from such excess Revenues or Recovery Payments.

*General Provisions.*

If fewer than all of the 2009/2011 Series C Bonds of like maturity are to be redeemed and are no longer held in book-entry form, the Administration will determine the particular 2009/2011 Series C Bonds or portions thereof to be called for redemption. The Trustee will mail notice of the redemption to the registered owners of any 2009/2011 Series C Bonds or portions thereof to be redeemed not less than 15 days (or, in the case of 2009/2011 Series C Bonds then registered under DTC's book-entry-only system of registration, 30 days) nor more than 90 days before any date upon which 2009/2011 Series C Bonds may be redeemed at their last addresses appearing upon the registration books. Such notice by mail is sufficient and published notice of the call for redemption need not be given. The notice of redemption may be conditional. If conditional, the notice will set forth the conditions precedent to such redemption and if such conditions have not been met prior to the redemption date, such notice will be of no force and effect. Notice otherwise having been provided, the 2009/2011 Series C Bonds designated in the notice will become due and payable at the applicable redemption price, plus interest accrued to the redemption date. On and after the redemption date, such 2009/2011 Series C Bonds will cease to bear interest and such 2009/2011 Series C Bonds will no longer be considered as outstanding under the Bond Resolution.

## **SECURITY FOR THE BONDS**

### **Provisions of Bond Resolution**

*Escrowed Proceeds.*

Pursuant to the Bond Resolution, moneys on deposit in the Escrow Fund representing proceeds of the Program Bonds not yet subject to a release have been pledged to the Trustee under the Resolution by the Administration solely for the payment of principal of and interest on the Program Bonds for which a Release Date has not occurred. As of the date of this Official Statement, the remaining \$33,830,000 of Escrowed Proceeds on deposit in the Escrow Fund are expected to be released upon the redesignation and delivery of the remaining balance of Program Bonds as Series 2009 A-3 Bonds in connection with the issuance, sale and delivery of the 2011 Series C Bonds as described herein.

*Pledged Property.*

The Administration has pledged to the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds a pledge of and lien on:

- (1) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds and Escrowed Proceeds);
- (2) the Administration's right, title and interest in and to all Program Assets financed from such proceeds;
- (3) all Revenues;
- (4) all money, investments and other assets held in the funds and accounts established by or pursuant to the Bond Resolutions and the earnings thereon, except for any money, investments, assets or income held in the Rebate Fund or 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

(5) 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 Bond Resolutions subject to the filing of a Cash Flow Certificate, (ii) other specific limitations set forth in the Bond Resolutions 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 the lien granted to the Trustee for the benefit of the owners of the Bonds (provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer or Credit Facility Provider shall be available to the Credit Enhancer or Credit Facility Provider only after it has made payment under the Credit Enhancement or Credit Facility, 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 the Bonds or to limit such pledge. 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 Resolutions 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 herein.

**The Bonds are special obligations of the Administration payable solely from the revenues and assets 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.**

**The Bonds are not secured by the Administration's General Bond Reserve Fund, and the Holders of the Bonds have no right to any money or investments held in such fund.**

### **Program Assets**

The Administration expects to use funds made available from the issuance of the 2011 Series C Bonds and the related release and redesignation of the 2009 Series A-3 Bonds to finance Mortgage Loans through the purchase by the Trustee on behalf of the Administration of GNMA Certificates guaranteed as to timely payment of principal and interest by GNMA. The GNMA Certificates, upon their purchase will become Pledged Property securing the Bonds, including the 2009/2011 Series C Bonds. The Administration has covenanted in the Bond Resolutions only to secure all Additional Bonds issued thereunder as well as Program Bonds released and redesignated in connection with the issuance of such Additional Bonds with MBS Certificates issued on behalf of and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") unless the Administration obtains written confirmation from each rating agency then rating the Bonds that use of proceeds of Bonds to finance the direct purchase of Mortgage Loans will not cause a lowering or withdrawal of the then existing rating by such issuing rating agency. See Appendices F, G and H, respectively, for a summary of the GNMA, Fannie Mae and Freddie Mac programs. Each of the MBS Certificates will be issued by the Servicer (as defined herein) and sold to the Trustee, on behalf of the Administration pursuant to a Servicing Agreement (hereinafter defined) by and among the Administration, the Servicer and the Trustee. See "THE SERVICER AND THE SERVICING AGREEMENT" herein.

Each MBS Certificate will be backed by pools of Mortgage Loans which have been made by Mortgage Lenders to Borrowers to finance the purchase of single-family residences located within the State. Each such Mortgage Loan under the Bond Resolution is expected to have an original term of 30 years, with equal monthly payments of principal and interest. Each such Mortgage Loan is expected to bear interest at fixed annual rates to be established from time to time by the Administration. The Administration may create participation interests in Mortgage Loans from proceeds of various Series of Bonds. See APPENDIX B – “THE PROGRAM”.

### **Collateral Reserve Fund**

The Administration has established a Collateral Reserve Fund under the Bond Resolution to provide additional pledged collateral as it deems appropriate. The Bond Resolution does not require the funding of the Collateral Reserve Fund, except as determined by the Administration. Any moneys, Cash Equivalents (e.g., letters of credit, insurance policies, sureties, guaranties or other security arrangements), Program Assets, Non-Conforming Loans (i.e., Loans which do not comply with the mortgage eligibility requirements of the 1986 Code) or other assets on deposit in the Collateral Reserve Fund are pledged as security for the Bonds, but may be transferred to any other Fund or Account or withdrawn, free and clear of the lien of the Bond Resolution, by the Administration upon receipt by the Trustee of an Administration Request and, with respect to amounts deposited pursuant to prior Series Resolutions, a Cash Flow Certificate.

Moneys, Cash Equivalents, Program Assets, Non-Conforming Loans and other assets may be deposited into the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution. Such Series Resolution or Supplemental Resolution may establish terms, conditions and provisions relating to the funding of the Collateral Reserve Fund, disbursement of moneys or Cash Equivalents and the sale, disposition or release of Non-Conforming Loans from the Collateral Reserve Fund as well as the maintenance of such assets required to be held in such fund with respect to either a Series of Bonds or generally.

As of the date of this Official Statement, there is no amount on deposit in the Collateral Reserve Fund. The Administration does not, at present, expect to fund the Collateral Reserve Fund.

### **Cash Flow Statements and Certificates**

The Administration is required to file with the Trustee a current Cash Flow Statement (defined below) whenever any Series of Bonds is issued, unless such filing is not required by a Rating Agency, provided that the Administration shall file with the Trustee a current Cash Flow Statement at least annually.

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) Revenues;
- (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);
- (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 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. 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 Investment Obligations held in any Fund or Account pledged to the payment of the Bonds (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.

The Administration is 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 or excess Revenues;

(ii) prior to withdrawing moneys from the Revenue Fund free and clear of the pledge and lien of the Bond Resolution for payment of Administration Expenses, 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 or otherwise transferring any Loan not in default, except with respect to the sale or release of Non-Conforming Loans and Loans secured by a Credit Facility or a Credit Enhancement that continues in effect after such release provided that payment is made under the Credit Enhancement or Credit Facility.

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) in the description of the Cash Flow Statement 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) in the description of the Cash Flow Statement above, except with respect to such funds or accounts that 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 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 Agencies' ratings on the Bonds. Such assumptions and information are subject to change which may materially affect the

conclusions expressed in the statement or certificate. Accordingly, Bondowners 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.

### **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 Investment Obligations or specific Investment Obligations as such may be set forth in a Series Resolution. See Appendix C – “DEFINITIONS – Investment Obligations”. In general, it is the Administration’s policy to invest funds held in the Revenue Fund, the Program Fund and the Collateral Reserve Fund in U.S. Treasury securities, collateralized investment contracts, accounts with financial institutions, and securities of other institutions created by the U.S. Government. In addition, the Administration expects to use all funds currently held in the Program Fund and the Collateral Reserve Fund to finance Mortgage Loans through the purchase of MBS Certificates.

The Trustee may purchase Investment Obligations that do not meet the ratings requirements described in the definition of Investment Obligations, so long as the purchase of such Investment Obligations 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 by any Rating Agency then rating the Bonds. If the rating of any Investment Obligation purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Investment Obligations. If a Rating Agency were to downgrade or withdraw the rating on any Investment Obligations previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See “RATING” herein.

### **Additional Bonds**

#### *General.*

The Administration, from time to time, may issue Additional Bonds that are on a parity with and shall be entitled to the same benefits and security under the Bond Resolution as all other Bonds previously issued under the Bond Resolution. A series of Additional Bonds shall be authorized and issued under and secured by the Bond Resolution pursuant to the authorization contained in a resolution of the Administration relating to such series of Additional Bonds (a “Series Resolution”). A series of Additional Bonds may be issued to finance or refinance Program Assets, including MBS Certificates, to refund Bonds or other obligations (including bonds issued by the Administration under resolutions other than the Bond Resolution), to fund reserves, to pay Costs of Issuance or to achieve any other of the Administration’s purposes. Each Series Resolution authorizing the issuance of such series of Additional Bonds shall set forth the details of such Additional Bonds as well as any determinations by the Administration relating to Program Assets to be financed with the proceeds of such Additional Bonds. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Issuance of the Bonds” herein.

Before a series of Additional Bonds shall be authenticated and delivered by the Trustee, the Administration shall cause to be on file with the Trustee, among certain items specified in the Bond Resolution, (i) an opinion of Bond Counsel concerning the security for such Bonds and the due adoption and valid and binding nature of the Bond Resolution and the Series Resolution, and (ii) a Cash Flow Statement, accompanied by a Certificate of the Administration to the effect that the Administration has been advised by each rating agency then maintaining a rating on the Bonds that the existing rating of Bonds then outstanding (other than any Series of Bonds which has a rating based on a credit facility) will not be reduced as a result of the issuance of the series of Additional Bonds (published rating criteria by such rating agency constituting evidence of such advice). See “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates” herein.

## **THE SERVICER AND THE SERVICING AGREEMENT**

### **Bank of America, N.A.**

The information under this subheading has been provided solely by Bank of America, N.A. and is believed to be reliable, but has not been verified independently by the Administration. No representation whatsoever as to the accuracy, adequacy, or completeness of such information is made by the Administration.

Bank of America, N.A. (“BANA”) will serve as servicer for closed Mortgage Loans delivered by Mortgage Lenders on or before January 31, 2012 pursuant to the Servicing Agreement (defined below). As of October 31, 2011, BANA (either by itself or through its subsidiary BAC Home Loans Servicing, LP) provided servicing for approximately \$1.889 trillion aggregate principal amount of mortgage loans. BANA is (i) a GNMA-approved servicer of mortgage loans, (ii) a Fannie Mae approved servicer of Fannie Mae Certificates and (iii) a Freddie Mac approved servicer of Freddie Mac Certificates.

BANA has not participated in the structuring of the Program or the Bonds or the preparation of this Official Statement, except to the extent of providing the information contained under the heading “THE SERVICER AND THE SERVICING AGREEMENT – Bank of America, N.A.”. BANA accepts no responsibility for the accuracy or completeness of this Official Statement or for the Bonds or the creditworthiness of the 2009/2011 Series C Bonds.

### **The BANA Servicing Agreement**

BANA will service closed Mortgage Loans delivered by Mortgage Lenders before January 1, 2012 under the terms of a Program Administration and Servicing Agreement, dated as of August 12, 2010, by and among the Administration, the Trustee and BANA (as amended from time to time, the “Servicing Agreement”). The principal responsibilities of BANA include purchasing, pooling and servicing the Mortgage Loans in compliance with the Servicing Agreement and the applicable Fannie Mae, GNMA or Freddie Mac documents, and selling the Certificates to the Trustee. See Appendices F, G and H, respectively, for a summary of the GNMA, Fannie Mae and Freddie Mac programs.

The Servicing Agreement establishes basic obligations among the Administration, the Trustee and BANA with respect to the servicing of Mortgage Loans to be included in pools backing Mortgage-Backed Certificates (and subject to the standard GNMA, Fannie Mae and Freddie Mac procedures for servicing mortgage loans) that may be revised, from time to time, to conform with the Program. The Administration is responsible under the Servicing Agreement for initially performing a pre-closing compliance review on each Mortgage Loan for tax compliance and Administration requirements. The Servicer is responsible for reviewing each Mortgage Loan originated by the Mortgage Lenders to determine compliance with GNMA, Fannie Mae and Freddie Mac loan documentation and, to the extent so directed by the Administration, tax compliance requirements. Upon completion of such review, BANA will complete all required documents and forms incidental to each approved Mortgage Loan in a GNMA, Fannie Mae or Freddie Mac pool. Under the Servicing Agreement, BANA is responsible for remitting the principal and interest payments scheduled to be made on the Mortgage Loans under the terms of the applicable GNMA, Fannie Mae and Freddie Mac documents.

Subject to written approval by the Administration and the Trustee, the obligations and duties of BANA under the Servicing Agreement may be assigned to another firm then currently approved to act in such capacity by GNMA, Fannie Mae or Freddie Mac.

Pursuant to the Servicing Agreement, BANA is required to pay a servicing release fee to the Administration based on the outstanding amount of Mortgage Loans BANA acquires from the Mortgage Lenders (a portion of which will be utilized to pay origination fees to the Mortgage Lenders). BANA receives

a portion of each monthly installment of interest under the Mortgage Loans and certain late charges paid by Mortgagors as compensation for its services under the Servicing Agreement.

### **Recent Developments**

On August 31, 2011, BANA issued a press release stating that they “have made the decision to exit the correspondent mortgage lending division.” More recently, BANA notified the Administration that it would be unable to continue under the master servicing contract due to BANA's departure from the correspondent mortgage lender business. BANA will continue to accept loan reservations from Mortgage Lenders through November 30, 2011 and closed loans through January 31, 2012. The Administration is in the process of negotiating a master servicing contract with a qualified mortgage loan servicing entity familiar with state housing finance agency lending programs. It is anticipated that the new master servicer will be in place prior to January 31, 2012. See "THE 2009/2011 SERIES BONDS - Redemption Provisions - *Risks of Redemption as a Result of Nonorigination*."

## **TAX EXEMPTION AND RELATED CONSIDERATIONS**

### **Federal Law**

The proceeds from the 2009/2011 Series C Bonds will be used to finance Loans on Single Family Residences. The federal tax laws provide that interest on bonds issued for this purpose will be excluded from gross income for federal income tax purposes provided the bonds meet requirements set forth in various sections of the Internal Revenue Code of 1986, as amended (the “1986 Code”), principally Section 143 concerning qualified mortgage bonds. References herein to Section 143 and other provisions of the 1986 Code incorporate counterpart provisions of the Internal Revenue Code of 1954, as amended (the “1954 Code”), principally Section 103A of the 1954 Code, to the extent applicable to the 2009/2011 Series C Bonds. Under Section 143, a qualified mortgage bond is a bond which is issued as part of an issue the proceeds of which are used to finance owner-occupied residences meeting certain requirements relating to loan eligibility, Targeted Areas, arbitrage and other matters.

The loan eligibility requirements of Section 143 applicable to the 2009/2011 Series C Bonds are that (1) the residence on which the Mortgage Loan is made is a single family residence which is located in the State and can reasonably be expected to become the principal residence of the Borrower within a reasonable time after the Mortgage Loan is made; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the acquisition cost (excluding usual and reasonable settlement or financing costs) of a property may not exceed a set percentage of the average area purchase price for residences in the area where the residence is located, which percentage depends on certain factors enumerated in Section 143; (4) with certain exceptions, the Borrower shall not have had a present ownership interest in his principal residence during the preceding three years; (5) with certain exceptions, the family income of the Borrower shall not exceed 115%, for families of three or more individuals, or 100%, for families of less than three individuals, of median gross income for the area in which the residence is located or the State, whichever is greater; and (6) the loan shall not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 if (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95% or more of the proceeds of the issue used to finance loans was devoted to residences which met all such requirements at the time the loans were executed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The 1986 Code imposes additional requirements to maintain the exclusion from gross income for federal income tax purposes of interest on the 2009/2011 Series C Bonds. These requirements impose limits on the yield that the Administration may realize from Mortgage Loans, require arbitrage from investment income to be rebated to the Internal Revenue Service, limit the period during which Mortgage Loans may be

originated, limit the size of reserve funds and the amount of proceeds that may be spent on costs of issuance, and require prepayments of the Mortgage Loans to be used for bond redemptions in certain circumstances. The Administration intends that Mortgage Loans financed by the 2009/2011 Series C Bonds or allocable thereto will comply with such requirements. Pursuant to the Series Resolutions, the Administration will covenant, in substance, to take, or refrain from taking, action, as necessary to comply with such requirements, unless in the opinion of Bond Counsel, it is not necessary to comply with such requirements in order to assure the exclusion from gross income for federal income tax purposes of interest on the 2009/2011 Series C Bonds.

The terms and conditions of the Program documents have been designed to meet the requirements of the 1986 Code. The Administration will covenant in the Series Resolutions to meet these requirements and to take all steps necessary to comply with these requirements, including, but not limited to, initiating and pursuing foreclosure proceedings with respect to ineligible Mortgage Loans allocable to the 2009/2011 Series C Bonds if repurchase obligations are either unavailable or prove to be unenforceable for any reason, so long as any 2009/2011 Series C Bonds are Outstanding. See Appendix B – “THE PROGRAM – Eligible Mortgage Loans.” Noncompliance with the requirements in the Program documents and the Series Resolutions would cause interest on the 2009/2011 Series C Bonds to become includable in the gross income of the holders thereof retroactively to the date of issue and could adversely affect the price of the 2009/2011 Series C Bonds in the secondary market.

Assuming continuous compliance with certain covenants in the Bond Resolutions intended to assure compliance with the applicable provisions of the 1986 Code and with the procedures established by the Administration, in the opinion of Ballard Spahr LLP, Washington, D.C., Bond Counsel, interest on the 2009/2011 Series C Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2009/2011 Series C Bonds and is exempt from individual and corporate federal alternative minimum tax and is not included in adjusted current earnings for purposes of corporate alternative minimum tax. Interest on the 2009/2011 Series C Bonds held by foreign corporations may be subject to the branch profits tax imposed by the 1986 Code.

Ownership of the 2009/2011 Series C Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the 2009/2011 Series C Bonds. Bond Counsel expresses no opinion as to these matters.

Payments of interest on tax-exempt obligations, including the 2009/2011 Series C Bonds, are generally subject to IRS information reporting by the payor and “backup withholding” if the recipient has not furnished the payor with a completed Form W-9, certifying the recipient’s tax identification number or basis for exemption. “Backup withholding” means that the payor will withhold tax from the interest payments at the backup withholding rate, currently 28%.

If an owner purchasing a 2009/2011 Series C Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding on the 2009/2011 Series C Bond interest. In any event, backup withholding does not affect the excludability of the interest on the 2009/2011 Series C 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.

The above summary of possible indirect tax consequences may not be exhaustive. All purchasers of the 2009/2011 Series C Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the 2009/2011 Series C Bonds.

## **State and Local Tax Exemption**

In the opinion of Bond Counsel, the 2009/2011 Series C Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized from their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State, or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes. Interest on the 2009/2011 Series C Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. All purchasers of the 2009/2011 Series C Bonds should consult their tax advisors regarding the tax status of the 2009/2011 Series C Bonds in a particular state or local jurisdiction other than the State.

## **Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the 2009/2011 Series C Bonds or otherwise prevent holders of the 2009/2011 Series C Bonds from realizing the full benefit of the tax exemption of interest on the 2009/2011 Series C Bonds. Further, such proposals may impact the marketability or market value of the 2009/2011 Series C Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to 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, marketability or tax status of the 2009/2011 Series C 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 2009/2011 Series C Bonds would be impacted thereby. Under any of the forgoing circumstances, the Administration has no obligation to redeem or to increase the rate of interest paid on the 2009/2011 Series C Bonds.

Purchasers of the 2009/2011 Series C Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. 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 2009/2011 Series C Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

## **FINANCIAL STATEMENTS FOR THE PROGRAM**

The financial statements for the year ended June 30, 2011 of the Community Development Administration Single Family Housing Revenue Bonds (the “Fund”) have been audited by Reznick Group, P.C. as described in the Independent Auditor’s Report of Reznick Group, P.C. accompanying the financial statements in Appendix J to this Official Statement. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States.

Under the terms of the Bond Resolution, the Administration may withdraw moneys and assets from the Bond Resolution subject to certain limitations. See “SECURITY FOR THE BONDS – Program Assets” and “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 or delivery of the 2009/2011 Series C Bonds or in any way contesting or affecting the validity of

the 2009/2011 Series C Bonds, the Bond Resolutions or other proceedings of the Secretary taken with respect to the authorization, issuance or sale of the 2009/2011 Series C Bonds, the Bonds, the Program, the pledge or application of any moneys under the Bond Resolutions, or the existence or powers of the Administration.

## **LEGAL MATTERS**

The authorization, issuance and delivery of the 2009/2011 Series C Bonds are subject to receipt of the opinions of Ballard Spahr LLP, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in Appendix K. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State and Counsel to the Department. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Atlanta, Georgia.

## **LEGALITY FOR INVESTMENT**

Under the Act, the 2009/2011 Series C 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 2009/2011 Series C Bonds are securities which may properly and legally 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 2011 Series C Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Loop Capital Markets, L.L.C., M&T Securities, Inc., and Morgan Stanley & Co. LLC (collectively, the “2011 Series C Underwriters”) on a negotiated basis. The 2011 Series C Underwriters have jointly and severally agreed to purchase all but not less than all of the 2011 Series C Bonds from the Administration at the prices set forth on the inside cover page hereof. The 2011 Series C Underwriters will receive compensation in the form of an underwriting fee aggregating \$228,789.24 with respect to the 2011 Series C Bonds. The 2011 Series C Underwriters are not offering the 2009 Series A-3 Bonds and are not acting as financial advisors and have not provided any services with respect to the 2009 Series A-3 Bonds or the holders thereof.

The obligation of the Underwriters to purchase the 2011 Series C Bonds will be subject to certain terms and conditions, including the redesignation of the 2009 Series A-3 Bonds, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the 2011 Series C Bonds may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the 2011 Series C Bonds to certain dealers (including dealers depositing 2011 Series C 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.

Certain of 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 activities. Such Underwriters and their respective affiliates, from time to time, may have performed and in the future may perform, various investment banking services for the Administration, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, such 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 and securities activities may involve securities and instruments of the Administration.

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

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the 2011 Series C Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

## **RATING**

Moody’s Investors Service (“Moody’s”) has assigned the rating of “Aaa” for the 2009/2011 Series C Bonds with a negative outlook. On July 13, 2011, Moody’s placed the “Aaa” bond rating of the government of the United States on review for possible downgrade (the “U.S. Downgrade Review”) and published a special comment on the implications of the U.S. Downgrade Review for certain Aaa-rated municipal debt issues, noting that as a result of the U.S. Downgrade Review, certain housing bonds supported or guaranteed by the U.S. government (which includes bonds secured by mortgage backed securities guaranteed by GNMA (such as the 2009/2011 Series C Bonds), Fannie Mae or Freddie Mac) have also been placed on review for possible downgrade. On August 2, 2011, Moody’s confirmed the “Aaa” bond rating of the U.S. government following the raising of the statutory debt limit on August 2, 2011. The U.S. government rating outlook is now negative.

The rating and placement on review described above reflect only the views of Moody’s, and an explanation of the significance of such rating and such placement on review may be obtained only from Moody’s and its published materials. The rating described above is not a recommendation to buy, sell or hold the 2009/2011 Series C Bonds. There can be no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of Moody’s, circumstances so warrant. Therefore, investors should not assume that a rating, once assigned by Moody’s, will remain in effect. A downward revision or withdrawal of such rating is likely to have an adverse effect on the market price and marketability of the 2009/2011 Series C Bonds. The Administration has not assumed any responsibility either to notify the owners of any proposed change in or withdrawal of such rating subsequent to the date of the Official Statement, except in connection with the reporting of events as provided in any secondary market disclosure as more particularly described in “SECONDARY MARKET DISCLOSURE” herein.

## **SECONDARY MARKET 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, to provide to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, within 120 days of the end of each fiscal year (which ends June 30), the following annual financial information and operating data:

(1) a copy of the annual financial statements of the Single Family Housing Revenue Bond Program financed with the Bonds prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;

(2) the following information as of the end of the fiscal year:

(a) For each Series of Bonds, the interest rate, original aggregate principal amount and the principal amount remaining outstanding;

(b) By Series of Bonds, for each MBS Certificate, the CUSIP Number for each mortgage pool, the type of MBS Certificate, the pass-through rate (and if there is more than one pass-through rate, the aggregate balance of MBS Certificates at each pass-through rate remaining outstanding), the original amount of the MBS Certificate and the current outstanding amount;

(3) Solely to the extent that the Administration purchases Mortgage Loans directly with Bond Proceeds (see “SECURITY FOR THE BONDS – Program Assets” for a discussion of when the Administration may directly purchase Mortgage Loans with Bond proceeds), information regarding the status of the portfolio of Mortgage Loans expected to be directly financed, and which are directly financed, with the proceeds of Bonds and the status of all Funds and Accounts held as security for the Bonds, which information shall be in a form generally provided by the Administration with respect to its existing single family program including:

(a) information concerning the existing Program Assets portfolio securing the Bonds;

(b) information concerning the status of available funds to finance Program Assets;

(c) information concerning any additional collateral or credit enhancements securing Mortgage Loans directly purchased with Bond proceeds of the Bonds;

(d) information concerning delinquencies and foreclosures of Mortgage Loans directly purchased with Bond proceeds; and

(e) information concerning prepayments of Mortgage Loans directly purchased with Bond proceeds and Bond redemptions.

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 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 has agreed to provide, in a timely manner not in excess of ten business days after the occurrence of the related event, to the MSRB in an electronic format notice of the occurrence of any of the following events with respect to the 2009/2011 Series C 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, if any, reflecting financial difficulties,

- v. substitution of credit or liquidity providers, if any, 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 security, or other material events affecting the tax status of the 2009/2011 Series C Bonds,
- vii. modifications to rights of Bondowners, if material,
- viii. bond calls, if material, and tender offers,
- ix. defeasances,
- x. release, substitution, or sale of property securing repayment of the 2009/2011 Series C Bonds, if material,
- xi. rating changes,
- xii. bankruptcy, insolvency, receivership or similar event of the Administration,

Note: for the purposes of the event identified in the above clause xii, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental 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 of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person,

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 action, other than pursuant to its terms, if material, or

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 in an electronic format notice of any failure by the Administration to provide any information described in the first two paragraphs under this heading on or before the dates specified therein.

The Administration has reserved the right to terminate its obligation to provide financial information and notices of material events, as described above, if and when the Administration no longer remains an obligated person with respect to the 2009/2011 Series C Bonds within the meaning of the Rule.

The Administration has agreed that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders of the 2009/2011 Series C Bonds, and will be enforceable by any holder of 2009/2011 Series C Bonds. Such holders' and beneficial owners' rights to enforce the provisions of this undertaking are limited to a right to obtain specific performance of the Administration's obligations 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 Bonds, under the Bond Resolution or under the applicable Series Resolution.

The provisions of the undertaking with respect to the Rule described above may be amended, without the consent of the holders of the 2009/2011 Series C Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date hereof.

## **MISCELLANEOUS**

### **Summaries and Descriptions in Official Statement**

The summaries and explanation of, or references to, the Act, the program documents, the Bond Resolutions, the 2009/2011 Series C Bonds and the Program 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 offices of the Administration. The descriptions of the FHA insurance program, the VA mortgage guaranty program, and the USDA/RD mortgage guarantee program do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

### **Financial Advisor**

Caine Mitter & Associates Incorporated and Strategic Solutions Center, LLC (collectively, the “Financial Advisor”) have served as financial advisors to the Administration in connection with the sale of the 2011 Series C Bonds and the delivery of the 2009 Series A-3 Bonds.

### **Selection and Compensation of Professionals**

The Financial Advisor is selected by the Administration through a competitive process in accordance with State procurement law. Compensation of the Financial Advisor is not contingent on the sale of the 2011 Series C Bonds or the release and redesignation of the 2009 Series A-3 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 of the 2009/2011 Series C Bonds.

This Official Statement is not to be construed as a contract or agreement between the Administration and the owners of any of the 2009/2011 Series C 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

November 29, 2011

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## **APPENDIX A**

### **THE DEPARTMENT AND 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 an agency in the Division of Development Finance of the Department.

The Secretary of Housing and Community Development (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, and the Administration and the Maryland Housing Fund appears on page A-6 hereof.

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. In addition, the Administration, which is an agency within the Division, performs initial compliance review and approval of Mortgage Loans submitted by Mortgage Lenders.

The Secretary, with the approval of the Governor, appoints the Director of the Administration. 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 established a Housing Finance Review Committee (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, 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. The Maryland Housing Fund (“MHF”) is an agency of the Department assigned to the Division of Credit Assurance.

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 Department has a Revenue Bond Advisory Board (the “Board”) that 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 and underwriters.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by 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 CDA Bonds - Investor Relations at (410) 514-7326 or by e-mail at [cda\\_bonds@mdhousing.org](mailto: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 an 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 Maryland Housing Fund; 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 Advisor assisting the Community Development office on housing and housing related projects.

*Roy A. Westlund* was appointed Deputy Director, Bond Finance, for the Administration, effective as of January 1, 1996. For the previous seven years, he 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.

*William F. Ariano, Jr.* was appointed by the Secretary with the approval of the Governor effective July 5, 2007 as Deputy Director the Community Development 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).

### **Senior Staff of the Administration**

Senior staff members of the Administration are as follows:

| <u><b>Name</b></u>    | <u><b>Position</b></u>          |
|-----------------------|---------------------------------|
| Tonna Phelps          | Director, Single Family Housing |
| Patricia R. Sylvester | Director, Multi-Family Housing  |
| Teresa R. Smith       | Director, Finance               |

As of November 10, 2011 the staff of the Administration consists of approximately 147 positions and an additional 20 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, 42 are currently involved in Single Family Housing Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for Finance and for Single Family Housing is briefly described below.

*Tonna Phelps* was appointed Director of Single Family Housing, effective August 11, 2003, having served as Acting Director since January 2003. Ms. Phelps has been with the Administration since 1977. For the ten years preceding her appointment as Acting 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 Ryan Sylvester*, Director, Multi-Family Housing has been with the Department since October 1997. She served as Deputy Director of Multifamily 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.

*Teresa Renee Smith* was appointed Director, 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 Single Family Housing Revenue Bond Program which is financed with the proceeds of Bonds (see Appendix B – “THE PROGRAM”), and the single family programs financed with proceeds of bonds issued under the Residential Revenue Bond Resolution and the 1980 General Certificate, the staff of the Administration also is responsible for a broad range of other housing 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 secure the payment of 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 Housing includes the Department's Homeownership Programs and Special Loan Programs. The Administration's Single Family Housing staff operates the Department's Homeownership Programs that are funded with State appropriations. These state-funded programs, which may or may not be funded at varying levels from year to year, currently provide low-interest mortgages to low- to 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 and the federally-funded HOME Program, as well as providing administrative management for the Maryland Affordable Housing Trust.

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

for low-income persons with special needs; group homes are funded with state appropriations, and are also funded from bonds issued under the Administration's Housing Revenue Bonds resolution.

*Multi-Family Housing.* Multi-Family Housing includes 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.

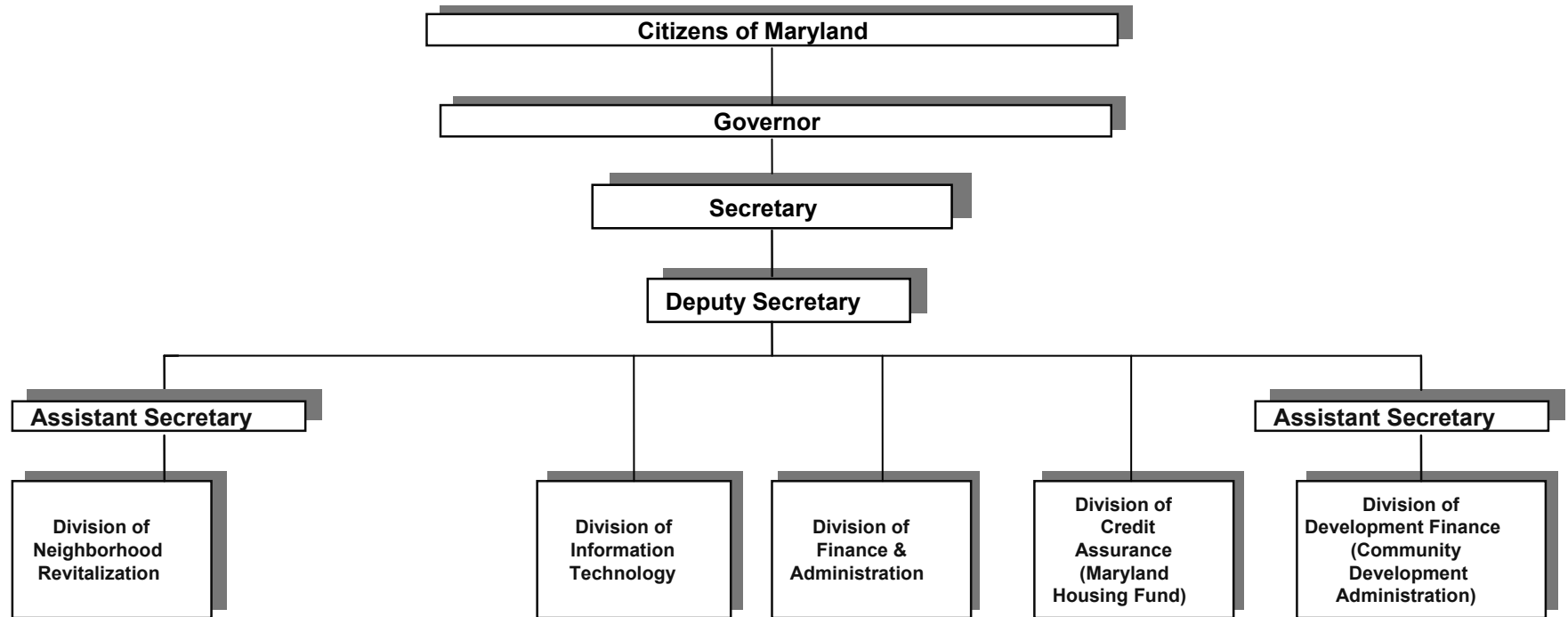
The Department's Rental Service Programs include the Rental Assistance Programs and the Project-Based Section 8 Contract Administration. Under the Rental Assistance Programs, the Administration administers the rental subsidies provided under Section 8 of the United States Housing Act of 1937, as amended, in 29 subdivisions of the State. The housing subsidy staff also administers a Rental Allowance Program, which is funded with State appropriations. This program is administered through local governments and provides fixed monthly rental assistance payments for up to twelve months, subject to extension by the Secretary, to lower-income households that cannot be served by federal or other state programs and are either homeless or have critical and emergency housing needs.

### **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.

## APPENDIX B

### THE PROGRAM

The Administration adopted the Bond Resolution in 2009 pursuant to the Act to finance single family housing loans under the Single Family Housing Revenue Bond Program. Prior to the adoption of the Bond Resolution, from 1997 onward, the Administration funded its single family program primarily through the issuance of bonds under the Residential Revenue Bond Resolution (and an older resolution which was retired in 2010). Once the remaining proceeds on deposit in the Escrow Fund are fully expended under the Bond Resolution following the release and redesignation of the Series 2009 A-3 Bonds in connections with the issuance of the 2011 Series C Bonds as described in this Official Statement, the Administration expects, but is not required, to issue bonds for its single family program in the foreseeable future primarily under the Residential Revenue Bond Resolution. The description of the Single Family Housing Revenue Bond Program contained in this Appendix B does not describe the mortgage portfolio financed under the Residential Revenue Bond Resolution.

*Use of Funds from the Sale of Series Bonds.* The proceeds of the 2009/2011 Series C Bonds will be used to finance Mortgage Loans through the purchase by the Trustee on behalf of the Administration of MBS Certificates backed by Mortgage Loans.

*MBS Certificates.* The Administration has covenanted in the Bond Resolutions to use proceeds of the 2009/2011 Series C Bonds, proceeds of any Additional Bonds and proceeds released in connection with the release and redesignation of Program Bonds solely to purchase MBS Certificates guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae or Freddie Mac, unless the Administration obtains written confirmation from each rating agency then rating the Bonds that the use of proceeds of Bonds to finance the direct purchase of Mortgage Loans will not cause a lowering or withdrawal of the then existing rating by such issuing rating agency. See "SECURITY FOR THE BONDS – Program Assets" herein.

**The discussion of Mortgage Loans in this Appendix B pertains to Mortgage Loan underlying MBS Certificates purchased with Bond proceeds and, in the event the Administration directly purchases Mortgage Loans with Bond proceeds, such directly purchased Mortgage Loans.**

*Participations in MBS Certificates.* The Administration may finance the purchase of MBS Certificates by purchasing participation interests in such MBS Certificates. Such participation interests in MBS Certificates may be made from funds of different series of Bonds, or from other funds of the Administration, including funds of other bond resolutions of the Administration, such as the Residential Revenue Bond Resolution.

*Mortgage Loans.* Origination fees (including discount points) for the Mortgage Loans generally range from zero points to three points. All Mortgage Loans will have an original term of 30 years with even monthly payments of principal and interest.

Mortgage Loans allocable to the Bonds are expected to be purchased primarily from Mortgage Lenders to finance the acquisition of existing, newly constructed or substantially rehabilitated Single Family Residences located throughout the State, including Targeted Areas. For reasons discussed in “‘Smart Growth’ Requirements” below, all newly constructed homes financed by Mortgage Loans will be located in priority funding areas.

Mortgage Loans may be financed on behalf of the Participating Counties (described below) for Single Family Residences located in those counties, where the Participating Counties have requested the Administration to issue their allocable portion of qualified mortgage bonds. The participating counties are the

Counties of Allegany, Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, Wicomico, Worcester and the City of Baltimore (the "Participating Counties"). If the Participating County does not use some or all of its allocation within any required period, the Administration may reallocate the funds to another Participating County or use the funds to purchase Mortgage Loans that finance the acquisition of Single Family Residences located in other jurisdictions of the State.

A portion of the funds relating to the Bonds may be made available pursuant to special initiatives or to commitments for eligible community development projects of Single Family Residences

*General Provisions.* Each Mortgage Loan must comply with the Act and with the following conditions: (1) a deed of trust must be executed and recorded in accordance with the requirements of existing laws; (2) the deed of trust must be the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of the Mortgage Loan, insuring that the deed of trust constitutes a first lien, subject only to permitted liens and encumbrances; (3) the Mortgage Loan must be subject to FHA mortgage insurance or a VA or USDA/RD guarantee, (4) must be insured with a uniform standard extended coverage endorsement, as and to the extent required by the Administration to protect its interest against loss or damage by fire, and other hazards, and by flooding if the Single Family Residence is located in an area designated as having specific flood hazards. See Appendix I – "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS" herein.

*Purchase Price Limitations.* The federal tax law and the Act place limits on the maximum purchase price of a residence financed with a Mortgage Loan. The maximum purchase price permitted under the federal tax law may vary from county to county, and currently ranges from \$299,620 for homes in Non-Targeted areas of Wicomico County to \$812,886 for homes in Targeted Areas of the Washington, D.C. metropolitan statistical area. In addition, FHA maximum mortgage amounts vary from county to county; range from \$271,050 for Allegany, Caroline and Dorchester Counties, to \$625,500 (as of October 1, 2011) for the Washington, D.C. metropolitan statistical area, which includes Calvert, Charles, Frederick, Montgomery and Prince Georges. In certain counties, the insurer's or guarantor's maximum mortgage amounts may be less or more than the maximum purchase prices permitted under federal tax law. The purchase price of a residence financed by the Administration may not exceed the maximum purchase price established by federal tax law. Moreover, the applicable mortgage-backed securities program may limit the maximum size of a Mortgage Loan. Lower purchase price limits may apply to certain Mortgage Loans made available at interest rates that are lower than those generally available or for other programmatic reasons. In addition, maximum purchase price limits may be set lower for Mortgage Loans to be financed in particular community development projects of Single Family Residences or through special initiatives.

*Mortgage Loan Amounts.* The maximum amount of a Mortgage Loan may not exceed the FHA maximum insured mortgage loan amount, the maximum loan amount guaranteed by VA or USDA/RD or insured under private mortgage insurance, as applicable. Under certain circumstances, the mortgage insurer or guarantor may allow financing above the amount of the purchase price of the mortgaged property in order to permit the financing of an up-front mortgage insurance premium, funding fee, guarantee fee, permitted closing costs, and other permitted costs such as rehabilitation and related costs permitted by FHA under the FHA Section 203(k) Rehabilitation Insured Mortgage Program, or by a lender that has an acquisition-rehabilitation program. The Administration may finance such costs as part of the Mortgage Loan. Therefore, a substantial proportion of the Mortgage Loans are expected to have loan-to-value ratios which equal or exceed 100%. The USDA/RD guarantee permits financing of closing costs and guarantee fee above the purchase price, as long as the total loan amount does not exceed the appraised value. The applicable mortgage-backed securities program may limit the maximum size of a Mortgage Loan.

*Borrower Income Limitations.* The federal tax law and the Act place limits on maximum annual household income of Borrowers eligible to receive Mortgage Loans. From time to time the Secretary may determine income limits other than those that are generally applicable (subject to the limits imposed by Section

143). In addition, the insurer or guarantor may have maximum income limits that may differ from the limits imposed by federal law or the Act. The maximum income limit permitted under the federal tax law, which is adjusted for household size, may vary from county to county, and currently ranges from \$88,100 for a one- or two-person household in certain non-Targeted Areas of the State to \$148,540 for a three-person or larger household in the Washington, D.C. metropolitan statistical area. The maximum annual household income of Borrowers eligible to receive Mortgage Loans may not exceed the lesser of the maximum income limits permitted under federal tax law or by the mortgage insurer or guarantor. Lower income limits may apply to certain Mortgage Loans made available at interest rates that are lower than those generally available or for other programmatic reasons. In addition, maximum income limits may be set lower for Mortgage Loans to be financed in particular community development projects of Single Family Residences or through special initiatives.

*“Smart Growth” Requirements.* Title 5, Subtitle 7B (Priority Funding Areas) of the State Finance and Procurement Article of the Maryland Annotated Code (the “Smart Growth Act”), enacted in 1997, in general requires the Administration to ensure that newly constructed homes financed by Program loans are located in certain “priority funding areas”. The Smart Growth Act requirement does not apply if the loan is financed through bonds issued under a county’s transfer of its allocation to the Administration under Title 13, Subtitle 8 of the Financial Institutions Article.

*Compliance with Federal Tax Law and Program Requirements.* Under the 1986 Code, the failure by a Borrower to occupy a Single Family Residence financed by a Mortgage Loan for a period of 12 consecutive months may result in the inability of such Borrower to deduct interest payments for income tax purposes with respect to such Mortgage Loan during such period. In addition, under the 1986 Code, Borrowers may be required to pay a recapture tax as a result of the sale or other disposition of the Single Family Residence.

In order to comply with Section 103A and Section 143 and to meet other Program requirements, the Administration will require that each Mortgage Loan meet certain additional requirements, including the following:

(1) each Borrower must certify that the proceeds of the Mortgage Loan will be used only to acquire a Single Family Residence located in the State to be owned and occupied by the Borrower, and, except in certain limited circumstances, will not be used to acquire or replace an existing mortgage or other financing of a residence or any improvements thereto;

(2) each Borrower must certify with respect to the residence to be acquired that the Borrower (a) is presently occupying such residence as the Borrower’s principal residence, or shall occupy such residence as his principal residence in most cases within no more than 60 days after the closing of the Mortgage Loan, (b) intends thereafter to maintain the residence as the Borrower’s sole residence, and (c) will not use all or any portion of the residence in any trade or business activity, except with the prior written permission of the Administration;

(3) subject to certain exceptions, each Borrower must (a) provide to the Mortgage Lender or the Administration such Borrower’s credit report or income tax information filed with the Internal Revenue Service during the preceding three years and (b) certify, and the Administration also examines the credit report or income tax information as evidence, that the Borrower had no present ownership interest in a principal residence of the Borrower at any time during the three-year period ending on the date the Mortgage Loan is originated; unless (a) the home to be financed is located in a Targeted Area, as defined below, where such prohibition on prior homeownership is not dictated, or (b) the borrower (or one of the co-borrowers) qualifies for a one-time exemption from these requirements as a veteran; and

(4) each Borrower and seller must certify the amount of the acquisition cost of the mortgaged property, and such acquisition cost may not exceed maximum acquisition costs established by the

Administration in conformity with Section 143, FHA or other applicable maximum loan amounts, and Administration policy.

*Targeted Area Set-Aside.* As required by the 1986 Code, certain percentages of proceeds of Bonds may be required to be reserved to finance residences located in Targeted Areas throughout the State for a period of at least one year following the date of delivery of the related series of Bonds. A “Targeted Area,” as defined in Section 143(j) of the 1986 Code, is an area which is either (1) a census tract in which 70% or more of the families have income which is 80% or less of the statewide median family income, or (2) an area of chronic economic distress designated by the State as meeting State standards for such designation and the designation of which has been approved by the United States Secretary of the Treasury and the United States Secretary of Housing and Urban Development.

## APPENDIX C

### DEFINITIONS

“Act” means Sections 4-101 to 4-255, inclusive, of the Housing and Community Development Article of the Annotated Code of Maryland, as amended from time to time, including, without limitation, future amendments or successor laws thereto.

“Additional Bonds” means bonds issued under the Bond Resolution after the Bonds issued in connection with this Official Statement.

“Administration” means the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland, and any successor entity thereto.

“Administration Expenses” means any money required by the Administration to pay any expenses which the Administration lawfully may pay relating to any of its programs (excluding the Program), including, without limitation, its other single-family housing programs, multi-family housing programs and infrastructure program. Such Administration Expenses may include, without limitation, costs of issuing bonds, administrative and operating expenses of the Administration, servicing fees, credit enhancement, credit facilities, or the redemption of bonds, or rebates of arbitrage as required by the Code for such other programs.

“Administration Request” means a written request or direction of the Administration signed by an Authorized Officer.

“Amortized Value” means the purchase price of securities, excluding accrued interest, plus an amortization of any discount or less an amortization of any premium on the purchase price.

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

“Bond” or “Bonds” means any Bond or Bonds issued pursuant to the Bond Resolution.

“Bondowner” or “Owner of Bonds” or “Owner” means (i) the person in whose name any Bond issued in registered form is registered to the owner thereof on the books of the Administration maintained at the designated office of the Trustee for that purpose, or (ii) the holder of any Bond issued in coupon form.

“Bond Resolution” means the Single Family Housing Revenue Bond Resolution, adopted by the Administration as of December 1, 2009.

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

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

“Business Day” means any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the city in which the designated office of the Trustee is located, the State or the City of New York.

“Cash Equivalent” means a letter of credit, insurance policy, surety, guarantee or other security arrangement upon which the Administration or Trustee may make a draw to provide funds as needed for any other Fund or Account or to provide Credit Enhancement or for any other purpose.

“Cash Flow Certificate” means the calculation made by or for the Administration pursuant to Section 608I of the Bond Resolution.

“Cash Flow Statement” means the calculation made by or for the Administration pursuant to Section 608(c) of the Bond Resolution.

“Certificate” means a signed document either attesting to or acknowledging the circumstances, representations or other matters stated in it or setting forth matters to be determined pursuant to the Bond Resolution or a Series Resolution.

“Code” or “1986 Code” means applicable provisions of the Internal Revenue Code of 1986, as amended, and the applicable regulations under it, or predecessor or successor provisions, as applicable.

“Collateral Reserve Fund” means the fund so designated which is established by Section 401 of the Bond Resolution.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Administration and related to the authorization, sale, issuance and remarketing of the Bonds.

“Credit Enhancement” means any credit enhancement, insurance, guaranty, Cash Equivalent, risk-sharing arrangement or any other form of credit support for one or more Program Assets (or any portion or portions thereof) as provided in any Series Resolution or Supplemental Resolution.

“Credit Enhancer” means the issuer or provider of any Credit Enhancement.

“Credit Facility” means any credit facility which secures all or a portion of one or more Series of Bonds 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.

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

“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.

“Escrow Fund” means the Fund created pursuant to the Program Bonds Series Resolution into which proceeds of the Program Bonds are being deposited.

“Event of Default” will occur if (i) payment of interest on or the principal or Redemption Price of any of the Bonds is not made when due and payable or (ii) default in the due and punctual performance of any other covenants or agreements contained in the Bonds or in this Resolution or any Series Resolution and such default continues for ninety (90) days after written notice requiring the default to be remedied, has been given to the Administration by the Trustee. The Trustee may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. However, if such default can be remedied, so long as following such

notice the Administration is diligently taking actions to remedy such default, such default shall not be an Event of Default.

“Fannie Mae” means the Federal National Mortgage Association, and its successors or assigns.

“Fannie Mae Certificates” means MBS Certificates guaranteed as to timely payment of principal and interest by Fannie Mae.

“FHA” means the Federal Housing Administration of HUD.

“Fiscal Year” means the 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, and its successors or assigns.

“Freddie Mac Certificates” means MBS Certificates guaranteed as to timely payment of principal and interest by Freddie Mac.

“Fund” or “Account” means a Fund or Account created by or pursuant to the Bond Resolution or a Series Resolution.

“GNMA” means the Government National Mortgage Association, and its successors or assigns.

“GNMA Certificates” means MBS Certificates guaranteed as to timely payment of principal and interest by GNMA.

“Government 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.

“HUD” means the United States Department of Housing and Urban Development.

“Insurance Proceeds” means payments received with respect to the Program Assets under any insurance policy, guarantee or fidelity bond, including amounts available under any Credit Enhancement, less any expenses incurred in realizing such payments and less any reimbursements of advances due the insurer or provider of such guarantee or bond.

“Investment Obligations” means any of the following investments which at the same time are legal investments for moneys of the Administration which are then proposed to be invested therein:

- (1) Government 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): the Rural Housing Service, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, and U.S. Department of Housing and Urban Development;
- (3) Bonds, notes or other evidences of indebtedness issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity which, at the time of

purchase, are rated in a rating category which does not affect the then outstanding rating by Moody's on the Bonds and the comparable rating of any other Rating Agency;

(4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (or the domestic agency or branch of foreign commercial banks) and maturing no more than 360 days after the date of purchase which, at the time of purchase, are rated in a rating category which does not effect the then outstanding rating by Moody's on the Bonds and the comparable rating of any other Rating Agency. (Ratings on holding companies are not considered as the rating of the bank);

(5) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with banks (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation, provided that, to the extent such deposits exceed available federal deposit insurance, such deposits are fully collateralized and secured by obligations described in clauses (1) and (2) above which have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest;

(6) Commercial paper which, at the time of purchase, is rated in a rating category which does not affect the then outstanding rating by Moody's on the Bonds and the comparable rating of any other Rating Agency and which matures not more than 270 days after the date of purchase;

(7) Investments in a money market fund having a rating which, at the time of purchase, are rated in a rating category which does not affect the then outstanding rating by Moody's on the Bonds and the comparable rating of any other Rating Agency;

(8) Pre-Refunded Municipal Obligations which, at the time of purchase, are rated in a rating category which does not affect the then outstanding rating by Moody's on the Bonds and the comparable rating of any other Rating Agency;

(9) Investment agreements with any financial institution or other entity with debt rated which, at the time of purchase, are rated in a rating category which does not affect the then outstanding rating by Moody's on the Bonds and the comparable rating of any other Rating Agency, which may be established by a Ratings Certificate;

(10) Contracts for the purchase and sale of obligations described in clauses (1) through (8) 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 (8) above to such contracts as security or reserve therefore, such obligations are to be delivered to and held by a fiduciary during the term of such contracts, (ii) such obligations are to 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;

(11) Investments in any mutual fund the portfolio of which is limited to Investment Obligations, 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 Government Obligations, then such fund will constitute "Government Obligations" for the purposes of the Bond Resolution); and

(12) Any investments authorized in a Series Resolution authorizing the issuance of Bonds or a Supplemental Resolution.

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 is without regard to any refinement or gradation such as “+” or “-”.

The Trustee may purchase Investment Obligations that do not meet the requirements set forth in this definition, so long as the purchase of such Investment Obligations does not, as of the date of such investment, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds by any Rating Agency. If the rating of any Investment Obligation purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Investment Obligation.

The definition of Investment Obligation 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 which may be established by a Ratings Certificate.

“Liquidation Proceeds” means the net amounts (other than Insurance Proceeds) received in connection with the liquidation of a defaulted Program Asset, whether through foreclosure, trustee’s sale, repurchase by a mortgage lender, or otherwise, less any costs and expenses incurred in realizing those amounts.

“Loan” means: (1) a loan, made or purchased or otherwise financed by the Administration; (2) a portion of, or participation in, a loan made or purchased or otherwise financed by the Administration; or (3) a mortgage-backed security, security or certificate in connection with a loan exchanged for or otherwise evidencing 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.

“MBS Certificates” means fully modified mortgage-backed pass-through securities representing an interest in underlying Mortgage Loans, including GNMA Certificates, Freddie Mac Certificates and Fannie Mae Certificates.

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

“Mortgage Lender” means a bank, trust company, savings institution, savings and loan association, national bank association, mortgage banker or other financial institution that is approved by the Administration as an originator and that maintains an office in the State and engages in making or originating “residential mortgage loans,” as defined in the Act; any insurance company that is authorized to transact business in the State; the Maryland Home Financing Program established pursuant to Sections 4-801 through 4-816 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended and supplemented from time to time; and any other program, instrumentality, fund, account, corporation or agency of the State from which the Administration may be authorized under the Act to purchase “residential mortgage loans,” as defined in the Act.

“Mortgage Loan” means a Loan relating to a Single Family Residence secured by a Mortgage, including a portion of or a participation in such Loan.

“NIBP Appendix” means the Appendix to Resolution Relating to New Issue Bond Program attached as an exhibit to the Program Bonds Series Resolution.

“Non-Conforming Loan” means a Loan which does not comply with the mortgage eligibility requirements of the Code.

“Outstanding” means, with respect to any Bonds as of any date, all Bonds authenticated and delivered by the Trustee under the Bond Resolution to that date, except:

1. any Bond (or portion thereof) deemed to be paid in accordance with the Bond Resolution;
2. any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity; and
3. any Bond in lieu of or in substitution for which another Bond has been authenticated and delivered pursuant to the Bond Resolution, unless proof satisfactory to the Trustee is presented that any Bond for which such Bond has been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu of, or in substitution for, it shall be deemed outstanding.

“Pledged Property” means Revenues and all other money and property pledged to the payment of the Bonds as set forth in the Bond Resolution.

“Prepayment” means any money received from a payment of principal on a Loan in excess of the scheduled payments of principal then due.

“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 Government 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.

“Program” means the Administration’s program of issuing Bonds and making or purchasing or otherwise financing Qualified Program Assets pursuant to the provisions of the Bond Resolution.

“Program Asset” means a Loan.

“Program Fund” means:

(a) For each Series of Bonds there shall be a Series Program Account. Amounts received upon the sale of a Series of Bonds shall be deposited in the Program Fund and credited to the related Series Program Account in the amount, if any, provided in the applicable Series Resolution. In addition, amounts shall be deposited in the Program Fund from the Revenue Fund as provided in Sections 403(b), 403(d) and 403(e)(5) of this Resolution and from any other source and shall be credited to the Series Program Account as specified in the Administration Request directing the transfer.

(b) Amounts in a Series Program Account or in a separate Costs of Issuance Account within the Program Fund may be used to pay Costs of Issuance of the related Series of Bonds or any other Series of Bonds or to pay any costs or administrative expenses of the Administration, or to reimburse the Administration for Costs of Issuance, in either case in the amount specified in or pursuant to the Series Resolution, upon a requisition stating generally the nature and amount of those Costs of Issuance signed by an Authorized Officer.

Any amounts on deposit in the Costs of Issuance Account may be transferred to another Fund or Account established under this Resolution or any Series Resolution upon an Administration Request.

(c) Amounts in Series Program Accounts other than amounts used or to be used to pay Costs of Issuance shall be applied by the Trustee upon Administration Request: (i) to finance the making or acquisition of Program Assets, (ii) to pay costs of Credit Enhancement with regard to Program Assets or any Credit Facility with regard to Bonds, and (iii) as otherwise provided in the Series Resolution.

(d) The Trustee shall transfer unexpended amounts in a Series Program Account to the Revenue Fund to the credit of the Redemption Account, as specified by an Administration Request, provided, however, that a de minimis amount as determined by the Administration may be deposited into the Revenue Fund.

(e) The Trustee shall transfer amounts from the Program Fund to the Revenue Fund to the credit of the Debt Service Account as provided in Section 413 of this Resolution.

(f) The Trustee shall transfer amounts in a Series Program Account for Bonds refunded in whole or in part by Bonds to the Series Program Account for the refunding Bonds, if so directed by the Series Resolution for the refunding Bonds.

“Program Bonds Series Resolution” means the Series Resolution Providing for the Issuance and Sale of \$154,290,000 Principal Amount of Single Family Housing Revenue Bonds 2009 Series A (Program Bonds) adopted by the Administration as of December 1, 2009, as the same may be amended or supplemented from time to time.

“Program Expenses” means any money required by the Administration to pay the fees or expenses of the Trustee and any expenses which the Administration lawfully may pay relating to the Program including, without limitation, costs of issuing Bonds, administrative and operating expenses of the Administration, servicing fees, Credit Enhancement, Credit Facilities, or the redemption of Bonds, or rebates of arbitrage as required by the Code, except as limited with respect to any Series of Bonds by the applicable Series Resolution.

“Purchase Commitment” means a written commitment by the Administration, signed by an authorized Officer and accepted by the developer, as amended or supplemented from time to time, to purchase from a Mortgage Lender one or more Loans.

“Qualified Program Asset” means a Program Asset satisfying the conditions set forth in the Bond Resolution.

“Rating” means at any date the then existing rating of Bonds (other than any Series of Bonds which has a rating based on a Credit Facility) by a Rating Agency.

“Rating Agency” means any nationally recognized rating agency maintaining a rating of any Bonds, pursuant to a request for a rating by the Administration.

“Rating Certificate” means, in connection with certain actions to be taken by the Administration, a Certificate of an Authorized Officer filed with the Trustee that the Administration has been advised by each Rating Agency that the Rating of that Rating Agency will not be reduced as a result of the Administration taking that action. Published rating criteria by a Rating Agency shall also constitute advice of that Rating Agency.

“Record Date” means the fifteenth business day next preceding an Interest Payment Date.

“Recovery Payment” means any payment by a mortgagor or any other recovery of principal on a Loan (including either a Mortgage Loan underlying a MBS Certificate or a Mortgage Loan purchased directly with Bond proceeds or a participation interest in either) not applied to scheduled installment of principal and interest on the Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a Prepayment of a Loan). A Recovery Payment includes, without limitation, (i) Prepayments, (ii) the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), (iii) Liquidation Proceeds, and (iv) amounts from the sale, transfer or other disposition of a Program Asset, or net recovery from Credit Enhancement to the extent not included in Insurance Proceeds, in each case representing such principal amounts.

“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.

“Reserve Fund” means the Fund of that name established pursuant to Section 401 of the Bond Resolution.

“Reserve Requirement” means, as of any particular date of calculation, an amount equal to the sum of all amounts established as Series Reserve Requirements in the Series Resolutions for all Series of Bonds Outstanding authorizing the issuance of such Outstanding Bonds. The Trustee may rely upon a Certificate from an Authorized Officer of the Administration which states the Reserve Requirement as of the date of the Certificate.

“Revenue Fund” means the Fund of that name established pursuant to Section 401 of 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 (including either a Mortgage Loan underlying a MBS Certificate or a Mortgage Loan purchased directly with Bond proceeds or a participation interest in either) (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 described in Section 401 of the Bond Resolution subject to the lien of the Bond Resolution, including Recovery Payments, 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 Project Assets financed by Loans, or financing, commitment or similar fees or charges of the Administration at, prior to or after the time of making, purchasing or otherwise financing a Program Asset. Any arbitrage rebate payable to the United States are not Revenues and are not subject to the lien of the Bond Resolution.

“Serial Bonds” means Bonds which are not Term Bonds.

“Series” means one of the Series of Bonds issued under the Bond Resolution pursuant to a Series Resolution.

“Series Program Determinations” means determinations by the Administration relating to Program Assets and certain other matters required to be set forth in connection with a Series of Bonds under the Program (or provision to be determined at certain specified times in the future), as provided in a Series Resolution. Series Program Determinations shall be consistent with the Bond Resolution. They may include, without limitation, (i) the security which may be provided for each Program Asset; (ii) the principal and interest payment provisions of Loans; (iii) the maximum term to maturity of Loans; (iv) the nature of the

residences to which the Loans relate and limitations on who may be a mortgagor; (v) required credit standards and other terms of primary mortgage insurance or other credit support, if any, and the levels of coverage and applicable loan to value ratios, if appropriate; (vi) Credit Enhancement, if any; (vii) the application of a Credit Facility, if any; (viii) the manner and extent of funding, and provisions designating the use of, the Collateral Reserve Fund, if any, or any modification of the Collateral Reserve Funds; (ix) provisions for limiting or restricting use of Recovery Payments; and (x) limitations on Program Expenses.

“Series Reserve Requirement” means an amount established by a Series Resolution as a component of the Reserve Requirement while Bonds of the Series are Outstanding.

“Series Resolution” means a resolution of the Administration authorizing the issuance of a Series of Bonds and includes any determination with regard to that Series made by an Authorized Officer pursuant to the authority delegated by the Series Resolution, and executed prior to issuance of those Bonds. Series Resolution includes any resolution of the Administration amending a Series Resolution as provided in the Bond Resolution or the related Series Resolution.

“Single Family Residence” means a residential dwelling of one or more units located within the State, occupied or to be occupied within a reasonable period of time as a principal residence of the Borrower, including, without limitation, manufactured housing or mobile homes permanently affixed to the property, condominiums, and cooperative housing to the extent permitted by the Act.

“Sinking Fund Requirement” means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of those Bonds. Sinking Fund Requirements may be established as fixed dollar amounts or by formula.

“State” means the State of Maryland.

“Supplemental Resolution” means any resolution of the Administration supplementing or amending the Bond Resolution.

“Taxable Bonds” means any Bonds or Series of Bonds, the income from which will be or is intended to be includable in the Bondowner’s gross income under the Code as determined at the time of issue by the Administration.

“Tax-Exempt Bonds” means any Bonds or Series of Bonds, the income from which will be or is intended to be generally excludable from the Bondowner’s gross income under the Code as determined at the time of issue by the Administration and pursuant to a Bond Counsel Opinion (subject to customary limitations).

“Term Bonds” means the Bonds of a Series with respect to which Sinking Fund Requirements have been established.

“Trustee” means any institution named in the Series Resolution related to the initial Series of Bonds and designated to act as trustee with respect to the Bonds and its successors and any consolidation or merger to which it or its successors may be a party.

“USDA/RD” means the United States Department of Agriculture, Rural Development Guaranteed Rural Housing Program.

“VA” means the United States Department of Veterans Affairs.

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## **APPENDIX D**

### **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**

Subject to limitations provided in the Bond Resolution or in a Series Resolution, the Bond Resolution provides that Bonds may be issued to provide funds for one or more of the following purposes:

- (a) for the making, purchasing or otherwise financing Program Assets;
- (b) for the refinancing of Program Assets (including, without limitation, Program Assets in default);
- (c) 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;
- (d) for the funding of reserves;
- (e) for the funding of costs of issuance, redemption premiums relating to Bonds and Administration expenses; or
- (f) achieving any other of the Administration's purposes, as described in the Act, as now or hereafter in effect. **[§101]**

#### **Contract with Trustee and Bondowners**

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

- (a) The provisions of the Bond Resolution and applicable Series Resolutions are contracts of the Administration with the Trustee, the Parties 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. **[§103]**

#### **Issuance of the Bonds**

Each Series of Bonds shall be authorized and issued under and secured by the Bond Resolution pursuant to the authorization contained in a Series Resolution. The Bonds of each Series shall be designated as provided by the Series Resolution. The Bonds shall be in such subseries (if any), shall be in such denominations, shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law payable beginning on such date, shall be stated to mature on such dates, shall be made redeemable at such times and prices (subject to the provisions of the Bond Resolution), shall have such interest payment dates, shall be numbered and the Term Bonds of such Series shall have such Sinking Fund Requirements, all as may be provided by the Series Resolution for such Bonds. Except as may otherwise be provided in the Series Resolution for such Bonds, and except as to any differences in the maturities or the

interest payment dates or the rate or rates of interest or the provisions for redemption, such Bonds shall be on a parity with and shall be entitled to the same benefits and security under the Bond Resolution as all other Bonds issued under the Bond Resolution.

Each Series Resolution authorizing the issuance of a Series of Bonds shall include a determination by the Director of the Administration that the issuance of such Series of Bonds is necessary to achieve one or more purposes of the Administration, and may specify and determine such other details as may be required.

Before the Bonds of the Series shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following: (i) a copy of the Bond Resolution and the Series Resolution duly certified by an Authorized Officer; (ii) a Bond Counsel's Opinion stating in the Opinion of such counsel that (A) the Bond Resolution and the applicable Series Resolution have been duly adopted and are valid and binding upon the Administration (subject to reasonable exceptions with respect to enforceability under bankruptcy laws, the police power of the State or other similar laws, and the availability of specific performance and other equitable remedies under State law) and (B) the Bonds being issued are valid and legally binding special limited obligations of the Administration secured in the manner and to the extent set forth in the Bond Resolution and the applicable Series Resolution and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained in the Bond Resolution and the applicable Series Resolution; (iii) a Cash Flow Statement conforming to the requirements of the Bond Resolution, accompanied by a Rating Certificate with respect to the Bonds; and (iv) a request and authorization to the Trustee on behalf of the Administration, signed by an Authorized Officer, to authenticate and deliver the Bonds to the purchaser or purchasers identified in such request upon payment (or provision therefor) to the Trustee for the account of the Administration of the purchase price of the Bonds or, in the instance of Bonds purchased for delivery at a later date or dates, upon such later date(s) as specified in a Series Resolution. **[§209]**

#### **Purchase of Bonds**

Amounts on deposit in the Revenue Fund may be applied as applicable to the purchase of Bonds of each Series then Outstanding, whether or not such Bonds or portions thereof shall then be subject to redemption. The Trustee, upon Administration Request accompanied by a Cash Flow Certificate if required by the Bond Resolution, is required to purchase from such amounts such Bonds, whether they be Serial Bonds or Term Bonds, as specified in such Administration Request. The Trustee is required to pay the interest accrued on such Bonds or portions of Bonds to the date of settlement for the Bonds from the Revenue Fund. The Bond Resolution provides that no purchase of a Bond is to be made by the Trustee after the giving of notice of redemption as to that Bond by the Trustee. Purchased Bonds are required to be delivered to the Trustee for cancellation. **[§405]**

#### **Funds and Accounts Established by the Bond Resolution**

The Bond Resolution establishes the following funds and accounts to be held by the Trustee in trust for application in accordance with the Bond Resolution;

- (i) Program Fund, which, for each Series of Bonds, will contain a Series Program Account;
- (ii) Revenue Fund, which will consist of:
  - (a) Debt Service Account,
  - (b) Recovery Payment Account,
  - (c) Redemption Account,

- (iii) Reserve Fund;
- (iv) Collateral Reserve Fund; and
- (v) Rebate Fund.

Additional Funds and Accounts (including for the purpose of depositing amounts required to be related to mortgagors or the United States) may be created and designated in Series Resolutions. **[§401]**

### **Program Fund**

Amounts received upon the sale of a Series of Bonds are to be deposited in the Program Fund and credited to the related Series Program Account in the amount, if any, provided in the applicable Series Resolution. In addition, amounts are to be deposited in the Program Fund from the Revenue Fund as provided in the Bond Resolution and from any other source and are to be credited to the Series Program Account as specified in the Administration Request directing the transfer.

Amounts in a Series Program Account may be used to pay Costs of Issuance of the related Series of Bonds, or to reimburse the Administration for Costs of Issuance, in either case in the amount specified in or pursuant to the Series Resolution, upon a requisition stating generally the nature and amount of those Costs of Issuance signed by an Authorized Officer. Amounts in Series Program Accounts other than amounts used or to be used to pay Costs of Issuance are to be applied by the Trustee upon Administration request: (i) to finance the making or acquisition of Program Assets, (ii) to pay costs of Credit Enhancement with regard to Program Assets or any Credit Facility with regard to Bonds, and (iii) as otherwise provided in the Series Resolution. **[§402]**

### **Revenue Fund**

The Trustee is required to transfer to and deposit in the Revenue Fund all amounts transferred to it from the Program Fund as provided in the Bond Resolution or from the Reserve Fund as provided in the Bond Resolution and credit those amounts to the Accounts as specified in the Bond Resolution. Amounts received upon the sale of a Series of Bonds are to be deposited in the Revenue Fund in the amount, if any, provided in the applicable Series Resolution, for credit to the Debt Service Account to pay debt service as specified in the Series Resolution.

Recovery Payments are to be credited to the Recovery Payment Account. Except as may be limited by a Series Resolution, amounts in the Recovery Payment Account may be transferred at any time upon an Administration Request to the Redemption Account, the Debt Service Account or any Series Program Account.

At any time, upon Administration Request, the Trustee is required to apply amounts in the Revenue Fund not credited to any Account in the Fund to pay the accrued interest portion of the cost of acquiring any Loan consistent with the related Series Resolution.

Upon their receipt, the Administration is required to notify the Trustee as to any amounts which have been received for accrued interest with respect to Loans made or acquired from amounts which were expended from the Series Program Account (to the extent not so funded from a transfer from the Revenue Fund). The Trustee is required to transfer those amounts to the credit of the applicable Series Program Account.

On or prior to each payment date for the following obligations the Trustee is required to transfer all amounts in the Revenue Fund not in any Account in the Revenue Fund to the credit of Funds and Accounts in the following priority:

(1) to the Debt Service Account, an amount sufficient, together with amounts on deposit in that Account, timely to pay interest and principal, at maturity or mandatory redemption, due on such debt service payment date the Bonds, and to pay any Expenses in connection with any Credit Facility related to such Bonds, as set forth in the Series Resolution or a Supplemental Resolution;

(2) Subject to the NIBP Appendix, to the payment of Program Expenses specified in a Series Resolution, or such other Program Expenses provided in an Administration Request;

(3) to the Reserve Fund, an amount sufficient to cause the amount on deposit in that Fund, including Cash Equivalents permitted by a Series Resolution, to equal the Reserve Requirement;

(4) to the Redemption Account, an amount as specified in an Administration Request;

(5) to any Series Program Account in the Program Fund, an amount as specified in an Administration Request; or

Subject to the NIBP Appendix, at any time the Trustee is required to, upon Administration Request and subject to the conditions of the Bond Resolution, release amounts on deposit in the Revenue Fund to the Administration for Administration Expenses free and clear of the pledge and lien of the Bond Resolution.

At any time the Trustee is required to, upon Administration Request, apply amounts in the Revenue Fund not credited to any Account in it or the Rebate Fund to make required rebates pursuant to the Code.

At any time the Trustee is required to apply, upon an Administration Request, amounts in the Revenue Fund and not credited to any Account in it to the purchase of Bonds at the times, in the manner and for the purposes set forth in the Bond Resolution.

Subject to the NIBP Appendix, at any time, upon Administration Request, amounts on deposit in the Revenue Fund may be applied to pay Program Expenses as specified in an Administration Request. **[§403]**

Notwithstanding the foregoing, pursuant to the NIBP Appendix, so long as any Program Bonds remain outstanding, the Administration may not exercise any rights it may have to make voluntary withdrawals of cash or other assets from the lien of the Bond Resolution except under the following circumstances and within the following limits:

(A) the Administration may withdraw cash from the Bond Resolution to pay ordinary and customary administrative and operating expenses of the Administration, ordinary and customary operating expenses of any of the programs of the Administration (such as, for example, fees and payments due on an interest rate swap entered into by the Administration) and to fund or reimburse the cost of programs sponsored by the Administration, subject to each of the following requirements:

1. either:

(a) the cumulative amount of such withdrawals does not exceed the cumulative withdrawals as projected to the date of such withdrawal in the cash flows most recently submitted to the rating agencies in connection with the then current long term rating of the Program Bonds; or

(b) prior to and as a condition to such withdrawal, the Administration obtains and furnishes to U.S. Bank National Association, as administrator of the NIBP (the "Administrator"), and JPMorgan Chase

Bank, N.A., as the Treasury's financial agent (the "Treasury's Financial Agent") a confirmation from each of the rating agencies maintaining ratings on the Program Bonds that the proposed withdrawal will not adversely affect such ratings; and

2. prior to and as a condition to such withdrawal, the Administration provides a written certification to the Administrator and to Treasury's Financial Agent specifying the amount and purpose of the withdrawal and that all requirements of this paragraph (A) have been met with respect to such withdrawal.

In spite of anything to the contrary contained in paragraph (A) above, no withdrawals whatsoever shall be made under paragraph (A) during any period when any of the ratings on the Program Bonds are below the level of "Baa3" or "BBB-" or has been suspended or withdrawn;

(B) the Administration may withdraw cash or other assets from the Bond Resolution for any purpose of the Administration other than as set out in paragraph (A) above, subject to each of the following requirements:

1. prior to and as a condition to such withdrawal, the Administration obtains and furnishes to the Administrator and to Treasury's Financial Agent a confirmation from each of the rating agencies maintaining ratings on the Program Bonds that the rating on the Program Bonds will be not less than Aa3 as determined by Moody's with a rating outlook that is either "stable" or "positive" or the equivalent;

2. the cash or other assets withdrawn from the lien of the Bond Resolution pursuant to this paragraph (B) are retained by the Administration within its funds and accounts or are expended to further the mission or otherwise for the benefit of the Administration; and

3. prior to and as a condition of such withdrawal, the Administration provides a written certification to the Administrator and to Treasury's Financial Agent specifying the amount and purpose of the withdrawal and that all requirements of this paragraph (B) have been met with respect to such withdrawal.

## **Reserve Fund**

The Administration is required to deposit amounts in the Reserve Fund as provided in the Series Resolutions and as provided in the Bond Resolution. The Trustee is required to transfer money held in the Reserve Fund to the Debt Service Account, pursuant to the Bond Resolution. Amounts held in the Reserve Fund as of any date in excess of the Reserve Requirement, taking into account any Cash Equivalents in the Reserve Fund, are required to, upon an Administration Request, be transferred to the Revenue Fund. A Series Resolution may provide that the Reserve Requirement or any excess balances in the Reserve Fund with respect to the applicable Series of Bonds may be funded in whole or in part through Cash Equivalents or other Program Assets. [§407]

## **Collateral Reserve Fund**

Moneys, Cash Equivalents, Program Assets, Non-Conforming Loans and other assets may be deposited into 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, the making or purchase of loans or other Assets approved by the Administration, disbursement of moneys or Cash Equivalents and the sale, disposition or release of Program Assets, Non-Conforming Loans from such fund, and maintenance of moneys, Cash Equivalents, Program Assets or Non-Conforming Loans, or assets required to be held in such fund with respect to either a Series of Bonds or generally. Any moneys, Cash Equivalents, Program Assets, Non-Conforming Loans or other assets on deposit in the Collateral Reserve Fund may be transferred to any other Fund or Account or withdrawn by the Administration upon receipt by the Trustee of an Administration request.

The Trustee is required to transfer amounts from the Collateral Reserve Fund to the credit of the Debt Service Account as provided in the Bond Resolution. **[§408]**

#### **Sale of Program Assets; Release of Lien of Resolution.**

Subject to the NIBP Appendix, the Administration is authorized to sell, assign or otherwise dispose of a Program Asset not in default (and release the same from the lien of the Bond Resolution), provided that the Administration files with the Trustee a Cash Flow Certificate taking into account such sale, assignment or disposition pursuant to the Bond Resolution.

The Administration is authorized to release a Program Asset secured by a Credit Facility or Credit Enhancement, reserves created or held with respect to such Program Asset or the Series of Bonds (or portion of such Series) issued to make, purchase or finance such Program Asset and any other moneys to be received with respect to such Program Asset 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 Program Asset or the Credit Enhancement securing the Program Asset, 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. **[§617]**

#### **Cash Flow Statements and Certificates**

See the discussion of Cash Flow Statements and Certificates under the heading “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates”.

The 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 initial interest rate shall be used so long as doing so does not adversely affect any of the Rating Agency’s ratings on the Bonds. **[§608]**

#### **Redemption of Bonds**

The Bonds issued under the provisions of the Bond Resolution are subject to redemption, both in whole and in part and at such times and redemption prices, as may be provided in the applicable Series Resolution. Term Bonds may be made subject to sinking fund redemption pursuant to their Sinking Fund Requirements on the dates and during the period during which such Sinking Fund Requirements are in effect, as established in the applicable Series Resolution.

The Trustee, at the direction of the Administration, is required to select the Bonds or portions of Bonds to be redeemed or purchased in accordance with the Bond Resolution and the applicable Series Resolution. Except as otherwise stated in the related Series Resolution, money is required to, upon an Administration Request to the Trustee accompanied by a Cash Flow Certificate, as may be required by the Bond Resolution, be applied by the Trustee to the purchase or the redemption of Bonds selected from among the Series (and subseries, if applicable), maturities and interest rates on the basis specified by the Administration in that Administration Request. Except as otherwise provided in a Series Resolution, the Administration Request relating to each redemption of Bonds is required to be filed with the Trustee at least fifteen (15) days prior to the date upon which notice of redemption is caused to be delivered by the Trustee to all registered owners of Bonds to be redeemed, or such lesser number of days as are acceptable to the Trustee.

Except as otherwise provided in a Series Resolution, if less than all of the Bonds of one Series (and subseries, if applicable) and one maturity bearing the same interest rate (and otherwise of like tenor) are called

for redemption, the particular Bonds of such Series (and subseries if applicable) and maturity bearing the same rate of interest (and otherwise of like tenor) to be redeemed are to be selected not later than fifteen (15) days prior to the date upon which notice of redemption is caused to be delivered by the Trustee to all registered owners of Bonds to be redeemed, or such lesser number of days as are acceptable to the Trustee in such manner as directed by the Administration. If no such direction is received by the Trustee, the Trustee is required to select the Bonds to be redeemed by lot or in such other manner as it in its discretion may determine. The portion of Bonds of any Series (and subseries, if applicable) to be redeemed is required to be in the minimum principal amount or some integral multiple of such minimum principal amount established for such Bonds in the applicable Series Resolution, and in selecting Bonds for redemption, the Trustee is required to treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by such minimum principal amount.

If less than all of the Term Bonds Outstanding of any one maturity of a Series (or subseries, if applicable) are purchased for cancellation or called for redemption (other than in satisfaction of Sinking Fund Requirements), the principal amount of such Term Bonds that are so purchased or redeemed is to be credited, to the extent practicable, except as otherwise provided in an Administration Request, against all remaining Sinking Fund Requirements for the Term Bonds of such Series (and subseries, if applicable) and maturity in the proportion which the then remaining balance of each such Sinking Fund Requirement bears to the total of all Bonds of such Series (and subseries, if applicable) and maturity then Outstanding. **[§301]**

#### **Investment of Moneys Held by the Trustee**

Any and all money held by the Trustee under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution, is to be held in trust, is to be applied only in accordance with provisions of the Bond Resolution and are not to be subject to any lien, charge or attachment by any creditor of the Administration.

Money deposited under the Bond Resolution is to, as nearly as is practicable, be fully and continuously invested or reinvested by the Trustee upon the direction of an Authorized Officer (promptly confirmed by delivery of an Administration Request) in Investment Obligations (or such particular Investment Obligations as provided for in a Series Resolution) which are to be in such amounts and bear interest at such rates that sufficient money will be available to pay the principal and interest when due on the Bonds and the other obligations permitted under the Bond Resolution and which mature, or which are subject to redemption by the holder at the option of the holder, such that sufficient money will be available for the purposes intended.

Any Investment Obligations so purchased in any Account or Fund are to be deemed at all times to be part of such Account or Fund. Unless the Administration otherwise directs, any interest paid on the investment in any Account or Fund (except the Rebate Fund) is to be credited to the Revenue Fund and is to be treated as Revenues. Any interest paid on the investment of the Rebate Fund is required to be credited to the Rebate Fund. Any profit or loss resulting from an investment is to be credited to or charged against the applicable Account or Fund of which it is an investment. The Trustee is required to sell or present for redemption any obligations so purchased whenever it is necessary to do so in order to provide money to meet any payment or transfer from any such Account or Fund. The Trustee, when authorized by an Authorized Officer, may trade with itself in the purchase and sale of securities for such investment. Neither the Trustee nor the Administration is liable or responsible for any loss resulting from any such investment. **[§§501 and 502]**

#### **Program Covenants; Enforcement of Mortgage Loans**

The Administration covenants in the Bond Resolution that:

(i) the Administration will use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make or purchase or otherwise finance Qualified Program

Assets or otherwise apply such proceeds in accordance with the provisions and requirements of each applicable Series Resolution;

(ii) the Administration will do all such acts and things as are necessary to receive and collect Revenues and such payments for taxes, insurance and similar items as are normally escrowed by prudent mortgage servicing institutions in the State, consistent with sound practices and principles;

(iii) the Administration will diligently enforce and take all steps, actions and proceedings reasonably necessary, in the judgment of the Administration, for the enforcement of all terms, covenants and conditions of Mortgages and Loans;

(iv) the Administration will establish income and occupancy requirements to assure compliance with the Act for the Borrower for each Single Family Residence financed with the proceeds of a Loan; and

(v) the Administration will 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. **[§615]**

### **Tax Covenants**

The Administration covenants in the Bond Resolution that it will comply with the applicable tax covenants contained in any applicable Series Resolution. **[§609]**

### **Events of Default**

Each of the following constitutes an Event of Default under the Bond Resolution:

(1) payment of interest on or the principal or redemption price of any of the Bonds is not made when due and payable; or

(2) default in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the Bond Resolution or any Series Resolution and such default continues for ninety (90) days after written notice requiring the default to be remedied, has been given to the Administration by the Trustee. The Trustee may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. However, if such default can be remedied, so long as following such notice the Administration is diligently taking actions to remedy such default, such default is not an Event of Default under the Bond Resolution. **[§701]**

### **Remedies; Rights of Bondowners**

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written direction of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds is required to proceed, subject to the provisions of the Bond Resolution, to protect and enforce its rights and the rights of the Bondowners under applicable laws or under the Bond Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Bond Resolution or in aid or execution of any power granted in the Bond Resolution or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Bond Resolution the Trustee is entitled (1) to sue for, enforce payment of and recover judgment for, in its own name as Trustee of an express trust, any and all amounts then or after any default becoming, and at any time remaining, due from the Administration for unpaid principal, premium, if any, interest or otherwise under any of the provisions of the Bond Resolution or the Bonds, with, to the extent permitted by the applicable law, interest on overdue payments of principal of and interest at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Resolution and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and (2) to recover and enforce any judgment or decree against the Administration, but solely as provided in the Bond Resolution, the Series Resolution, and in the Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided and to collect, in any manner provided by law, the money adjudged or decreed to be payable.

Regardless of the happening of an Event of Default, the Trustee may, and, subject to the Bond Resolution, if requested in writing by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds, is required to institute and maintain such suits and proceedings as it may be advised are necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of the Bond Resolution or of any Series Resolution or (ii) to preserve or protect the interest of the Bondowners, provided that such request is in accordance with law and the provisions of the Bond Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of Bonds not making such request.

If a covenant is set forth in a Series Resolution, limitations on the remedies available upon an Event of Default related to such covenant may be set forth in such Series Resolution. **[§703]**

#### **Rights of Bondowners to Direct Proceedings**

Notwithstanding anything in the Bond Resolution to the contrary, the Owners of a majority in principal amount of the Bonds then Outstanding shall have the right, subject to the provisions of the Bond Resolution, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee or exercising any trust or power conferred upon the Trustee, provided that such direction shall not be otherwise than in accordance with law, the provisions of the Bond Resolution and the Act and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondowners not joining in such direction. **[§707]**

#### **Waiver of Events of Default**

The Trustee, upon written direction of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds, is required to waive any Event of Default, which in the opinion of those Owners has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by them under the provisions of the Bond Resolution or before the completion of the enforcement of any other remedy under the Bond Resolution, but no such waiver may extend to or affect any other existing or any subsequent Event or Events of Default or impair any rights or remedies consequent to it. **[§713]**

#### **Modification of Resolutions and Outstanding Bonds**

The Bond Resolution provides procedures whereby the Administration may amend the Bond Resolution or a Series Resolution by adoption of a Supplemental Resolution. Amendments that may be made without the consent of Bondowners may be only for certain purposes and include curing any ambiguity, defect or omission in the Bond Resolution or conferring upon the Trustee additional rights, remedies, powers, authority or security that may be lawfully granted. **[§1001]**

Amendments of certain of the respective rights and obligations of the Administration and the Bondowners may be made with the written consent of the holders of greater than fifty percent (50%) in aggregate principal amount of the Outstanding Bonds; however, without the consent of all adversely affected Bondowners, no Supplemental Resolution may (a) change the terms of redemption or of the maturity of the principal of or the interest on any Bond, or (b) reduce the principal amount of any Bond or the redemption premium or the rate of interest on it, or (c) create or grant a pledge, assignment, lien or security interest of the Pledged Property, or any part of it, other than as created or permitted by the Bond Resolution without the Supplemental Resolution, or (d) create a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be permitted by the Bond Resolution or (e) reduce the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Resolution. If any such modification, supplement or amendment will by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Owners of those Bonds are not required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Bond Resolution. **[§1002]**

Notwithstanding the foregoing, pursuant to the NIBP Appendix, so long as any Program Bonds remain outstanding, the Agency may not amend, supplement, or modify the Indenture in any material respects without the prior written consent of the GSEs. The determination of the GSEs as to materiality shall be controlling.

#### **Defeasance**

If the Administration shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the Bonds then Outstanding, the principal, redemption premium, if any, and interest to become due thereon, at the times and in the manner stipulated in the Bond Resolution and in the Series Resolutions, then the covenants, agreements and other obligations of the Administration to the Registered Owners of the Bonds shall be discharged and satisfied. In such event, the Trustee shall pay over or deliver to the Administration all money or securities held by it pursuant to the Bond Resolution which are no longer required for the payment or redemption of Bonds not already then surrendered for such payment or redemption. **[§1101(a)]**

Pursuant to the Bond Resolution, all Bonds will, prior to their maturity or redemption date, be deemed to have been paid pursuant to the Bond Resolution if, among other things, there is deposited with the Trustee either money in an amount which is sufficient, or Government Obligations the principal of and interest on which when due will provide money which, without reinvestment, when added to the money, if any, deposited with such Trustee at the same time, is sufficient to pay the principal of those Bonds at maturity, or on sinking fund installment dates for Term Bonds, or the principal, redemption premium, if any, and interest due and to become due on those Bonds on and prior to the redemption date or maturity date (or sinking fund installment dates for Term Bonds) of the Bonds, as the case may be. **[§1101(b)]**

#### **Trustee**

The Trustee is required to undertake the duties and obligations imposed upon it under the Bond Resolution and each of the Series Resolutions. If an Event of Default has occurred and is continuing, the Trustee is required to exercise such of the rights and powers vested in it by the Bond Resolution, and is required to use the same degree of care that a prudent person would exercise in the circumstances in the conduct of such person's own affairs. However, the Trustee is 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 in accordance with the Bond Resolution. The Bond Resolution provides that the Trustee will not be liable in connection with the performance of its duties under the Bond Resolution, except for its own negligence or default. **[§§801-803]**

The Trustee may resign and thereby become discharged from the trusts, by notice in writing to be given to the Administration and mailed, first class, postage prepaid, to all Registered Owners of Bonds at their addresses as they appear on the registration books kept by the Trustee, not less than sixty (60) days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed before the time limited by such notice and then accepts the trusts. The Bond Resolution provides that no resignation of the Trustee is effective if an Event of Default, or any event which upon the passage of time would be an Event of Default has occurred and is continuing except upon the consent of Owners of a majority in principal amount of the Outstanding Bonds. **[§812]**

Subject to the Bond Resolution, the Trustee may be removed at any time by an instrument or concurrent instruments in writing executed by the Owners of not less than a majority in principal amount of the Outstanding Bonds and filed with the Administration. A facsimile copy of each such instrument is required to be delivered promptly by the Administration to the Trustee. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds. The Trustee may be removed at any time by the Administration (provided that the Administration is not in default under the Bond Resolution) in its sole discretion by written notice to the Trustee. **[§813]**

Notwithstanding the forgoing, pursuant to the NIBP Appendix, so long as any Program Bonds remain outstanding, no successor Trustee shall be appointed without the prior written consent of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (each a “GSE” and, together, the “GSEs”).

Pursuant to the NIBP Appendix, so long as any Program Bonds remain outstanding, each GSE is intended to be and shall be a third-party beneficiary of the Bond Resolution, the Program Bonds Series Resolution and the NIBP Appendix and shall have the right (but not the obligation) to enforce, separately or jointly with the Trustee or cause the Trustee to enforce, the provisions of the NIBP Appendix

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## APPENDIX E

### OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

#### Outstanding Single Family 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, 2011.

|                                           | Year<br>of Issue | Final<br>Maturity | Amount<br>Issued | Amount<br>Outstanding |
|-------------------------------------------|------------------|-------------------|------------------|-----------------------|
| Single Family Housing Revenue Bonds       | 2009             | (2)               | \$154,290,000    | \$154,290,000         |
| 2009 Series A (Program Bonds)             |                  |                   |                  |                       |
| Total Single Family Housing Revenue Bonds |                  |                   | \$154,290,000    | \$154,290,000         |

#### 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, 2011. **These bonds are not secured by the Bond Resolution.**

|                           | Effective<br>Bond Yield | Year<br>of Issue | Final<br>Maturity | Amount<br>Issued | Amount<br>Outstanding |     |
|---------------------------|-------------------------|------------------|-------------------|------------------|-----------------------|-----|
| Residential Revenue Bonds |                         |                  |                   |                  |                       |     |
| 1998 Series A             | 5.302760%               | 1998             | 9/1/2017          | \$ 4,640,000     | \$ 485,000            |     |
| 1998 Series D             | 5.080895%               | 1998             | 9/1/2029          | 62,810,000       | 25,765,000            |     |
| 1999 Series C             | 4.981370%               | 1999             | 9/1/2015          | 2,665,000        | 2,665,000             |     |
| 1999 Series D             | 5.258230%               | 1999             | 9/1/2031          | 57,335,000       | 24,900,000            |     |
| 2001 Series A             | 4.689417%               | 2001             | 9/1/2017          | 18,885,000       | 8,825,000             |     |
| 2001 Series B             | 5.329877%               | 2001             | 9/1/2032          | 50,800,000       | 7,095,000             |     |
| 2001 Series E             | 4.428468%               | 2001             | 9/1/2012          | 13,775,000       | 130,000               |     |
| 2001 Series G             | 4.000795%               | 2001             | 9/1/2011          | 10,100,000       | 1,435,000             | (1) |
| 2001 Series H             | 5.246263%               | 2001             | 9/1/2033          | 49,900,000       | 31,500,000            | (1) |
| 2003 Series A             | 3.642019%               | 2003             | 9/1/2015          | 9,550,000        | 4,745,000             | (1) |
| 2003 Series B             | 4.650537%               | 2003             | 9/1/2026          | 15,450,000       | 3,440,000             | (1) |
| 2003 Series C             | (3)                     | 2003             | 9/1/2035          | 20,000,000       | 20,000,000            | (1) |
| 2004 Series A             | 3.806300%               | 2004             | 9/1/2016          | 10,710,000       | 6,500,000             | (1) |
| 2004 Series B             | 4.799120%               | 2004             | 9/1/2028          | 19,290,000       | 4,800,000             | (1) |
| 2004 Series D             | 4.029268%               | 2004             | 9/1/2016          | 12,960,000       | 7,665,000             | (1) |
| 2004 Series E             | 5.081152%               | 2004             | 3/1/2030          | 27,040,000       | 10,960,000            | (1) |
| 2004 Series F             | (3)                     | 2004             | 9/1/2035          | 20,000,000       | 20,000,000            | (1) |
| 2004 Series G             | 3.310198%               | 2004             | 9/1/2016          | 13,445,000       | 7,835,000             | (1) |
| 2004 Series H             | 4.621570%               | 2004             | 9/1/2029          | 26,555,000       | 10,920,000            | (1) |
| 2004 Series I             | (3)                     | 2004             | 9/1/2035          | 20,000,000       | 20,000,000            | (1) |
| 2005 Series A             | 3.655208%               | 2005             | 9/1/2016          | 12,640,000       | 8,065,000             | (1) |
| 2005 Series B             | 4.792302%               | 2005             | 9/1/2029          | 27,360,000       | 17,255,000            | (1) |
| 2005 Series D             | 3.910070%               | 2005             | 9/1/2017          | 13,485,000       | 9,160,000             | (1) |
| 2005 Series E             | 4.974120%               | 2005             | 9/1/2036          | 46,515,000       | 37,615,000            | (1) |
| 2006 Series A             | 3.983190%               | 2006             | 9/1/2017          | 12,020,000       | 8,835,000             | (1) |
| 2006 Series B             | 4.984790%               | 2006             | 9/1/2037          | 47,980,000       | 40,900,000            | (1) |
| 2006 Series E             | 4.199900%               | 2006             | 9/1/2017          | 23,540,000       | 17,365,000            | (1) |
| 2006 Series F             | 5.307100%               | 2006             | 9/1/2039          | 56,460,000       | 43,130,000            | (1) |
| 2006 Series G             | (3)                     | 2006             | 9/1/2040          | 40,000,000       | 40,000,000            | (1) |
| 2006 Series H             | 4.102933%               | 2006             | 9/1/2017          | 17,670,000       | 13,055,000            | (1) |
| 2006 Series I             | 5.204300%               | 2006             | 3/1/2041          | 142,330,000      | 113,990,000           | (1) |
| 2006 Series J             | (3)                     | 2006             | 9/1/2040          | 60,000,000       | 60,000,000            | (1) |
| 2006 Series K             | 4.111420%               | 2006             | 9/1/2017          | 15,000,000       | 11,110,000            | (1) |
| 2006 Series L             | 5.062770%               | 2006             | 3/1/2041          | 165,000,000      | 144,400,000           | (1) |
| 2006 Series O             | 3.829481%               | 2006             | 9/1/2017          | 10,000,000       | 7,380,000             | (1) |
| 2006 Series P             | 4.858303%               | 2006             | 9/1/2037          | 85,000,000       | 73,995,000            | (1) |
| 2006 Series S             | 6.135383%               | 2006             | 9/1/2037          | 25,000,000       | 21,540,000            | (5) |
| 2007 Series A             | 4.951603%               | 2007             | 9/1/2047          | 270,000,000      | 242,560,000           | (1) |
| 2007 Series B             | 6.065560%               | 2007             | 9/1/2037          | 30,000,000       | 27,300,000            | (5) |
| 2007 Series C             | 3.944500%               | 2007             | 9/1/2017          | 45,000,000       | 36,720,000            | (1) |
| 2007 Series D             | 4.924814%               | 2007             | 3/1/2048          | 175,000,000      | 157,345,000           | (1) |
| 2007 Series E             | 6.031685%               | 2007             | 9/1/2042          | 49,375,000       | 45,570,000            | (6) |
| 2007 Series F             | (3)                     | 2007             | 9/1/2031          | 46,485,000       | 44,305,000            | (9) |
| 2007 Series G             | 4.245422%               | 2007             | 9/1/2017          | 61,605,000       | 45,635,000            |     |
| 2007 Series H             | 5.150783%               | 2007             | 3/1/2048          | 63,395,000       | 61,490,000            |     |
| 2007 Series I             | 6.523650%               | 2007             | 9/1/2043          | 62,800,000       | 58,875,000            | (6) |
| 2007 Series J             | (3)                     | 2009             | 9/1/2031          | 58,680,000       | 55,705,000            | (7) |
| 2007 Series K             | 3.761910%               | 2007             | 9/1/2017          | 30,000,000       | 23,155,000            |     |
| 2007 Series M             | (3)                     | 2007             | 9/1/2043          | 29,050,000       | 29,050,000            | (8) |
| 2008 Series A             | 3.895197%               | 2008             | 9/1/2017          | 60,000,000       | 52,960,000            |     |
| 2008 Series B             | 3.909668%               | 2008             | 9/1/2017          | 19,770,000       | 15,860,000            |     |
| 2008 Series C             | 5.453421%               | 2008             | 9/1/2048          | 80,230,000       | 66,335,000            |     |

|                                       | <b>Effective<br/>Bond Yield</b> | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |
|---------------------------------------|---------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|
| Residential Revenue Bonds             |                                 |                          |                           |                          |                               |
| 2008 Series D .....                   | (3)                             | 2008                     | 9/1/2038                  | 50,000,000               | 49,890,000                    |
| 2008 Series E .....                   | 4.290850%                       | 2008                     | 9/1/2017                  | 21,500,000               | 20,500,000                    |
| 2008 Series F .....                   | 5.500088%                       | 2008                     | 9/1/2038                  | 18,500,000               | 7,795,000                     |
| 2009 Series A .....                   | 4.798085%                       | 2009                     | 9/1/2039                  | 40,000,000               | 39,230,000                    |
| 2009 Series B .....                   | 4.516954%                       | 2009                     | 9/1/2039                  | 45,000,000               | 44,100,000                    |
| 2009 Series C .....                   | 4.227838%                       | 2009                     | 9/1/2039                  | 15,985,000               | 15,665,000                    |
| 2010 Series A .....                   | 4.416792%                       | 2010                     | 3/1/2021                  | 28,465,000               | 27,965,000                    |
| 2010 Series B .....                   | 5.325532%                       | 2010                     | 9/1/2035                  | 40,000,000               | 39,990,000                    |
| 2011 Series A .....                   | 4.494892%                       | 2011                     | 9/1/2041                  | 70,825,000               | 70,825,000 (1)                |
| 2011 Series B .....                   | (3)                             | 2011                     | 3/1/2036                  | 20,000,000               | 20,000,000 (1)                |
| Total Residential Revenue Bonds ..... |                                 |                          |                           | <u>\$ 2,697,575,000</u>  | <u>\$ 2,186,285,000</u>       |

|                                   | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |
|-----------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|
| Housing Revenue Bonds             |                          |                           |                          |                               |
| Series 1996 A .....               | 1996                     | 7/1/2023                  | \$137,385,000            | \$12,370,000                  |
| Series 1996 B .....               | 1996                     | 7/1/2028                  | 2,575,000                | 1,395,000                     |
| Series 1999 A .....               | 1999                     | 7/1/2041                  | 16,345,000               | 14,730,000                    |
| Series 1999 B .....               | 1999                     | 7/1/2042                  | 15,840,000               | 9,330,000                     |
| Series 1999 D .....               | 1999                     | 7/1/2042                  | 14,565,000               | 5,830,000                     |
| Series 2000 A .....               | 2000                     | 7/1/2042                  | 27,445,000               | 25,245,000                    |
| Series 2001 A .....               | 2001                     | 7/1/2043                  | 29,645,000               | 27,135,000                    |
| Series 2001 B .....               | 2001                     | 7/1/2043                  | 47,630,000               | 41,935,000                    |
| Series 2002 A .....               | 2002                     | 7/1/2043                  | 9,500,000                | 8,810,000                     |
| Series 2002 B .....               | 2002                     | 7/1/2045                  | 34,435,000               | 31,135,000                    |
| Series 2002 C .....               | 2002                     | 7/1/2035                  | 6,740,000                | 6,035,000                     |
| Series 2002 D .....               | 2002                     | 7/1/2035                  | 8,280,000                | 7,495,000                     |
| Series 2003 A .....               | 2003                     | 7/1/2045                  | 24,730,000               | 23,270,000                    |
| Series 2003 B .....               | 2003                     | 7/1/2045                  | 17,660,000               | 16,380,000                    |
| Series 2003 C .....               | 2003                     | 7/1/2045                  | 10,735,000               | 10,150,000                    |
| Series 2003 D .....               | 2003                     | 7/1/2045                  | 12,080,000               | 11,350,000                    |
| Series 2004 B .....               | 2004                     | 7/1/2046                  | 20,320,000               | 19,000,000                    |
| Series 2004 C .....               | 2004                     | 1/1/2047                  | 36,515,000               | 33,950,000                    |
| Series 2004 D .....               | 2004                     | 7/1/2037                  | 3,270,000                | 1,495,000                     |
| Series 2005 A .....               | 2005                     | 1/1/2047                  | 6,385,000                | 6,100,000                     |
| Series 2005 B .....               | 2005                     | 1/1/2047                  | 19,355,000               | 18,425,000                    |
| Series 2005 C .....               | 2005                     | 7/1/2047                  | 13,985,000               | 12,230,000                    |
| Series 2006 A .....               | 2006                     | 7/1/2047                  | 10,800,000               | 9,575,000                     |
| Series 2006 B .....               | 2006                     | 1/1/2039                  | 4,800,000                | 2,810,000                     |
| Series 2006 C .....               | 2006                     | 7/1/2036                  | 2,120,000                | 1,925,000                     |
| Series 2006 D .....               | 2006                     | 7/1/2048                  | 8,000,000                | 4,330,000                     |
| Series 2007 A .....               | 2007                     | 1/1/2049                  | 22,435,000               | 20,865,000                    |
| Series 2007 B .....               | 2007                     | 1/1/2038                  | 4,875,000                | 4,780,000                     |
| Series 2007 C .....               | 2007                     | 1/1/2043                  | 2,310,000                | 1,500,000                     |
| Series 2008 A .....               | 2008                     | 7/1/2038                  | 5,845,000                | 5,585,000                     |
| Series 2008 B .....               | 2008                     | 7/1/2049                  | 17,360,000               | 10,160,000                    |
| Series 2008 C .....               | 2008                     | 7/1/2048                  | 11,380,000               | 7,380,000                     |
| Series 2008 D .....               | 2008                     | 7/1/2039                  | 5,110,000                | 3,805,000                     |
| Series 2009 A .....               | 2009                     | 7/1/2041                  | 8,755,000                | 7,565,000                     |
| Total Housing Revenue Bonds ..... |                          |                           | <u>\$ 619,210,000</u>    | <u>\$ 424,075,000</u>         |

|                                                           | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |
|-----------------------------------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|
| Infrastructure Financing Bonds (MBIA Insured)             |                          |                           |                          |                               |
| 1997 Series A .....                                       | 1997                     | 6/1/2027                  | \$ 9,860,000             | \$ 660,000                    |
| 1998 Series A .....                                       | 1998                     | 6/1/2018                  | 6,320,000                | 180,000                       |
| 1998 Series B .....                                       | 1998                     | 6/1/2028                  | 30,320,000               | 6,260,000                     |
| 1998 Series C .....                                       | 1998                     | 12/1/2020                 | 2,845,000                | 525,000                       |
| 1999 Series A .....                                       | 1999                     | 6/1/2029                  | 6,985,000                | 4,630,000                     |
| 2000 Series A .....                                       | 2000                     | 6/1/2030                  | 8,065,000                | 2,895,000                     |
| 2001 Series A .....                                       | 2001                     | 6/1/2031                  | 8,460,000                | 5,445,000                     |
| 2001 Series B .....                                       | 2001                     | 6/1/2021                  | 1,930,000                | 1,330,000 (4)                 |
| Total Infrastructure Financing Bonds (MBIA Insured) ..... |                          |                           | <u>\$74,785,000</u>      | <u>\$21,925,000</u>           |

|                                                             | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |
|-------------------------------------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|
| Local Government Infrastructure Bonds (Ambac Insured)       |                          |                           |                          |                               |
| 2002 Series A                                               | 2002                     | 6/1/2032                  | \$ 11,790,000            | \$ 7,975,000                  |
| 2002 Series B                                               | 2002                     | 6/1/2022                  | 3,555,000                | 2,245,000                     |
| 2003 Series A                                               | 2003                     | 6/1/2023                  | 14,560,000               | 9,580,000                     |
| 2004 Series A                                               | 2004                     | 6/1/2034                  | 16,375,000               | 10,745,000                    |
| 2004 Series B                                               | 2004                     | 6/1/2034                  | 4,735,000                | 3,945,000                     |
| 2005 Series A                                               | 2005                     | 6/1/2030                  | 9,345,000                | 7,515,000                     |
| 2006 Series A                                               | 2006                     | 6/1/2026                  | 8,940,000                | 6,490,000                     |
| 2007 Series A                                               | 2007                     | 6/1/2037                  | 11,460,000               | 9,720,000                     |
| 2007 Series B                                               | 2007                     | 6/1/2027                  | 24,575,000               | 20,350,000                    |
| Total Local Government Infrastructure Bonds (Ambac Insured) |                          |                           | <u>\$105,335,000</u>     | <u>\$78,565,000</u>           |

|                                             | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |
|---------------------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|
| Local Government Infrastructure Bonds       |                          |                           |                          |                               |
| 2010 Series A-1 (Senior Obligations)        | 2010                     | 6/1/2030                  | \$19,395,000             | \$18,525,000                  |
| 2010 Series A-2 (Subordinate Obligations)   | 2010                     | 6/1/2030                  | 8,515,000                | 8,140,000                     |
| Total Local Government Infrastructure Bonds |                          |                           | <u>\$27,910,000</u>      | <u>\$26,665,000</u>           |

|                                                    | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |     |
|----------------------------------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|-----|
| Multifamily Development Revenue Bonds              |                          |                           |                          |                               |     |
| 1990 Issue B (Middle Branch Manor)                 | 1990                     | 6/1/2020                  | \$ 12,350,000            | \$ 7,500,000                  | (3) |
| 1990 Issue C (Harbor City Townhomes)               | 1990                     | 6/1/2020                  | 4,150,000                | 2,550,000                     | (3) |
| Series 1998 A (Auburn Manor Project)               | 1998                     | 10/1/2028                 | 11,000,000               | 8,670,000                     |     |
| Series 1999 A (GNMA-Selborne House Project)        | 1999                     | 12/20/2040                | 2,150,000                | 1,970,000                     |     |
| Series 2000 A (Waters Landing II Apartments)       | 2000                     | 8/1/2033                  | 11,000,000               | 9,935,000                     |     |
| Series 2000 B-1 (Edgewater Village Apartments)     | 2000                     | 2/1/2033                  | 7,640,000                | 5,925,000                     |     |
| Series 2000 B-2 (Edgewater Village Apartments)     | 2000                     | 2/1/2033                  | 3,125,000                | 3,125,000                     |     |
| Series 2000 C (Park Montgomery Apartments)         | 2000                     | 2/1/2031                  | 6,170,000                | 4,545,000                     |     |
| Series 2001 C (Parklane Apartments Project)        | 2001                     | 2/15/2034                 | 9,800,000                | 9,800,000                     | (3) |
| Series 2001 D (Princess Anne Townhouses)           | 2001                     | 12/15/2033                | 4,350,000                | 3,480,000                     |     |
| Series 2001 E (Princess Anne Townhouses)           | 2001                     | 12/15/2033                | 2,875,000                | 2,575,000                     | (3) |
| Series 2001 F (Waters Tower Senior Apts.)          | 2001                     | 12/15/2033                | 7,570,000                | 6,005,000                     |     |
| Series 2001 G (Waters Tower Senior Apts.)          | 2001                     | 12/15/2033                | 4,045,000                | 3,615,000                     | (3) |
| Series 2002 B (Broadway Homes Project)             | 2002                     | 5/1/2020                  | 5,045,000                | 2,175,000                     |     |
| Series 2002 C (Orchard Mews Apartment Project)     | 2002                     | 5/1/2035                  | 5,845,000                | 5,010,000                     |     |
| Series 2003 A (Barrington Apartments Project)      | 2003                     | 6/15/2037                 | 40,000,000               | 39,905,000                    | (3) |
| Series 2005 A (Fort Washington Manor Sr. Housing)  | 2005                     | 11/15/2038                | 14,000,000               | 13,475,000                    | (3) |
| Series 2005 B (Washington Gardens)                 | 2005                     | 2/1/2036                  | 5,000,000                | 2,370,000                     |     |
| Series 2006 A (Barclay Greenmount Apartments)      | 2006                     | 4/1/2035                  | 4,535,000                | 3,655,000                     |     |
| Series 2006 B (Charles Landing South Apartments)   | 2006                     | 12/1/2036                 | 3,375,000                | 3,375,000                     | (3) |
| Series 2007 A (Brunswick House Apartments)         | 2007                     | 10/1/2037                 | 3,000,000                | 1,985,000                     |     |
| Series 2007 B (Park View at Catonsville)           | 2007                     | 12/1/2037                 | 5,200,000                | 4,750,000                     | (3) |
| Series 2008 A (Walker Mews Apartments)             | 2008                     | 5/1/2048                  | 11,700,000               | 11,700,000                    | (3) |
| Series 2008 B (Shakespeare Park Apartments)        | 2008                     | 5/1/2038                  | 7,200,000                | 7,200,000                     | (3) |
| Series 2008 C (The Residences at Ellicott Gardens) | 2008                     | 12/1/2040                 | 9,105,000                | 6,175,000                     | (3) |
| Series 2008 D (Crusader Arms Apartments)           | 2008                     | 2/1/2041                  | 3,885,000                | 2,660,000                     | (3) |
| Series 2008 E (MonteVerde Apartments)              | 2008                     | 3/1/2041                  | 15,200,000               | 15,200,000                    | (3) |
| Series 2008 F (Hopkins Village Apartments)         | 2008                     | 11/1/2038                 | 9,100,000                | 9,100,000                     | (3) |
| Series 2008 G (Kirkwood House Apartments)          | 2008                     | 12/1/2038                 | 16,000,000               | 16,000,000                    | (3) |
| Series 2009 A (Sharp Leadenhall Apartments)        | 2009                     | 3/1/2041                  | 16,950,000               | 16,950,000                    | (3) |
| Series 2010 A (C.W. Brooks Mid-Rise)               | 2010                     | 6/1/2012                  | 6,900,000                | 6,900,000                     |     |
| Total Multi-Family Development Revenue Bonds       |                          |                           | <u>\$268,265,000</u>     | <u>\$238,280,000</u>          |     |

|                                                       |      |           |                     |                     |     |
|-------------------------------------------------------|------|-----------|---------------------|---------------------|-----|
| Multifamily Development Revenue Refunding Bonds       |      |           |                     |                     |     |
| Series 1997 (Avalon Lea Apartments Project)           | 1997 | 6/15/2026 | \$16,835,000        | \$16,835,000        | (3) |
| 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        | \$69,480,000        |  |
| Total Capital Fund Securitization Revenue Bonds |      |          | <u>\$94,295,000</u> | <u>\$69,480,000</u> |  |

|                                                            |                           | <b>Year<br/>of Issue</b> | <b>Final<br/>Maturity</b> | <b>Amount<br/>Issued</b> | <b>Amount<br/>Outstanding</b> |          |
|------------------------------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|----------|
| Multi-Family Mortgage Revenue Bonds                        |                           |                          |                           |                          |                               |          |
| Series 2009 A                                              | (Program Bonds - Taxable) | 2009                     | (2)                       | \$ 92,040,000            | \$ 23,190,000                 |          |
| Series 2010 A                                              | (New Issue)               | 2010                     | 7/1/2030                  | 8,410,000                | 8,410,000                     |          |
| Series 2009 A-1                                            | (Released Program Bonds)  | 2010                     | 7/1/2051                  | 24,380,000               | 24,380,000                    | (10)     |
| Series 2010 B                                              | (New Issue)               | 2010                     | 7/1/2045                  | 16,730,000               | 16,730,000                    |          |
| Series 2009 A-2                                            | (Released Program Bonds)  | 2010                     | 7/1/2051                  | 6,610,000                | 6,610,000                     | (10)     |
| Series 2010 C                                              | (New Issue)               | 2010                     | 9/1/2013                  | 4,105,000                | 4,105,000                     | (11)     |
| Series 2009 A-3                                            | (Released Program Bonds)  | 2010                     | 1/1/2044                  | 5,410,000                | 5,410,000                     | (10)(11) |
| Series 2010 D                                              | (New Issue)               | 2010                     | 1/1/2035                  | 6,880,000                | 6,880,000                     |          |
| Series 2009 A-4                                            | (Released Program Bonds)  | 2010                     | 7/1/2051                  | 10,760,000               | 10,760,000                    | (10)     |
| Series 2011 A                                              | (New Issue)               | 2011                     | 7/1/2026                  | 2,190,000                | 2,190,000                     |          |
| Series 2009 A-5                                            | (Released Program Bonds)  | 2011                     | 7/1/2051                  | 8,460,000                | 8,460,000                     | (10)     |
| 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                    |          |
| Total Multi-Family Mortgage Revenue Bonds                  |                           |                          |                           | <u>\$207,885,000</u>     | <u>\$139,035,000</u>          |          |
| Total Amount of Other Bonds Outstanding                    |                           |                          |                           | <u>\$4,112,095,000</u>   | <u>\$3,201,145,000</u>        |          |
| Total Amount of Residential Revenue Bonds Outstanding (12) |                           |                          |                           | <u>\$ 154,290,000</u>    | <u>\$ 154,290,000</u>         |          |
| Total Amount of All Bonds Outstanding                      |                           |                          |                           | <u>\$4,266,385,000</u>   | <u>\$3,355,435,000</u>        |          |

- (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) As part of the United States Department of the Treasury's New Issue Bond Program, the Administration issued Single Family Housing Revenue Bonds 2009 Series A (Program Bonds) dated December 30, 2009 in the amount of \$154,290,000 and Multi-Family Mortgage Revenue Bonds Series 2009 A (Program Bonds - Taxable) dated December 30, 2009 in the amount of \$92,040,000, the proceeds of which were funded on January 12, 2010. Both series were issued as taxable bonds.
- (3) These are variable rate bonds that are repriced according to the terms in the respective Official Statement.
- (4) These are taxable bonds.
- (5) These are taxable pass through bonds.
- (6) These are taxable bonds with redemption provisions pertaining only to these bonds. For a description of the redemption provisions refer to the Official Statement.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) These are bond funds which have been released from the \$92,040,000 Multi-Family Mortgage Revenue Bonds Series 2009 A proceeds and have been re-designated as Series 2009 A-1, A-2, A-3, A-4, A-5 and A-6 (refer to note 2).
- (11) 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.
- (12) See information under caption "Outstanding Single Family Housing Revenue Bonds" above.

**For updated information on issuances and/or redemptions after July 1, 2011, please refer to the website [www.mdhousing.org](http://www.mdhousing.org), Investor Information.**

## APPENDIX F

### THE GNMA MORTGAGE-BACKED SECURITIES PROGRAM

The summary and explanation of the Government National Mortgage Association (“GNMA” or “Ginnie Mae”), GNMA’s mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to the *Ginnie Mae Mortgage-Backed Securities Guide* (HUD Handbook 5500.3) (the “GNMA Guide”) and to said documents for full and complete statements of their provisions. At the time of printing this Official Statement, the GNMA Guide and general information regarding GNMA can be accessed at <http://www.ginniemae.gov>. The Administration makes no representation regarding the content, accuracy or availability of the GNMA Guide or any information provided at such web site. Such web site is not part of this Official Statement.

GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”), with its principal office in Washington, D.C. GNMA’s powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 *et seq.*).

GNMA is authorized by Section 306(g) of the National Housing Act to guarantee the timely payment of the principal of and interest on securities (“GNMA Certificates”) that represent undivided ownership interests in pools of mortgage loans that are: (i) insured by the Federal Housing Administration (“FHA”) under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs under the Servicemen’s Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the U.S. Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of HUD under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The GNMA Certificates are issued by approved servicers and not by GNMA. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates.

Section 306(g) of the National Housing Act further 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.” An opinion, dated December 12, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities (which are set forth in “GNMA Guaranty Agreements”) are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

In its corporate capacity under Section 306(d) of Title III of the Housing Act, GNMA may issue its general obligations to the United States Treasury Department (the “Treasury”) in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Certificates. The 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 Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement GNMA’s guaranty. GNMA has covenanted to borrow from the United States Treasury any amounts necessary to enable GNMA to honor its guaranty of the GNMA Certificates.

GNMA administers two guarantee programs—the “Ginnie Mae I MBS Program” and the “Ginnie Mae II MBS Program.” While the Administration may permit issuance of GNMA Certificates under either GNMA program, proceeds of the Bonds are expected to be used to purchase GNMA Certificates under the Ginnie Mae I MBS Program.

To issue GNMA Certificates, the Servicer must apply for and receive GNMA’s commitment to guarantee mortgage-backed securities (“Commitment Authority”). Commitment Authority permits the Servicer

to issue GNMA Certificates up to an approved dollar amount. Commitment Authority expires in one year for single-family pools.

Each GNMA Certificate is to be backed by a separate mortgage pool consisting of qualified mortgages in a minimum aggregate amount of between \$25,000 and \$1,000,000, depending on the type of mortgage pool. Under the Ginnie Mae I MBS Program, the Servicer will be required to pay to the holder of the GNMA Certificates the regular monthly installments of principal and interest on the Mortgage Loans that back those GNMA Certificates (less the Servicer's servicing fee, which includes a GNMA guaranty fee). Under the Ginnie Mae II MBS Program, the Servicer will be required to pay such amounts to the Paying and Transfer Agent for the Ginnie Mae II MBS Program (the "CPTA"), and the CPTA will be required to pay to the holder of the GNMA Certificates, the regular monthly installments of principal and interest on the Mortgage Loans backing such GNMA Certificate.

Payment of interest and principal on each GNMA Certificate is required to be made in monthly installments by the 15th day of each month (or if such day is not a business day, the next business day) under the Ginnie Mae I MBS Program and by the 20th day of each month (or if such day is not a business day, the next business day) under the Ginnie Mae II MBS Program, commencing the month following the date of issue of the GNMA Certificate. In addition, each payment is required to include all unscheduled payments (including prepayments) and other recoveries received on the Mortgage Loans underlying the GNMA Certificate during the preceding calendar month.

The Servicer is responsible for servicing and otherwise administering the Mortgage Loans in accordance with FHA, VA, RHS or PIH requirements, as applicable, GNMA requirements, and servicing practices generally accepted in the mortgage lending industry.

The Servicer will be entitled to receive a monthly servicing fee as compensation for its servicing and administrative duties, and the Servicer will be required to pay a monthly guaranty fee to GNMA. The servicing fee and the guaranty fee are each based on the total aggregate unpaid principal balance of Mortgage Loans outstanding, and are deducted from the monthly interest payments on the Mortgage Loans before such payments are passed through to the holder of the GNMA Certificates. Under the Ginnie Mae I MBS Program, the Servicer will be entitled to retain from monthly payments of Mortgage Loan interest one-twelfth of 0.5% of the total aggregate unpaid principal balance of Mortgage Loans outstanding. Under the Ginnie Mae II MBS Program, the Servicer will be entitled to retain from monthly payments of Mortgage Loan interest one-twelfth of between 0.25% and 0.75% of the total aggregate unpaid principal balance of Mortgage Loans outstanding. The Servicer will pay the monthly guaranty fee to GNMA.

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

The Servicer 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. If the Servicer defaults on its obligations as an issuer of the GNMA Certificates, GNMA has the right to extinguish the Servicer's interest in the Mortgage Loans underlying such GNMA Certificates, in which case such Mortgage Loans will become the absolute property of GNMA (subject only to the unsatisfied rights of the Trustee, as holder of the GNMA Certificates).

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## APPENDIX G

### THE FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM

The summary and explanation of the Federal National Mortgage Association (“FNMA” or “Fannie Mae”), Fannie Mae’s mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to said documents for full and complete statements of their provisions. At the time of printing this Official Statement, general information regarding Fannie Mae can be accessed at <http://www.fanniemae.com>. The Administration makes no representations regarding the content or accuracy of the information provided at such web site, and such web site is not part of this Official Statement.

Fannie Mae is required to file periodic financial disclosures with the SEC under the Securities Exchange Act of 1934, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Administration makes no representations regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae with the SEC, any information provided at the SEC’s web site, or how long Fannie Mae will continue to file reports with the SEC. The SEC’s web site is not part of this Official Statement.

Fannie Mae is a federally-chartered, private stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (the “Charter Act,” 12 U.S.C. § 1716 *et seq.*). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. It was transformed into a stockholder-owned, privately managed corporation in 1968. On September 6, 2008, Director James Lockhart of the Federal Housing Finance Agency (“FHFA”) appointed FHFA as conservator of Fannie Mae. The Administration cannot predict the consequences of the conservatorship and the impact it may have on the Administration’s Single Family Program.

Fannie Mae operates exclusively in the secondary mortgage market by purchasing mortgages and mortgage-related securities, including Fannie Mae mortgage-related securities, from primary market institutions, such as commercial banks, savings and loan associations, mortgage companies, securities dealers and other investors. Fannie Mae provides additional liquidity in the secondary mortgage market by issuing and guaranteeing mortgage-related securities. Fannie Mae also offers fee-based services to its customers, such as issuing and administering a variety of mortgage-related securities, providing credit enhancements and offering technology products to aid in originating and underwriting mortgage loans.

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

At the time of printing this Official Statement, the Fannie Mae Certificates are issued by Fannie Mae pursuant to a 2009 Single-Family Master Trust Agreement dated as of January 1, 2009 and a supplement thereto to be issued by Fannie Mae in connection with each pool.

Information regarding the Fannie Mae Certificates is contained in a prospectus (each, a “Single-Family MBS Prospectus”) and a prospectus supplement. Each Single-Family MBS Prospectus contains general information about pools issued during its effective period including, but not limited to, the nature of the guaranty, yield considerations, and the mortgage purchase programs. Each prospectus supplement includes information about the pooled mortgage loans backing a particular issue of Fannie Mae Certificates and about the Fannie Mae Certificates themselves. Copies of Single-Family MBS Prospectuses and prospectus

supplements are available at Fannie Mae's offices located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. At the time of printing this Official Statement, these documents can be accessed at <http://www.fanniemae.com>. The Administration makes no representation regarding the content, accuracy or availability of any such prospectus or supplement thereto, or any information provided at such web site. Fannie Mae's web site is not part of this Official Statement.

Payments on a Fannie Mae Certificate will be made to the holder on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or if such 25th day is not a Business Day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the holder an amount equal to the total of (1) the principal due on the mortgage loans in the related pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month before the month of such distribution and ending on the first day of such month of distribution (each, a "due period"), (2) the stated principal balance of any mortgage loan that was prepaid in full during the month preceding the month of such distribution (including as prepaid for this purpose any Mortgage Loans repurchased by Fannie Mae because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest or because of Fannie Mae's election to repurchase such mortgage loan under certain other circumstances as permitted by the Fannie Mae Trust Indenture), (3) the amount of any partial prepayment of a mortgage loan received in the month preceding the month of distribution, and (4) one month's interest, at the fixed pass-through rate, on the principal balance of the Fannie Mae Certificate immediately prior to the distribution date.

Fannie Mae will guarantee to supplement amounts received by the trust as required to permit timely payments of principal and interest on the Fannie Mae Certificates. In addition, Fannie Mae will guarantee to supplement amounts received by the trust as required to make the full and final payment of the unpaid principal balance of the Fannie Mae Certificates on the distribution date in the month of the maturity date specified in the related prospectus supplement. If Fannie Mae was unable to perform its guaranty obligations, distributions to the holder of Fannie Mae Certificates would consist solely of payments and other recoveries received on the underlying mortgage loans and, accordingly, delinquencies and defaults on the mortgage loans would directly affect the amount of principal and interest that the holder would receive each month.

**Neither the Fannie Mae Certificates nor payments of principal and interest thereon are guaranteed by the United States government. The Fannie Mae Certificates do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. Fannie Mae alone is responsible for making payments on its guaranty.**

Fannie Mae establishes eligibility criteria and policies for the mortgage loans it purchases, for the sellers from whom it purchases loans, and for the servicers who service Fannie Mae's mortgage loans. Fannie Mae's eligibility criteria and policies are set forth in Fannie Mae's Selling and Servicing Guides (the "Fannie Mae Guides") and updates and amendments to such guides. Fannie Mae amends its Fannie Mae Guides and its eligibility criteria and policies from time to time.

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## APPENDIX H

### THE FREDDIE MAC MORTGAGE-BACKED SECURITIES PROGRAM

The following summary of the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”), the Freddie Mac Guarantor Program, the Freddie Mac Certificates and Freddie Mac’s mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to Freddie Mac’s current Mortgage Participation Certificates Offering Circular, any applicable Offering Circular and Pool Supplements, Freddie Mac’s current Mortgage Participation Certificates Agreement, as amended, Freddie Mac’s Information Statement, any Information Statement Supplements and any other documents made available by Freddie Mac. Copies of these documents can be obtained from Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102. At the time of printing this Official Statement, the documents mentioned above and general information regarding Freddie Mac can be accessed at <http://www.freddiemac.com>. However, the Administration makes no representation regarding the content, accuracy or availability of any such document or any information provided at such web site. Such web site is not part of this Official Statement.

Information on Freddie Mac and its financial condition is contained in Freddie Mac’s most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. These reports and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. These SEC filings are also available at the SEC’s website at [www.sec.gov](http://www.sec.gov). The Administration makes no representations regarding the content, accuracy or availability of any such reports or information filed by Freddie Mac with the SEC, any information provided at on the SEC’s web site, or how long Freddie Mac will continue to file reports with the SEC. The SEC’s web site is not part of this Official Statement.

Freddie Mac is a shareholder-owned, government-sponsored enterprise chartered on July 24, 1970, pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended (12 U.S.C. §§ 1451-1459) (the “Freddie Mac Act”). On September 6, 2008, Director James Lockhart of the Federal Housing Finance Agency (“FHFA”) appointed FHFA as conservator of Freddie Mac. The Authority cannot predict the consequences of the conservatorship and the impact it may have on the Authority’s Single Family Program.

Freddie Mac’s statutory mission is (i) to provide stability in the secondary market for residential mortgages, (ii) to respond appropriately to the private capital market, (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and under served areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac.

Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a group of mortgages from a single seller in exchange for a Freddie Mac Certificate representing an undivided interest in a pool consisting of the same mortgages (the “Guarantor Program”). Freddie Mac approves the institutions that may sell and service mortgages under the Guarantor Program on an individual basis after consideration of factors such as financial condition, operational capability and mortgage origination and/or servicing experience.

Freddie Mac Certificates will be mortgage pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. Freddie Mac Certificates are issued only in book-entry form through the Federal Reserve Banks’ book-entry system. Each Freddie Mac Certificate represents an undivided interest in a

pool of mortgages. Payments by borrowers on the mortgages in the pool are passed through monthly by Freddie Mac to record holders of the Freddie Mac Certificates representing interests in that pool.

Payments on Freddie Mac Certificates are made on the 15th of each month (or, if the 15th is not a business day, the next business day), beginning in the month after the Freddie Mac Certificate is issued. Each month, after deducting the applicable servicing fee and Freddie Mac's management and guarantee fee, if any, Freddie Mac passes through to record holders of Freddie Mac Certificates their proportionate share of principal payments on the mortgages in the related pool and one month's interest at the applicable pass-through rate. The interest rates on the mortgages in a pool formed under Freddie Mac's Guarantor Program must fall within a range from the pass-through rate on the Freddie Mac Certificates plus the minimum servicing fee through the pass-through rate plus 250 basis points.

Freddie Mac guarantees to each record holder of a Freddie Mac Certificate (i) the timely payment of interest at the applicable pass-through rate on the principal balance of the holder's Freddie Mac Certificate, (ii) the timely payment of the holder's proportionate share of monthly principal due on the related mortgages, as calculated by Freddie Mac and (iii) the full and final payment of principal on the underlying mortgages by the payment date that falls in the month of the final payment date of the Freddie Mac Certificate. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac Certificates would consist solely of payments and other recoveries received on the related mortgages; accordingly, delinquencies and defaults on the mortgages would affect distributions on the Freddie Mac Certificates.

**The obligations of Freddie Mac under its guarantees of the Freddie Mac Certificates are obligations of Freddie Mac only. The Freddie Mac Certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac.**

The single-family mortgages purchased and guaranteed by Freddie Mac generally are subject to the credit, appraisal, underwriting and other purchase policies and guidelines set forth in Freddie Mac's *Single-Family Seller/Service Guide*. Freddie Mac may modify these guidelines or grant waivers for certain mortgages that it purchases.

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## **APPENDIX I**

### **MORTGAGE INSURANCE AND GUARANTEE PROGRAMS**

#### **FHA MORTGAGE INSURANCE PROGRAM, VA HOME LOAN GUARANTY PROGRAM, AND USDA/RD MORTGAGE GUARANTEE PROGRAM**

##### **Introduction**

The Administration has prepared the following description of the FHA mortgage insurance program, the VA Home Loan Guaranty Program, and the USDA/RD Mortgage Guaranty Program. This description is only a brief outline and does not purport to summarize or describe all of the provisions of these programs, and the Administration does not warrant or represent the accuracy or completeness of such description. For a more complete description of the terms of this program, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of FHA, VA and USDA/RD, respectively, and of the regulations, master insurance contracts and other such applicable information for those programs. Credit Enhancement for Mortgage Loans made or purchased by the Administration with the proceeds of the Bonds is limited by the Bond Resolutions to insurance under the FHA insurance program, the VA Home Loan Guaranty Program, and the USDA/RD Guarantee Program. Moreover, Mortgage Loans with a loan-to-value ratio of 80% or less are not required to have a credit enhancement as described above. If a Loan without credit enhancement is supported by secondary financing, then such financing must be acceptable to the Administration. The secondary financing may include, for example, certain grants or loans from governmental or non-profit entities; any loans must be non-amortizing or amortize at an interest rate below the market rate. However, the Bond Resolution does not require that a Loan financed in the future be secured by Credit Enhancement. Credit Enhancement of all or a portion of a Loan, if any, will be provided in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds. Credit Enhancement of Loans includes (but is not limited to) 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 and it is possible that insurance benefits under other federal, State or private programs in which the Administration may participate could have different terms.

##### **FHA Mortgage Insurance Program**

Section 221 and Section 203 of the National Housing Act, as amended (the "Housing Act"), authorize the FHA to insure mortgage loans of up to 40 years for the purchase of one to four family dwelling units, or 30 years if the mortgage is not approved for insurance prior to construction. Section 234 of the Housing Act authorizes the FHA to insure mortgage loans of up to 35 years for the purchase of one-family dwelling units in multi-family condominium projects. The regulations promulgated to implement the Housing Act provide for insurance of mortgage loans for up to 30 years.

Mortgage Loans shall bear interest at a rate agreed upon by the mortgagee and Borrower. Mortgage Loans under any of the foregoing programs must be in conformity with the maximum mortgage loan amount limitations and minimum downpayment requirements specified in the Housing Act and the regulations promulgated thereunder. In addition, the Borrower must establish to the satisfaction of FHA that his or her income is adequate to meet the periodic payments required on the mortgage loan.

FHA permits the fully insured Mortgage Loan amount to include not only the up-front mortgage insurance premium, but, under certain circumstances, certain closing costs and other costs as well. Furthermore, through the FHA Section 203(k) Program, FHA will insure certain loans for up to 110 percent of the expected after-rehabilitation value of the property, plus permitted closing costs.

On October 27, 2000, HUD announced that mortgages insured under Section 203(b), will be eligible for a reduction in up-front mortgage insurance premiums to 1.50% of the insured mortgage amount, effective for all loans closed on or after January 1, 2001. HUD also announced that annual mortgage insurance premiums for all loans closed on or after such date will be automatically canceled when the loan-to-value ratio reaches 78%, provided that the mortgagor has paid the annual mortgage insurance premiums for at least five years. (Different rules apply for loans with terms of 15 years or less.) Although the annual mortgage insurance premiums will be canceled as described, the contract of insurance will remain in force for the loan's full term. On January 6, 2005, HUD announced the elimination of refunds of upfront mortgage insurance premiums (except for a mortgage refinanced with another FHA mortgage) for mortgages endorsed for insurance on or after December 8, 2004.

Under the terms of the foregoing program, the mortgagee, upon a default by the Borrower, is required to take certain actions, and is subject to certain limitations, before the mortgagee is entitled to initiate foreclosure proceedings or to claim insurance benefits. The mortgagee is subject to certain requirements and limitations, including the following: (1) the mortgagee must give notice of default to the Borrower and make reasonable efforts to conduct a face-to-face interview with the Borrower; (2) the mortgagee is required to undertake a pre-foreclosure review to ensure compliance with applicable requirements; and (3) the mortgagee may not commence foreclosure until at least three full monthly installments are in default. In addition, various types of forbearance may be required, including a reduction in mortgage payments, recasting the mortgage to reduce payments, temporary mortgage assistance payments, or pre-foreclosure sale. The mortgage also is subject to reinstatement until completion of foreclosure proceedings. The Housing Act gives discretionary authority to the Secretary of the United States Department of Housing and Urban Development ("HUD") to settle claims for insurance benefits for insured mortgages either in cash or debentures; claim payments currently are being made in cash. HUD debentures bear interest at the rate in effect as of the time of origination of the mortgage loan or when the mortgage loan is endorsed, whichever rate is higher.

Insurance benefits are paid on foreclosure and conveyance of title. The amount of benefits paid by FHA on conveyed properties, except in certain circumstances as described below, is equal to the unpaid principal amount of the mortgage loan plus certain tax, insurance and other payments made by the mortgagee, a percentage of any foreclosure expenses incurred by the mortgagee, which percentage shall be determined in accordance with such terms as HUD shall prescribe, and reasonable expenses incurred by the mortgagee for the preservation, protection and operation of the properties prior to conveyance, as well as interest from date of default at a rate equivalent to the debenture interest rate (which may be less than the interest rate of the insured mortgage loan), less certain amounts received or retained by the mortgagee in respect of the mortgaged property.

When any property to be conveyed to the FHA has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that such property be repaired by the mortgagee prior to such conveyance.

### **VA Home Loan Guaranty Program**

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse) to obtain a loan guarantee by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans with terms of up to 30 years and 32 days. VA will guarantee up to 50 percent of a home loan up to \$45,000. For loans between \$45,000 and \$144,000, the minimum guaranty amount is \$22,500; and the maximum guaranty is up to 40 percent of the loan, up to \$36,000, subject to the amount of entitlement a veteran has available. For loans of more than \$144,000 the maximum guaranty is the lesser of 25 percent of the loan or the dollar amount that is equal to 25 percent of the Federal Home Loan Mortgage Corporation conforming loan limitation determined under Section 505(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)) for a single-family residence, as adjusted for the year involved. The liability on the guarantee is reduced or

increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage lender will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee, as adjusted. The VA may, at its option and without regard to the guarantee, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

### **USDA/RD Mortgage Guarantee Program**

The Cranston-Gonzalez National Affordable Housing Act of 1990 authorized the establishment of the USDA/RD Guaranteed Rural Housing Loan Program. Households with annual incomes at or below one hundred fifteen percent (115%) of median area income are eligible for these loans, subject to the geographic restrictions described below. Households with annual incomes at or below eighty percent (80%) of the area median income may be eligible for interest assistance, in addition to the loan guarantee. The interest assistance paid monthly by USDA/RD to the loan servicer reduces the borrower's effective interest rate. The amount of interest rate reduction is dependant upon the households' annual income, which is re-certified by the loan servicer annually. No funds currently are available for interest assistance.

The USDA/RD Guaranteed Rural Housing Loan Program is limited to only certain rural areas of the State. Any city, place, town or village with a population not exceeding 20,000, based on the most recent decennial census, will be considered rural.

The USDA/RD guarantee covers the lesser of (a) any loss equal to ninety percent (90%) of the original principal amount of the loan or (b) any loss in full up to thirty-five percent (35%) of the original principal amount of the loan plus any additional loss on the remaining sixty-five (65%) to be shared approximately eighty-five percent (85%) by USDA/RD and approximately fifteen percent (15%) by the mortgagee.

USDA/RD does not accept conveyance of the property, but rather pays the lender's claim upon foreclosure. The claim payment includes certain actual costs incurred by the lender prior to foreclosure, including interest expense, and an allowance for the costs associated with liquidating the property. The claim payment amount is based on the net sales proceeds if the property is sold within six (6) months, or if no sale occurs within six (6) months, the claim payment amount is determined according to a formula based upon an appraisal of the property performed by USDA/RD. The lender's actual disposition costs may be higher than the USDA/RD claim payment.

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## **APPENDIX J**

### **FINANCIAL STATEMENTS OF THE PROGRAM**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION  
SINGLE FAMILY HOUSING REVENUE BONDS**

JUNE 30, 2011 AND 2010

Community Development Administration  
Single Family 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 Single Family Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2011 and the period December 18, 2009 (date of establishment) through June 30, 2010, 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 Single Family 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, 2011 and the period December 18, 2009 (date of establishment) through June 30, 2010, and the changes in its net assets and its cash flows for the year then ended and the period December 18, 2009 (date of establishment) through June 30, 2010, 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 Single Family Housing Revenue Bonds of the Department of Housing and Community Development of the State of Maryland as of June 30, 2011 and the period December 18, 2009 (date of establishment) through June 30, 2010, and the changes in its net assets and its cash flows for the year then ended and the period December 18, 2009 (date of establishment) through June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

Baltimore, Maryland  
September 19, 2011



Community Development Administration  
Single Family Housing Revenue Bonds

STATEMENTS OF NET ASSETS  
(in thousands)

June 30, 2011 and 2010

|                                                   | <u>2011</u>              | <u>2010</u>              |
|---------------------------------------------------|--------------------------|--------------------------|
| <b>RESTRICTED ASSETS</b>                          |                          |                          |
| Restricted current assets                         |                          |                          |
| Cash and cash equivalents on deposit with US Bank | \$ 154,584               | \$ 154,368               |
| Total restricted current assets                   | <u>154,584</u>           | <u>154,368</u>           |
| Restricted long-term assets                       |                          |                          |
| Deferred bond issuance costs                      | <u>90</u>                | <u>90</u>                |
| Total restricted long-term assets                 | <u>90</u>                | <u>90</u>                |
| Total restricted assets                           | <u><u>\$ 154,674</u></u> | <u><u>\$ 154,458</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                          |                          |
| Current liabilities                               |                          |                          |
| Accrued interest payable                          | \$ 294                   | \$ 78                    |
| Bonds payable                                     | <u>154,290</u>           | <u>-</u>                 |
| Total current liabilities                         | <u>154,584</u>           | <u>78</u>                |
| Long-term liabilities                             |                          |                          |
| Bonds payable                                     | <u>-</u>                 | <u>154,290</u>           |
| Total long-term liabilities                       | <u>-</u>                 | <u>154,290</u>           |
| Total liabilities                                 | 154,584                  | 154,368                  |
| <b>NET ASSETS</b>                                 |                          |                          |
| Restricted                                        | <u>90</u>                | <u>90</u>                |
| Total liabilities and net assets                  | <u><u>\$ 154,674</u></u> | <u><u>\$ 154,458</u></u> |

See notes to financial statements

Community Development Administration  
Single Family Housing Revenue Bonds

STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
(in thousands)

Year ended June 30, 2011 and the period December 18, 2009 (date of establishment)  
through June 30, 2010

|                                                                         | <u>2011</u>         | <u>2010</u>         |
|-------------------------------------------------------------------------|---------------------|---------------------|
| Operating revenue                                                       |                     |                     |
| Interest income on investments                                          | \$ 216              | \$ 78               |
|                                                                         | <u>216</u>          | <u>78</u>           |
| Operating expenses                                                      |                     |                     |
| Interest expense on bonds                                               | 216                 | 78                  |
| Professional fees and other operating expenses                          | -                   | 207                 |
|                                                                         | <u>216</u>          | <u>285</u>          |
| Operating loss                                                          | <u>-</u>            | <u>(207)</u>        |
| Transfers of funds, net, as permitted by the various<br>bond indentures | <u>-</u>            | <u>297</u>          |
| Change in net assets                                                    | -                   | 90                  |
| Net assets - restricted at beginning of period                          | <u>90</u>           | <u>-</u>            |
| Net assets - restricted at end of period                                | <u><u>\$ 90</u></u> | <u><u>\$ 90</u></u> |

See notes to financial statements

Community Development Administration  
Single Family Housing Revenue Bonds

STATEMENTS OF CASH FLOWS  
(in thousands)

Year ended June 30, 2011 and the period December 18, 2009 (date of establishment)  
through June 30, 2010

|                                                                                     | <u>2011</u>              | <u>2010</u>              |
|-------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Cash flows from operating activities                                                |                          |                          |
| Professional fees and other operating expenses                                      | \$ -                     | \$ (207)                 |
| Net cash used in operating activities                                               | <u>-</u>                 | <u>(207)</u>             |
| Cash flows from investing activities                                                |                          |                          |
| Interest received on investments                                                    | <u>216</u>               | <u>78</u>                |
| Net cash provided by investing activities                                           | <u>216</u>               | <u>78</u>                |
| Cash flows from noncapital financing activities                                     |                          |                          |
| Proceeds from sale of bonds                                                         | -                        | 154,290                  |
| Bond issuance costs                                                                 | -                        | (90)                     |
| Transfers among Funds                                                               | <u>-</u>                 | <u>297</u>               |
| Net cash provided by noncapital financing activities                                | <u>-</u>                 | <u>154,497</u>           |
| NET INCREASE IN CASH AND CASH<br>EQUIVALENTS                                        | 216                      | 154,368                  |
| Cash and cash equivalents at beginning of year                                      | <u>154,368</u>           | <u>-</u>                 |
| Cash and cash equivalents at end of year                                            | <u><u>\$ 154,584</u></u> | <u><u>\$ 154,368</u></u> |
| Reconciliation of operating loss to net cash used in<br>operating activities        |                          |                          |
| Operating loss                                                                      | \$ -                     | \$ (207)                 |
| Adjustments to reconcile operating loss to net cash<br>used in operating activities |                          |                          |
| Increase in liabilities                                                             |                          |                          |
| Accrued interest payable                                                            | 216                      | 78                       |
| Interest received on investments                                                    | <u>(216)</u>             | <u>(78)</u>              |
| Net cash used in operating activities                                               | <u><u>\$ -</u></u>       | <u><u>\$ (207)</u></u>   |

See notes to financial statements

Community Development Administration  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS  
(in thousands)

June 30, 2011 and 2010

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Single Family Housing Revenue Bonds pursuant to 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.

CDA entered into a Securitization Agreement on December 18, 2009 with the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), using federal legislative authority under the Housing and Economic Recovery Act of 2008 to provide affordable mortgage financing for individual households and multifamily rental properties. Subject to the Securitization Agreement, the New Issue Bond Program (NIBP) was created under which CDA will issue mortgage revenue Program Bonds, FNMA and FHLMC will securitize and issue securities for these bonds, and the United States Department of the Treasury (Treasury) will purchase these securities. Under the Single Family NIBP and pursuant to the Single Family Housing Revenue Bond Resolution (Resolution), CDA issued 2009 Series A bonds in the amount of \$154,290 as escrow bonds which will bear interest at a short-term rate until conversion to Program Bonds secured by mortgage loans or mortgage-backed securities backed by mortgage loans. The short-term rate will convert to a permanent fixed rate at time of conversion. The escrow bonds can be converted in up to six tranches prior to December 31, 2011, unless extended by the Treasury. CDA is required, at the time of each of the six conversions, to issue market bonds along with the issuance of Program Bonds, but not to exceed 40 percent of the total allocation of which the escrow bonds represent the 60 percent share.

The accompanying financial statements only include CDA's Single Family Housing Revenue Bonds (the Fund). CDA's other Funds are not included. However, CDA has also separately issued combined financial statements for the Revenue Obligation Funds and Infrastructure Program Funds, and financial statements for the Multi-Family Mortgage Revenue Bonds. The Fund was established to originate or purchase single family mortgage loans.

Community Development Administration  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

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.

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.

Community Development Administration  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash equivalents for escrow bond proceeds are invested pursuant to the NIBP's Global Escrow Agreement which is more fully described in Note 3.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balances, net of unamortized loan fees and expenses. Loan fees and expenses are deferred and amortized over the life of the related loans using the effective interest method. As of June 30, 2011 and 2010, no loans have been purchased or originated under the Fund.

Deferred Bond Issuance Costs

Costs incurred in issuing bonds are capitalized and amortized using the effective interest method for each respective bond issue.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. See Note 5 for additional information related to the escrow bonds.

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 are 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  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

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 8 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. All of the Fund's activities are considered to be operating.

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 periods. Actual results could differ from these estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

Escrow bond proceeds were deposited into 2009 Series A Escrow Fund and invested pursuant to the Global Escrow Agreement entered into by CDA with FNMA, FHLMC, and U.S. Bank National Association (US Bank), as escrow agent, within NIBP. The escrow bond proceeds are invested, pursuant to the Global Escrow Agreement, equally between four money market mutual funds and, if drawn, the investments are reduced in equal amounts, accordingly. Revenues from future mortgages and investments within the Fund will be invested in authorized investments as defined in the Resolution and in CDA's Investment Policy until required for purchasing or originating mortgage loans, purchasing mortgage-backed securities, funding reserves, paying bond debt service or redeeming outstanding bonds, and funding program expenses. Authorized investments within the Resolution 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  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

As of June 30, 2011, the escrow bond proceeds, invested in money market mutual funds and held by US Bank, as the escrow agent, were invested equally in the following money market mutual funds:

| Asset                                               | Fair Value        | Percentage Invested | Money Market Fund Rating |       |      |
|-----------------------------------------------------|-------------------|---------------------|--------------------------|-------|------|
|                                                     |                   |                     | Moody's                  | Fitch | S&P  |
| First American Funds Prime Obligations Class Z      | \$ 38,646         | 25%                 | Aaa                      | AAA   | AAAm |
| Fidelity Prime Obligations Class I                  | 38,646            | 25%                 | Aaa                      | -     | AAAm |
| Goldman Prime Obligations Institutional             | 38,646            | 25%                 | Aaa                      | AAA   | AAAm |
| Blackrock Liquidity Funds TempFunds (Institutional) | <u>38,646</u>     | 25%                 | Aaa                      | -     | AAAm |
| Total                                               | <u>\$ 154,584</u> |                     |                          |       |      |

As of June 30, 2011, the cost of the money market mutual funds approximated fair value.

As of June 30, 2010, the escrow bond proceeds, invested in money market mutual funds and held by US Bank, as the escrow agent, were invested equally in the following money market mutual funds:

| Asset                                               | Fair Value        | Percentage Invested | Money Market Fund Rating |       |      |
|-----------------------------------------------------|-------------------|---------------------|--------------------------|-------|------|
|                                                     |                   |                     | Moody's                  | Fitch | S&P  |
| First American Funds Prime Obligations Class Z      | \$ 38,592         | 25%                 | Aaa                      | AAA   | AAAm |
| Fidelity Prime Obligations Class I                  | 38,592            | 25%                 | Aaa                      | -     | AAAm |
| Goldman Prime Obligations Institutional             | 38,592            | 25%                 | -                        | AAA   | -    |
| Blackrock Liquidity Funds TempFunds (Institutional) | <u>38,592</u>     | 25%                 | Aaa                      | AAA   | AAAm |
| Total                                               | <u>\$ 154,368</u> |                     |                          |       |      |

As of June 30, 2010, the cost of the money market mutual funds approximated fair value.

Community Development Administration  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

NOTE 4 - MORTGAGE LOANS

All of the Fund's mortgage loans are expected to be credit enhanced with mortgage insurance provided through the FHA mortgage insurance programs, the VA and the USDA/RD guarantee programs and private mortgage insurance policies. CDA is currently not financing loans with private mortgage insurance but may do so in the future.

NOTE 5 - 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.

CDA issued 2009 Series A escrow bonds in the amount of \$154,290 dated December 30, 2009. The bonds are taxable and bear interest at variable short-term rates until the escrow bonds are converted to Program Bonds with permanent fixed rates to fund mortgage loans and mortgage-backed securities backed by mortgage loans. As of June 30, 2011 and 2010, all bond proceeds were still in escrow. If any escrow bond proceeds remain in the 2009 Series A Escrow Fund on January 1, 2012, such remaining proceeds must be used to redeem the outstanding escrow bonds; otherwise, issued Program Bonds will have a maturity date of September 1, 2041.

As of June 30, 2011, the required principal payment for bonds is as follows:

|               |    |         |
|---------------|----|---------|
| June 30, 2012 | \$ | 154,290 |
|---------------|----|---------|

NOTE 6 - INTERFUND ACTIVITY

In accordance with the Resolution, net assets in the Fund are restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. As of June 30, 2011, no transfers were made. As of June 30, 2010, \$297 was transferred into the Fund from CDA's General Bond Reserve Fund to cover costs of issuance and other expenses related to the escrow bonds.

Community Development Administration  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2011 and 2010 were as follows:

|                                | 2011        | 2010              |
|--------------------------------|-------------|-------------------|
| Bonds payable                  |             |                   |
| Beginning balance at 6/30/2010 | \$ 154,290  | \$ -              |
| Additions                      | -           | 154,290           |
| Reductions                     | -           | -                 |
| Ending balance at 6/30/2011    | 154,290     | 154,290           |
| Less due within one year       | (154,290)   | -                 |
| Total long-term bonds payable  | <u>\$ -</u> | <u>\$ 154,290</u> |

NOTE 8 - 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](http://www.sra.state.md.us).

Community Development Administration  
Single Family Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
(in thousands)

June 30, 2011 and 2010

NOTE 9 - 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 19, 2011 (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 bond activity that occurred subsequent to June 30, 2011.

Subsequent to the year ended June 30, 2011, CDA issued the following bonds on August 25, 2011:

|                 |          |
|-----------------|----------|
| 2009 Series A-1 | \$60,460 |
| 2011 Series A   | \$40,310 |

**APPENDIX K**  
**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**  
**FOR THE 2011 SERIES C AND THE 2009 SERIES A-3 BONDS**

[Letterhead of Ballard Spahr LLP, Washington, D.C.]

[CLOSING DATE]

Community Development Administration  
Department of Housing and Community Development  
State of Maryland  
100 Community Place  
Crownsville, Maryland 21032

**\$22,555,000**  
**Community Development Administration**  
**Maryland Department of Housing and Community Development**  
**Single Family Housing Revenue Bonds**  
**2011 Series C (Non-AMT)**

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), in connection with its issuance and sale of \$22,555,000 aggregate principal amount of its Single Family Housing Revenue Bonds 2011 Series C (Non-AMT) (the “2011 Series C Bonds”). With the proceeds of the 2011 Series C Bonds the Administration will make a deposit into a Program Account of the Program Fund under the Bond Resolution (as defined herein). Funds in the Program Account will be made available to make or purchase mortgage loans to finance the acquisition of single-family residences located in the State through the purchase of mortgage loan pass-through certificates guaranteed as to timely payment of principal and interest by the Government National Mortgage Association.

The 2011 Series C 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 (the “Act”), (2) the Single Family Housing Revenue Bond Resolution (the “Bond Resolution”), adopted by the Administration as of December 1, 2009, and accepted by Manufacturers and Traders Trust Company, Baltimore, Maryland, as trustee (the “Trustee”), and (3) the Series Resolution Providing for the Issuance and Sale of \$22,555,000 Principal Amount of Single Family Housing Revenue Bonds 2011 Series C (Non-AMT), adopted as of December 1, 2011 (the “Series Resolution”), pursuant to which the 2011 Series C Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the “Resolutions”. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Resolutions.

The 2011 Series C Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2011 Series C Bonds are issuable as fully registered bonds without coupons in the denominations of \$5,000 each or any integral multiple thereof. Principal of, premium, if any, and interest on the 2011 Series C Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2011 Series C Bonds are registered on the registration books of the Administration maintained by the Trustee.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2011 Series C Bonds for interest on the

2011 Series C Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2011 Series C Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2011 Series C Bonds. We have examined the Resolutions and other relevant single-family housing program documents of the Administration which, in our opinion, establish procedures under which, if followed, such requirements would be met. The Administration has covenanted in the Resolutions to comply with all of the applicable requirements of the Code.

In connection with the issuance of the 2011 Series C Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2011 Series C Bonds and such other opinions, documents, certificates, letters and matters of law as we have deemed necessary to render the opinions set forth below.

Based upon the foregoing we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2011 Series C Bonds.

2. The Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2011 Series C Bonds are entitled to the benefit and security of the Resolutions for the payment thereof in accordance with the terms of the Resolutions.

3. The 2011 Series C Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Resolutions, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights and the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, the application of equitable principles where equitable remedies are sought and limitation on enforcement of judgments against public bodies. The 2011 Series C Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2011 Series C Bonds is consistent with the form of the 2011 Series C Bonds provided in the authorizing Series Resolution.

5. The 2011 Series C Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes.

6. Assuming continuing compliance by the Administration with its covenants in the Resolutions to comply with the Code, interest on the 2011 Series C Bonds is excludable from the gross income of the holders thereof for federal income tax purposes and is exempt from individual and corporate federal alternative minimum tax and is not included in adjusted current earnings for purposes of corporate alternative minimum tax.

Ownership of tax-exempt obligations, including the 2011 Series C Bonds, may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued indebtedness

to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the 2011 Series C Bonds should consult their own tax advisor as to such consequences.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We call to your attention that the 2011 Series C Bonds are special obligations of the Administration and will be payable solely from the revenues and assets of the Administration pledged for the payment thereof under the Resolutions and the rights thereunder to any income, revenues, issues, profits and insurance proceeds and other sums of money payable thereunder. The Administration has no taxing power. The 2011 Series C 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.

We express no opinion herein with respect to the accuracy or completeness of the Official Statement prepared in respect of the 2011 Series C Bonds or as to any other matter not set forth herein.

Very truly yours,

[Letterhead of Ballard Spahr LLP, Washington, D.C.]

[CLOSING DATE]

Community Development Administration  
Department of Housing and Community Development  
State of Maryland  
100 Community Place  
Crownsville, Maryland 21032

**\$33,830,000**

**Community Development Administration  
Maryland Department of Housing and Community Development  
Single Family Housing Revenue Bonds  
2009 Series A-3 (Program Bonds) (Non-AMT)**

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), an agency in the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the government of the State of Maryland (the “State”), in connection with its release and conversion of \$33,830,000 aggregate principal amount of its Single Family Housing Revenue Bonds, 2009 Series A redesignated as Single Family Housing Revenue Bonds 2009 Series A-3 (Program Bonds) (Non-AMT) (the “2009 Series A-3 Bonds”). With the proceeds of the 2009 Series A-3 Bonds the Administration will make a deposit into the Program Account of the Program Fund under the Bond Resolution (as defined herein). Funds in the Program Fund will be made available to make or purchase mortgage loans to finance the acquisition of single-family residences located in the State through the purchase of mortgage loan pass-through certificates guaranteed as to timely payment of principal and interest by the Government National Mortgage Association.

The 2009 Series A-3 Bonds were previously 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 (the “Act”), (2) the Single Family Housing Revenue Bond Resolution (the “Bond Resolution”), adopted by the Administration as of December 1, 2009, and accepted by Manufacturers and Traders Trust Company, Baltimore, Maryland, as trustee (the “Trustee”), and (3) the Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A-3, adopted as of December 1, 2009, as thereafter supplemented and amended by a Supplemental Resolution Supplementing and Amending the Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A, adopted as of November 1, 2010 (the “Original Program Series Resolution”), pursuant to which the 2009 Series A-3 Bonds are authorized to be issued. The 2009 Series A-3 Bonds are being released and converted pursuant to the Original Program Bond Series Resolution, as supplemented and amended by a Fourth Supplemental Resolution Supplementing and Amending the Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A-3 (Program Bonds) adopted by the Administration prior to the release and redesignation of the 2009 Series A-3 Bonds (the “2009 Series A-3 Supplemental Resolution”). The Bond Resolution, the Original Program Series Resolution and the 2009 Series A-3 Supplemental Resolution are referred to collectively as the “Resolutions”. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Resolutions.

The 2009 Series A-3 Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2009 Series A-3 Bonds are issuable as fully registered bonds without coupons in the denominations of \$10,000 each or any integral multiple thereof. Principal of, premium, if any, and interest on the 2009 Series A-3 Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2009 Series A-3 Bonds are registered on the registration books of the Administration maintained by the Trustee.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2009 Series A-3 Bonds for interest on the 2009 Series A-3 Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the 2009 Series A-3 Bonds to be subject to inclusion in gross income retroactively to the date of issuance of the 2009 Series A-3 Bonds. We have examined the Resolutions and other relevant single-family housing program documents of the Administration which, in our opinion, establish procedures under which, if followed, such requirements would be met. The Administration has covenanted in the Resolutions to comply with all of the applicable requirements of the Code.

In connection with the issuance of the 2009 Series A-3 Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2009 Series A-3 Bonds and such other opinions, documents, certificates, letters and matters of law as we have deemed necessary to render the opinions set forth below.

Based upon the foregoing we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2009 Series A-3 Bonds.

2. The Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2009 Series A-3 Bonds are entitled to the benefit and security of the Resolutions for the payment thereof in accordance with the terms of the Resolutions.

3. The 2009 Series A-3 Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Resolutions, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors’ rights and the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, the application of equitable principles where equitable remedies are sought and limitation on enforcement of judgments against public bodies. The 2009 Series A-3 Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2009 Series A-3 Bonds is consistent with the form of the 2009 Series A-3 Bonds provided in the authorizing Series Resolution.

5. The 2009 Series A-3 Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland estate or inheritance taxes.

6. Assuming continuing compliance by the Administration with its covenants in the Resolutions to comply with the Code, interest on the 2009 Series A-3 Bonds is excludable from the gross income of the holders thereof for federal income tax purposes and is exempt from individual and corporate federal alternative minimum tax and is not included in adjusted current earnings for purposes of corporate alternative minimum tax.

Ownership of tax-exempt obligations, including the 2009 Series A-3 Bonds, may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement

benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the 2009 Series A-3 Bonds should consult their own tax advisor as to such consequences.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We call to your attention that the 2009 Series A-3 Bonds are special obligations of the Administration and will be payable solely from the revenues and assets of the Administration pledged for the payment thereof under the Resolutions and the rights thereunder to any income, revenues, issues, profits and insurance proceeds and other sums of money payable thereunder. The Administration has no taxing power. The 2009 Series A-3 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.

We express no opinion herein with respect to the accuracy or completeness of the Official Statement prepared in respect of the 2009 Series A-3 Bonds or as to any other matter not set forth herein.

Very truly yours,

## **APPENDIX L**

### **THE DEPOSITORY TRUST COMPANY AND BOOK-ENTRY**

#### **DTC and Book-Entry**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2009/2011 Series C Bonds. The 2009/2011 Series C 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 2010 Series B Bond certificate will be issued for each separately stated maturity of the 2009/2011 Series C Bonds in the aggregate principal amount of such maturity, 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2009/2011 Series C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009/2011 Series C Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2010 Series B 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 2009/2011 Series C Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2009/2011 Series C Bonds, except in the event that use of the book-entry system for the 2009/2011 Series C Bonds is discontinued.

To facilitate subsequent transfers, all 2009/2011 Series C 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 2009/2011 Series C 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 2009/2011 Series C Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2009/2011 Series C Bonds

are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The Trustee will make payments of principal of, redemption premium, if any, and interest on the 2009/2011 Series C Bonds to Cede & Co., or such other DTC nominee as may be requested by an authorized representative of DTC. DTC's current practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee, on the 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 Administration or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest 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 Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners entitled thereto is the responsibility of Direct and Indirect Participants. DTC, the Trustee and the Administration are not responsible for and make no representations concerning the manner of, or any charges that may be associated with, payments by Direct Participants or Indirect Participants to Beneficial Owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity of the 2009/2011 Series C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

DTC, Cede & Co. or such other DTC nominee will not consent or vote with respect to the 2009/2011 Series C Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy to the Administration as soon as possible after the record date for any consent or vote. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2009/2011 Series C Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

**Neither the Administration nor the Trustee will have any responsibility or obligation to the Direct Participants or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Participant; (B) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the 2009/2011 Series C Bonds; (C) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolutions to be given to Bondowners; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondowner, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

The Administration and the Trustee cannot give any assurances that DTC will distribute payments of principal of, redemption premium, if any, and interest on the 2009/2011 Series C Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Direct Participants or that they will do so on a timely basis, that Direct Participants or Indirect Participants will distribute to Beneficial Owners any payments or notices received by them or do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

So long as Cede & Co. is the registered owner of the 2009/2011 Series C Bonds, as nominee of DTC, references in this Official Statement to the owners of the 2009/2011 Series C Bonds except under "TAX

EXEMPTION AND RELATED CONSIDERATIONS” shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondowner of 2009/2011 Series C Bonds for all purposes under the Bond Resolutions.

The Administration may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to 2009/2011 Series C Bonds without the consent of Beneficial Owners or Bondowners.

DTC may discontinue providing its services as a depository with respect to the 2009/2011 Series C Bonds at any time by giving reasonable notice to the Administration or Trustee. Under such circumstances, in the event that a successor depository is not obtained bond certificates will be printed and delivered. The Administration may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

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.

### **Definitive Bonds**

DTC (or a successor securities depository) may discontinue providing its service with respect to the 2009/2011 Series C Bonds at any time by giving notice to the Administration and discharging its responsibilities with respect thereto under applicable law. In addition, the Administration, in its sole discretion and without the consent of any other person, may elect not to use or may terminate the services of DTC (or a successor securities depository). Under such circumstances, 2009/2011 Series C Bonds in definitive form will be delivered as provided in the Bond Resolutions and registered in accordance with the instructions of the purchasers, and the following requirements of the Bond Resolutions will apply. Interest on the 2009/2011 Series C Bonds will be payable by check or draft mailed by the Trustee to the registered owner thereof or, upon the request of a registered owner of 2009/2011 Series C Bonds having a principal amount of \$1,000,000 or more, by wire transfer from the Trustee to the registered owner thereof. The principal of and redemption premium, if any, are payable at the corporate trust office of the Trustee upon presentation of the 2009/2011 Series C Bonds on or after the date of maturity or redemption. Each exchange or transfer of the 2009/2011 Series C Bonds may require the payment by the owner of any tax, fee or other charge imposed by law and a reasonable transfer fee of the Trustee.

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