

NEW ISSUE-BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming compliance with certain covenants in the 2014 Series CD 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 Status and Related Considerations" herein, interest on the 2014 Series CD Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. Interest on the 2014 Series C Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT"), and (i) with respect to the 2014 Series C Bonds maturing on and prior to September 1, 2016, is included in adjusted current earnings for purposes of corporate AMT, and (ii) with respect to the 2014 Series C Bonds maturing on and after March 1, 2021, is not included in adjusted current earnings for purposes of corporate AMT. Interest on the 2014 Series D Bonds is not exempt from individual or corporate AMT. A discussion of the requirements for, the extent of and exceptions to such exclusion is contained under "Tax Status and Related Considerations" herein. Interest on the 2014 Series EF Bonds is taxable as ordinary income for purposes of federal income tax under existing laws, regulations, rulings and judicial decisions. The Administration does not intend to elect to treat the arrangement by which the collateral secures the 2014 Series EF Bonds as a REMIC. In the opinion of Bond Counsel, the 2014 Series CDEF 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.

\$150,050,000

**COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Residential Revenue Bonds**

\$47,960,000 2014 Series C (Non-AMT)

\$23,885,000 2014 Series D (AMT)

\$53,205,000 2014 Series E (Federally Taxable)

\$25,000,000 2014 Series F (Federally Taxable) (Variable Rate)



Dated: Date of Delivery

Due: As shown on the inside cover

The 2014 Series C Bonds (the "2014 Series C Bonds"), the 2014 Series D Bonds (the "2014 Series D Bonds" and, together with the 2014 Series C Bonds, the "2014 Series CD Bonds"), the 2014 Series E Bonds (the "2014 Series E Bonds" and, together with the 2014 Series C Bonds and the 2014 Series D Bonds, the "2014 Series CDE Bonds") and the 2014 Series F Bonds (the "2014 Series F Bonds" and, together with the 2014 Series E Bonds, the "2014 Series EF Bonds") (collectively, the "2014 Series CDEF 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 2014 Series CDEF Bonds.

Purchases of the 2014 Series CDE Bonds will be in book-entry form only, in principal amounts of \$5,000, or any integral multiple thereof. Purchases of the 2014 Series F Bonds in the Weekly Mode will be in book-entry form only, in principal amounts of \$100,000 or any integral multiple of \$5,000 in excess thereof. For the period from and including the date of the first authentication and delivery of the 2014 Series F Bonds, except as otherwise described herein, the 2014 Series F Bonds will bear interest at a rate determined weekly by the Remarketing Agent. The Administration may convert the 2014 Series F Bonds to modes other than a Weekly Mode as described herein. **The description of the 2014 Series F Bonds in this Official Statement pertains only to 2014 Series F Bonds in the Weekly Mode and to the Initial Liquidity Facility (as hereinafter defined).** Interest on the 2014 Series CDEF Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2015, by the Trustee to DTC. DTC is to remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the 2014 Series CDEF Bonds.

The 2014 Series CDEF Bonds are subject to redemption prior to maturity at the times and under the conditions set forth herein. The 2014 Series F Bonds are subject to mandatory tender (with no right to retain) on Mandatory Tender Dates, as described herein. The 2014 Series F Bonds may be tendered for purchase at the option of the owners thereof upon seven days' notice to the Trustee as described herein. See "THE 2014 SERIES CDEF BONDS" herein.

The Administration will maintain a Liquidity Facility (the "Liquidity Facility") to provide funds for the purchase of 2014 Series F Bonds tendered but not remarketed. The Initial Liquidity Facility will be a Standby Bond Purchase Agreement among the Administration, the Trustee and State Street Bank and Trust Company (the "Bank").



STATE STREET

The Initial Liquidity Facility will expire on November 14, 2017 but may be extended or replaced as described herein. The obligation of the Bank to purchase tendered 2014 Series F Bonds may also be terminated or suspended, and such termination or suspension may be immediate and without notice, prior to its stated expiration date under certain circumstances described herein. See "LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS" herein.

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 2014 Series CDEF Bonds are special obligations of the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department"), payable solely from the revenues and assets of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The 2014 Series CDEF 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 2014 Series CDEF Bonds are offered for delivery when, as and if issued, subject to the opinion of Ballard Spahr LLP, Washington, D.C., Bond Counsel, as to the validity of the 2014 Series CDEF Bonds. 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, and for the Bank by its special counsel, McGuireWoods LLP, Chicago, Illinois. It is expected that the 2014 Series CDEF Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September 25, 2014.

**J.P. Morgan
Loop Capital Markets**

**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.

September 10, 2014

[†] Sole underwriter and remarketing agent with respect to the 2014 Series F Bonds.

MATURITY SCHEDULE

\$47,960,000 2014 Series C Bonds (Non-AMT)

\$15,080,000 Serial Bonds (Price of 2014 Series C Serial Bonds – 100%)

Due (March 1)	Amount	Interest Rate	CUSIP Numbers 57419R-	Due (September 1)	Amount	Interest Rate	CUSIP Numbers 57419R-
2015	--	--		2015	\$950,000	0.150%	MF9
2016	\$960,000	0.250%	MG7	2016	875,000	0.400	MH5
2021	800,000	2.150	MJ1	2021	1,230,000	2.200	MK8
2022	1,250,000	2.450	ML6	2022	1,260,000	2.500	MM4
2023	1,250,000	2.650	MN2	2023	1,265,000	2.700	MP7
2024	1,280,000	2.750	MQ5	2024	1,300,000	2.800	MR3
2025	1,320,000	2.900	MS1	2025	1,340,000	2.950	MT9

\$8,495,000 – 3.200% Term Bonds due September 1, 2028 – Price: 100%; CUSIP Number: 57419RMU6

\$7,325,000 – 3.400% Term Bonds due March 1, 2031 – Price: 100%; CUSIP Number: 57419RMX0

\$4,615,000 – 3.750% Term Bonds due March 1, 2039 – Price: 100%; CUSIP Number: 57419RMW2

\$12,445,000 – 4.000% PAC Term Bonds due September 1, 2044 – Price: 109.989%; CUSIP Number: 57419RMV4

\$23,885,000 2014 Series D Bonds (AMT)

\$7,960,000 Serial Bonds (Price of 2014 Series D Serial Bonds – 100%)

Due (March 1)	Amount	Interest Rate	CUSIP Numbers 57419R-	Due (September 1)	Amount	Interest Rate	CUSIP Numbers 57419R-
2015	\$720,000	0.250%	MY8	2015	--	--	
2016	--	--		2016	\$75,000	0.600%	MZ5
2017	840,000	0.950	NA9	2017	850,000	1.125	NB7
2018	845,000	1.350	NC5	2018	855,000	1.450	ND3
2019	860,000	1.700	NE1	2019	870,000	1.800	NF8
2020	870,000	2.050	NG6	2020	885,000	2.100	NH4
2021	290,000	2.375	NJ0				

\$15,925,000 – 4.000% PAC Term Bonds due September 1, 2036 – Price: 109.285%; CUSIP Number: 57419RNK7

\$53,205,000 2014 Series E Bonds (Federally Taxable)

\$18,600,000 Serial Bonds (Price of 2014 Series E Serial Bonds – 100%)

Due (March 1)	Amount	Interest Rate	CUSIP Numbers 57419R-	Due (September 1)	Amount	Interest Rate	CUSIP Numbers 57419R-
2015	\$660,000	0.500%	NL5	2015	\$775,000	0.700%	NM3
2016	775,000	1.000	NN1	2016	780,000	1.125	NP6
2017	785,000	1.432	NQ4	2017	790,000	1.632	NR2
2018	795,000	1.957	NS0	2018	805,000	2.107	NT8
2019	810,000	2.357	NU5	2019	815,000	2.407	NV3
2020	830,000	2.637	NW1	2020	840,000	2.687	NX9
2021	850,000	2.937	NY7	2021	860,000	3.137	NZ4
2022	875,000	3.196	PA7	2022	890,000	3.246	PB5
2023	905,000	3.346	PC3	2023	920,000	3.446	PD1
2024	935,000	3.546	PE9	2024	950,000	3.596	PF6
2025	970,000	3.646	PG4	2025	985,000	3.696	PH2

\$8,680,000 – 4.146% Term Bonds due September 1, 2029 – Price: 100%; CUSIP Number: 57419RPJ8

\$5,920,000 – 4.478% Term Bonds due March 1, 2032 – Price: 100%; CUSIP Number: 57419RPK5

\$20,005,000 – 2.857% PAC Term Bonds due September 1, 2040 – Price: 100%; CUSIP Number: 57419RPL3

\$25,000,000 2014 Series F Bonds (Federally Taxable) (Variable Rate)

\$25,000,000 Term Bonds due September 1, 2044 – Price: 100%; CUSIP Number: 57419RPM1

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 2014 Series CDEF 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 (as defined under the heading “UNDERWRITING” herein) 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, its 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 or by the Underwriters 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 2014 SERIES CDEF 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.

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

Relating to

\$150,050,000
Residential Revenue Bonds
\$47,960,000 2014 Series C (Non-AMT)
\$23,885,000 2014 Series D (AMT)
\$53,205,000 2014 Series E (Federally Taxable)
\$25,000,000 2014 Series F (Federally Taxable) (Variable Rate)

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 sale by the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), of \$47,960,000 aggregate principal amount of its Residential Revenue Bonds, 2014 Series C (Non-AMT) (the “2014 Series C Bonds”), \$23,885,000 aggregate principal amount of its Residential Revenue Bonds, 2014 Series D (AMT) (the “2014 Series D Bonds” and, together with the 2014 Series C Bonds, the “2014 Series CD Bonds”), \$53,205,000 aggregate principal amount of its Residential Revenue Bonds, 2014 Series E (Federally Taxable) (the “2014 Series E Bonds” and, together with the 2014 Series C Bonds and the 2014 Series D Bonds, the “2014 Series CDE Bonds”) and \$25,000,000 aggregate principal amount of its Residential Revenue Bonds, 2014 Series F (Federally Taxable) (Variable Rate) (the “2014 Series F Bonds” and, together with the 2014 Series E Bonds, the “2014 Series EF Bonds”) (collectively, the “2014 Series CDEF Bonds”).

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 Appendix C – “DEFINITIONS” or in the Bond Resolutions (as hereinafter defined).

Authorization

The Administration is authorized to issue the 2014 Series CDEF Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), and a Residential Revenue Bond Resolution providing for the issuance of Residential Revenue Bonds adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005 (the “Bond Resolution”), for the benefit of Manufacturers and Traders Trust Company, as trustee (the “Trustee”). The 2014 Series C Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2014 Series C (Non-AMT) which will be adopted by the Administration prior to the issuance of the 2014 Series C Bonds (the “2014 Series C Bond Resolution”). The 2014 Series D Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2014 Series D (AMT) which will be adopted by the Administration prior to the issuance of the 2014 Series D Bonds (the “2014 Series D Bond Resolution” and, together with the 2014 Series C Bond Resolution, the “2014 Series CD Resolutions”). The 2014 Series E Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2014 Series E (Federally

Taxable) which will be adopted by the Administration prior to the issuance of the 2014 Series E Bonds (the “2014 Series E Bond Resolution”). The 2014 Series F Bonds will be issued pursuant to a Series Resolution Providing for the Issuance and Sale of Residential Revenue Bonds, 2014 Series F (Federally Taxable) (Variable Rate) which will be adopted by the Administration prior to the issuance of the 2014 Series F Bonds (the “2014 Series F Bond Resolution”). The 2014 Series C Bond Resolution, the 2014 Series D Bond Resolution, the 2014 Series E Bond Resolution and the 2014 Series F Bond Resolution are collectively called the “2014 Series CDEF Bond Resolutions.” The Bond Resolution and the 2014 Series CDEF Bond Resolutions are collectively called the “Bond Resolutions.”

Bonds Issued Under Bond Resolution

As of March 31, 2014, the Administration had issued 105 prior Series of Bonds under the Bond Resolution. As of March 31, 2014, \$1,734,765,000 in aggregate principal amount of Bonds comprising 50 Series were outstanding under the Bond Resolution. All prior Series of Bonds are collectively referred to herein as the “Prior Bonds”. The Bond Resolution provides for the issuance of Additional Bonds, which will be on parity with the Prior Bonds and the 2014 Series CDEF Bonds, and will be equally and ratably secured under the Bond Resolution. See “SECURITY FOR THE BONDS – Additional Bonds” herein. The Prior Bonds and the 2014 Series CDEF Bonds, together with any Additional Bonds issued under the Bond Resolution and secured on a parity basis, are referred to collectively as the “Bonds”. The Bond Resolution also allows the issuance of Subordinate Bonds which will not be on parity with the Bonds. To date, the Administration has not issued Subordinate Bonds under the Bond Resolution. The Administration may, from time to time, enter into Qualified Hedges which may be secured on a parity basis with the Bonds. See “SECURITY FOR THE BONDS–Interest Rate Swaps” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

The 2014 Series CDEF Bonds are secured as to both principal and interest by the pledge and lien of the Bond Resolution described herein under “SECURITY FOR 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.

Purpose of Bond Resolution

The Administration adopted the Bond Resolution pursuant to the Act primarily to finance single family housing loans under the Residential Revenue Bond Program (the “Program”), but has reserved the right to finance and also may issue Bonds to finance other kinds of housing and other types of loans permitted to be financed under the Bond Resolution. In addition to whole single family housing loans, other types of loans and other kinds of housing that may be financed by the Administration under the Bond Resolution include portions of or participations in single family housing loans made, purchased or otherwise financed by the Administration, home improvement loans, housing rehabilitation loans, as well as loans to finance or refinance developments authorized by the Act, including, without limitation, multi-family housing projects, group housing facilities and shared living facilities. To date, the Administration has applied proceeds of Bonds only to finance single family housing loans and participations in single family housing loans and to fund reserves related thereto. See “SECURITY FOR THE BONDS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

Use of Proceeds of the Bonds

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance any loan, project, facility, undertaking or purpose that the Administration is authorized to undertake,

finance or provide financing for pursuant to the Act (“Program Assets”), including, but not limited to, mortgage loans, Mortgage-Backed Securities (as defined herein), or portions of or participations in mortgage loans or Mortgage-Backed Securities (collectively referred to herein as “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 or to achieve any other of the Administration’s purposes. In addition to Mortgage Loans, the Bond Resolution permits financing of various types of Loans, including, without limitation, loans to finance various types of housing developments within the State, which include single family residences, multi-family residential rental facilities, and group living facilities (collectively, the “Developments”) which promote sound community development and provide housing for occupancy, in substantial part, by persons or families of limited incomes. The Loans also must meet the requirements set forth in the Bond Resolution. 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 2014 Series C Bonds will be used (i) to redeem the 2014 Series C Refunded Bonds (as defined herein), (ii) to purchase on or about the delivery date certain Mortgage-Backed Securities credited to the Warehouse Loan Fund (the “Warehouse Loan Fund”) established under the Collateral Reserve Fund of the Bond Resolution, and (iii) to make or purchase additional Mortgage Loans or participations in Mortgage Loans (through the purchase of whole loans or Mortgage-Backed Securities).

The funds made available from the issuance of the 2014 Series D Bonds will be used to redeem the 2014 Series D Refunded Bonds (as defined herein) and to pay a portion of the costs of issuance related to the 2014 Series CDEF Bonds.

The funds made available from the issuance of the 2014 Series E Bonds will be used to redeem the 2014 Series E Refunded Bonds (as defined herein) and to purchase on or about the delivery date certain Mortgage-Backed Securities credited to the Warehouse Loan Fund.

The funds made available from the issuance of the 2014 Series F Bonds will be used to make or purchase 2014 Series F Refinance Loans credited to the Warehouse Loan Fund on or about the delivery date. See Appendix B – “THE PROGRAM – Loans Financed from Taxable Bonds” for a description of the 2014 Series F Refinance Loans.

Following the redemption of the Refunded Bonds (as defined herein), certain amounts on deposit in the Reserve Fund and the Revenue Fund currently allocated to the Refunded Bonds and certain Mortgage Loans allocated to the Refunded Bonds will be reallocated to the 2014 Series C Bonds, 2014 Series D Bonds and 2014 Series E Bonds, as applicable, as described under “THE 2014 SERIES CDEF BONDS — Application of the 2014 Series CDEF Bonds Proceeds.”

The 2014 Series CDEF Bonds will be secured as to both principal and interest by the pledge and lien of the Bond Resolution described herein under “SECURITY FOR THE BONDS”.

Series Resolutions relating to Bonds issued to finance Mortgage Loans contain Series Program Determinations, which limit the Loans financed to Mortgage Loans on Single Family Residences and require all such Mortgage Loans to be insured by FHA or guaranteed by the United States Department of Veteran Affairs (“VA”), the United States Department of Agriculture, Rural Development (the “USDA/RD”) Guaranteed Rural Housing Loan Program, private mortgage insurance acceptable to the Administration or mortgage insurance provided by the Maryland Housing Fund (“MHF”). In addition, Loans with a loan-to-value ratio of 80% or less may be uninsured if certain requirements of the Administration are met. Effective as of February 1, 2011 newly originated Mortgage Loans generally have been pooled into Mortgage-Backed Securities. See “SECURITY FOR THE BONDS – Program Assets – Mortgage-Backed Securities” herein.

The 2014 Series C Bond Resolution contains Program Determinations relating to new Mortgage Loans to be financed with proceeds made available from the issuance of the 2014 Series C Bonds, and the 2014 Series F Bond Resolution contains Program Determinations relating to new Mortgage Loans to be financed with proceeds made available from the issuance of the 2014 Series F Bonds. See Appendix B – “THE PROGRAM,” and Appendix G – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS”.

The Bond Resolution does not require that Loans be secured by Credit Enhancement. In addition, the Bond Resolution permits the Administration to require Loans to be secured by Credit Enhancement other than FHA mortgage insurance, private mortgage insurance, MHF mortgage insurance, or VA or USDA/RD guarantees. Such Credit Enhancement may include a variety of forms and may be provided by a variety of Credit Enhancers. See the definitions of Credit Enhancement and Credit Enhancer in Appendix C – “DEFINITIONS” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

The 2014 Series CDE Bonds will bear interest from the date of delivery at the interest rates set forth on the inside cover hereof and shall be subject to redemption prior to maturity at the times and under the conditions described herein.

The 2014 Series F Bonds will bear interest as described herein, initially at a rate to be set as of the date of delivery of the 2014 Series F Bonds and thereafter at a rate determined weekly (the “Weekly Mode”), unless conversion to a different interest rate setting mode (a “Mode”) occurs as described herein. Except as otherwise provided herein, so long as the 2014 Series F Bonds are in Weekly Mode, the owners of any 2014 Series F Bonds are entitled to demand purchase of such 2014 Series F Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described herein. See “THE 2014 SERIES CDEF BONDS – Optional Tender of the 2014 Series F Bonds” herein. The 2014 Series F Bonds are also subject to mandatory tender for purchase under certain circumstances. See “THE 2014 SERIES CDEF BONDS – Mandatory Tender of the 2014 Series F Bonds” herein. Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as the initial remarketing agent for the 2014 Series F Bonds (the “Remarketing Agent”).

The Administration will provide a liquidity facility (the “Liquidity Facility”) to be in effect prior to the date, if any, when all 2014 Series F Bonds have been converted from a Weekly Mode to another mode not requiring a Liquidity Facility, subject to terms and conditions set forth herein. The initial Liquidity Facility (the “Initial Liquidity Facility”) with respect to the 2014 Series F Bonds will be a Standby Bond Purchase Agreement (the “Standby Bond Purchase Agreement”) by and between the Administration, the Trustee and State Street Bank and Trust Company (the “Bank”). The Standby Bond Purchase Agreement will be executed as of the date of delivery of the 2014 Series F Bonds, which Standby Bond Purchase Agreement will provide for the purchase by the Bank on the terms and conditions specified therein of tendered 2014 Series F Bonds which cannot be remarketed as provided for in the Bond Resolutions. If the Standby Bond Purchase Agreement is to expire or terminate according to its terms and will not be renewed or replaced with an Alternate Liquidity Facility, the related 2014 Series F Bonds will be subject to mandatory tender.

This Official Statement is intended to provide information to prospective owners of 2014 Series F Bonds while the 2014 Series F Bonds are in the Weekly Mode and to provide information concerning the Initial Liquidity Facility and the Bank, and is not intended to be relied upon by prospective owners of 2014 Series F Bonds with respect to which a Mode Change Date, an Unenhanced Variable Rate Bond Change Date or a Conversion Date (each as herein defined) has occurred, or upon the expiration or earlier termination of the Initial Liquidity Facility. A condition of any Mode Change Date, an Unenhanced Variable Rate Bond Change Date or a Conversion Date and the related remarketing of 2014 Series F Bonds is the delivery of an updated disclosure document.

Brief descriptions of the 2014 Series CDEF 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. Appendices E and F contain certain information regarding the outstanding indebtedness of the Administration and its redemption requirements for the Bonds from Prepayments of Loans as required by the Code, respectively. A summary of the FHA Mortgage Insurance Program, the VA Home Loan Guaranty Program, the USDA/RD Mortgage Guarantee Program, the private mortgage insurance acceptable to the Administration and the MHF Insurance Program is included as Appendix G. The financial statements of the Program, investments held in the Residential Revenue Bond Funds, information concerning Mortgage Loans financed under the Program, information concerning the prepayment speeds of Mortgage Loans under the Program, the form of opinions that Bond Counsel is delivering in connection with the issuance of the 2014 Series CDEF Bonds, certain information with respect to the Bank and information regarding the Depository Trust Company are included as Appendices H, J, K, L, M, N, O and P respectively. The financial statements of the Maryland Housing Fund are included in Appendix I. Summaries of the GNMA and Fannie Mae Mortgage-Backed Securities Programs are included in Appendices Q and R, respectively. **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 2014 Series CDEF Bonds, the Initial Liquidity Facility, the Bank, the Administration and the Program and descriptions of certain provisions of the Act, the 2014 Series CDEF 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 2014 Series CDEF 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.

THE 2014 SERIES CDEF BONDS

General Description

The 2014 Series CDE Bonds are initially issuable as fully registered bonds in denominations of \$5,000 or any integral multiple in excess thereof, and the 2014 Series F Bonds are initially issuable as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The 2014 Series CDEF Bonds will be initially 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 2014 Series CDEF Bonds. Individual purchases of the 2014 Series CDEF Bonds will be in book entry form only. References herein to the registered owner will be to Cede & Co., as nominee for DTC. For a description of DTC's procedures, see "DTC and Book Entry" herein. Manufacturers and Traders Trust has been designated by the Administration as Trustee under the Bond Resolution. Payments of interest will be made by wire transfer from the Trustee, to Cede & Co. as registered owner.

The 2014 Series CDEF Bonds initially delivered will be dated as of the date of their authentication and delivery and will bear interest from their dated date until their maturity or earlier redemption. Interest on the 2014 Series CDEF Bonds will be payable semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing March 1, 2015. If any such dates are not business days, then such payments will be made on the next business day. Interest on the 2014 Series CDE Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and interest on the 2014 Series F Bonds will be calculated on the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. 2014 Series CDEF Bonds subsequently issued in exchange for or upon the registration or transfer of 2014 Series CDEF Bonds will be dated the date of authentication thereof and will bear interest from the Interest Payment Date next preceding the date of the authentication thereof, unless the date of such authentication is after a Record Date and on or prior to the next succeeding Interest Payment Date, in which case they will bear interest from such Interest Payment Date; provided, however, that if interest on the 2014

Series CDEF Bonds is in default, the 2014 Series CDEF Bonds issued in place of 2014 Series CDEF Bonds surrendered for transfer or exchange will bear interest from the date to which interest has been paid in full on the 2014 Series CDEF Bonds. The Record Date is, with respect to the 2014 Series CDE Bonds, the fifteenth day preceding each Interest Payment Date and, with respect to the 2014 Series F Bonds in the Weekly Mode, the Business Day immediately prior to the applicable Interest Payment Date; provided, however, that if the Record Date is not a Business Day, then such Record Date shall be deemed to be the first Business Day following such Record Date. The 2014 Series CDEF Bonds mature on the dates and in the amounts set forth on the inside cover page of this Official Statement subject to earlier redemption as hereinafter described.

Application of 2014 Series CDEF Bond Proceeds

2014 Series C Bonds and 2014 Series D Bonds

The Administration will deposit the proceeds of the sale of the 2014 Series C Bonds as follows: (i) \$2,785,000 into a Redemption Account (the “2014 Series C Redemption Account”) to be used for the purpose of redeeming the remaining outstanding amounts of the Administration’s Residential Revenue Bonds 2004 Series G (the “2014 Series C Refunded Bonds”), (ii) \$30,521,922 into the 2014 Series C Program Account (the “2014 Series C Program Account”) of the Program Fund to purchase certain Mortgage-Backed Securities credited to the Warehouse Loan Fund, which are expected to be purchased on or about the delivery date (the “Delivery Date”) of the 2014 Series CDEF Bonds, (iii) \$2,831,794 into the 2014 Series C Program Account to purchase certain Mortgage-Backed Securities, which are expected to be purchased by December 1, 2014, (iv) \$4,864,415 into the 2014 Series C Program Account to purchase Mortgage Loans under the Administration’s Homeownership for Individuals with Disabilities Program (the “HIDP Loans”), which are expected to be purchased on or about the Delivery Date, and (v) \$8,200,000 into the 2014 Series C Program Account to be used to purchase additional Mortgage Loans or participations in Mortgage Loans (through the purchase of whole loans or Mortgage-Backed Securities), which are expected to be purchased by January 1, 2017. See Appendix A – “THE DEPARTMENT AND ADMINISTRATION – Other Housing Programs of the Department” for a description of the HIDP Loans.

The Administration will deposit the proceeds of the sale of the 2014 Series D Bonds as follows: (i) \$25,320,000 into a Redemption Account (the “2014 Series D Redemption Account”) to be used for the purpose of redeeming the remaining outstanding amounts of the Administration’s Residential Revenue Bonds 2004 Series H and 2004 Series I (together, the “2014 Series D Refunded Bonds” and, together with the 2014 Series C Refunded Bonds, the “2014 Series CD Refunded Bonds”), and (ii) \$43,636 into the Costs of Issuance Account of the Program Fund.

Following the refunding of the 2014 Series CD Refunded Bonds, (i) an amount of \$1,195,000 on deposit in the Reserve Fund currently allocated to the 2014 Series CD Refunded Bonds will be reallocated to the 2014 Series CD Bonds and deposited into the 2014 Series CD Reserve Account to be established under the 2014 Series C Bond Resolution, (ii) Mortgage Loans in the approximate amount of \$28,275,000 (the “2014 Series CD Reallocated Mortgage Loans”), including Mortgage Loans currently allocated to the 2014 Series CD Refunded Bonds as well as unallocated Mortgage Loans originally allocated to the Administration’s Residential Revenue Bonds 2000 Series C and 1997 Series B, will be reallocated to the 2014 Series CD Bonds, (iii) an approximate amount of \$1,195,000 on deposit in the Revenue Fund currently allocated to the 2014 Series CD Refunded Bonds will be reallocated to the 2014 Series CD Bonds and deposited into the 2014 Series C Program Account to be used to purchase certain Mortgage-Backed Securities credited to the Warehouse Loan Fund, which are expected to be purchased on or about the Delivery Date, and (iv) an approximate amount of \$325,000 on deposit in the Revenue Fund currently allocated to the 2014 Series CD Refunded Bonds will be reallocated to the 2014 Series CD Bonds and deposited into the 2014 Series C Redemption Account to be used for the redemption of Bonds as directed by the Administration.

The 2014 Series CD Reallocated Mortgage Loans, together with all other Mortgage Loans financed with proceeds made available from the 2014 Series C Bonds and the 2014 Series D Bonds, are referred to

herein as the “2014 Series CD Mortgage Loans”. The following table sets forth a summary of the Mortgage Loans (and the approximate amounts thereof) expected to comprise the 2014 Series CD Mortgage Loans.

<u>Estimated 2014 Series CD Mortgage Loans</u>	<u>Estimated Balance on 9/1/2014</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Remaining Term (months)</u>
2014 Series CD Reallocated Mortgage Loans	\$28,275,000	5.32	221
Mortgage-Backed Securities to be purchased on or about the Delivery Date	31,720,000	3.33	358
Mortgage-Backed Securities to be purchased by December 1, 2014	2,830,000	3.41	359
HIDP Loans to be purchased on or about the Delivery Date	4,865,000	4.25	352
Mortgage Loans (or participations) to be purchased by January 1, 2017	8,200,000	0.00	360
Total	75,890,000	3.77	307

2014 Series E Bonds

The Administration will deposit the proceeds of the sale of the 2014 Series E Bonds as follows: (i) \$53,080,000 into a Redemption Account (the “2014 Series E Redemption Account”) to be used for the purpose of redeeming the remaining outstanding amounts of the Administration’s Residential Revenue Bonds 2004 Series A, 2004 Series B, 2005 Series A, 2005 Series B, 2005 Series D and 2005 Series E (collectively, the “2014 Series E Refunded Bonds” and together with the 2014 Series CD Refunded Bonds, the “Refunded Bonds”), and (ii) \$125,000 into the 2014 Series E Program Account (the “2014 Series E Program Account”) of the Program Fund to purchase certain Mortgage-Backed Securities credited to the Warehouse Loan Fund, which are expected to be purchased on or about the Delivery Date.

Following the refunding of the 2014 Series E Refunded Bonds, (i) an amount of \$2,600,600 on deposit in the Reserve Fund currently allocated to the 2014 Series E Refunded Bonds will be reallocated to the 2014 Series E Bonds and deposited into the 2014 Series EF Reserve Account to be established under the 2014 Series E Bond Resolution, and (ii) Mortgage Loans in the approximate amount of \$54,475,000 (the “2014 Series E Reallocated Mortgage Loans”) currently allocated to the 2014 Series E Refunded Bonds will be reallocated to the 2014 Series E Bonds. The 2014 Series E Reallocated Mortgage Loans, together with all other Mortgage Loans financed with proceeds made available from the 2014 Series E Bonds, are referred to herein as the “2014 Series E Mortgage Loans”. The following table sets forth a summary of the Mortgage Loans (and the approximate amounts thereof) expected to comprise the 2014 Series E Mortgage Loans.

<u>Estimated 2014 Series E Mortgage Loans</u>	<u>Estimated Balance on 9/1/2014</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Remaining Term (months)</u>
2014 Series E Reallocated Mortgage Loans	\$54,475,000	5.31	231
Mortgage-Backed Securities to be purchased on or about the Delivery Date	125,000	2.00	358
Total	54,600,000	5.30	231

2014 Series F Bonds

The Administration will deposit the proceeds of the sale of the 2014 Series F Bonds as follows: (i) \$19,675,000 into the 2014 Series F Program Account to purchase certain 2014 Series F Refinance Loans credited to the Warehouse Loan Fund, which are expected to be purchased on or about the Delivery Date, and (ii) \$5,325,000 into the 2014 Series F Program Account to purchase certain 2014 Series F Refinance Loans, which are expected to be purchased by December 1, 2014. See Appendix B – “THE PROGRAM – Loans Financed from Taxable Bonds” for a description of the 2014 Series F Refinance Loans. The 2014 Series E Mortgage Loans, together with the 2014 Series F Refinance Loans, are referred to herein as the “2014 Series EF Mortgage Loans”. The following table sets forth a summary of the Mortgage Loans (and the approximate amounts thereof) expected to comprise the 2014 Series F Refinance Loans.

<u>Estimated 2014 Series F Refinance Loans</u>	<u>Estimated Balance on 9/1/2014</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Remaining Term (months)</u>
2014 Series F Refinance Loans to be purchased on or about the Delivery Date	\$19,675,000	4.875	334
2014 Series F Refinance Loans to be purchased by December 1, 2014	5,325,000	4.875	334

Costs of Issuance

The costs of issuance, including underwriters’ compensation, relating to the 2014 Series CDEF Bonds will be funded by the Administration from other available moneys not comprised of the proceeds of the 2014 Series CDEF Bonds, except for \$43,636 of proceeds of the 2014 Series D Bonds which will be used to pay costs of issuance relating to the 2014 Series CDEF Bonds.

Redemption Provisions

Optional Redemption.

The 2014 Series CDE Bonds, excluding the 2014 Series C PAC Bonds (as defined herein) and the 2014 Series D PAC Bonds (as defined herein), are subject to redemption at the option of the Administration, in whole or in part at any time, on or after March 1, 2024 at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to but not including the date of redemption.

The 2014 Series C PAC Bonds are subject to redemption at the option of the Administration, in whole or in part at any time, on or after March 1, 2024 at the following prices, plus accrued interest thereon to but not including the date of redemption:

Redemption Date	Price (%)
March 1, 2024 to but not including September 1, 2024	101.354
September 1, 2024 to but not including March 1, 2025	101.054
March 1, 2025 and after	100.000

The 2014 Series D PAC Bonds are subject to redemption at the option of the Administration, in whole or in part at any time, on or after March 1, 2024 at the following prices, plus accrued interest thereon to but not including the date of redemption:

Redemption Date	Price (%)
March 1, 2024 to but not including September 1, 2024	101.256
September 1, 2024 to but not including March 1, 2025	100.984
March 1, 2025 and after	100.000

The 2014 Series F Bonds in the Weekly Mode may be redeemed prior to their maturity at the option of the Administration, in whole or in part on any Business Day (including any optional or mandatory tender date), from any money made available for such purpose, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

Sinking Fund Redemption.

2014 Series C Bonds. The 2014 Series C Bonds maturing on September 1, 2028, are subject to mandatory redemption in part by lot on March 1, 2026 and on each September 1 and March 1 thereafter to and including September 1, 2028, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2026	\$1,360,000	2026	\$1,385,000
2027	1,405,000	2027	1,430,000
2028	1,445,000	2028**	1,470,000

**Final maturity.

The 2014 Series C Bonds maturing on March 1, 2031 are subject to mandatory redemption in part by lot on March 1, 2029 and on each September 1 and March 1 thereafter to and including March 1, 2031, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2029	\$1,490,000	2029	\$1,525,000
2030	1,545,000	2030	1,570,000
2031**	1,195,000		

**Final maturity.

The 2014 Series C Bonds maturing on March 1, 2039 are subject to mandatory redemption in part by lot on March 1, 2037 and on each September 1 and March 1 thereafter to and including March 1, 2039, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2037	\$905,000	2037	\$920,000
2038	935,000	2038	955,000
2039**	900,000		

**Final maturity.

The 2014 Series C PAC Bonds (as defined herein) are subject to mandatory redemption in part by lot on March 1, 2039 and on each September 1 and March 1 thereafter to and including September 1, 2044, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2039	\$75,000	2039	\$1,015,000
2040	1,035,000	2040	1,060,000
2041	1,075,000	2041	1,100,000
2042	1,125,000	2042	1,145,000
2043	1,165,000	2043	1,195,000
2044	1,215,000	2044**	1,240,000

**Final maturity.

2014 Series D Bonds. The 2014 Series D PAC Bonds (as defined herein) are subject to mandatory redemption in part by lot on March 1, 2031 and on each September 1 and March 1 thereafter to and including September 1, 2036, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2031	\$360,000	2031	\$1,445,000
2032	1,470,000	2032	1,495,000
2033	1,530,000	2033	1,555,000
2034	1,580,000	2034	1,615,000
2035	1,645,000	2035	1,670,000
2036	770,000	2036**	790,000

**Final maturity.

2014 Series E Bonds. The 2014 Series E Bonds maturing on September 1, 2029 are subject to mandatory redemption in part by lot on March 1, 2026 and on each September 1 and March 1 thereafter to and including September 1, 2029, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2026	\$1,005,000	2026	\$1,030,000
2027	1,050,000	2027	1,075,000
2028	1,095,000	2028	1,115,000
2029	1,140,000	2029**	1,170,000

**Final maturity.

The 2014 Series E Bonds maturing on March 1, 2032 are subject to mandatory redemption in part by lot on March 1, 2030 and on each September 1 and March 1 thereafter to and including March 1, 2032, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2030	\$1,190,000	2030	\$1,225,000
2031	1,250,000	2031	1,285,000
2032**	970,000		

**Final maturity.

The 2014 Series E PAC Bonds (as defined herein) are subject to mandatory redemption in part by lot on March 1, 2032 and on each September 1 and March 1 thereafter to and including September 1, 2040, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2032	\$345,000	2032	\$1,345,000
2033	1,375,000	2033	1,405,000
2034	1,445,000	2034	1,475,000
2035	1,370,000	2035	1,400,000
2036	880,000	2036	905,000
2037	925,000	2037	950,000
2038	970,000	2038	995,000
2039	1,020,000	2039	1,040,000
2040	1,065,000	2040**	1,095,000

**Final maturity.

2014 Series F Bonds. The 2014 Series F Bonds maturing on September 1, 2044 are subject to mandatory redemption in part by lot on March 1, 2041 and on each September 1 and March 1 thereafter to and including September 1, 2044, at the principal amount thereof plus accrued interest to the redemption date, on the dates and in the amounts as follows:

Year (March 1)	Principal Amount	Year (September 1)	Principal Amount
2041	\$115,000	2041	\$3,295,000
2042	3,380,000	2042	3,465,000
2043	3,550,000	2043	3,640,000
2044	3,730,000	2044**	3,825,000

**Final maturity.

General Provisions with regard to Sinking Fund Redemptions. 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.

PAC Bond Redemption.

2014 Series C PAC Bonds. An amount equal to 43.87% of the Prepayments of the 2014 Series CD Mortgage Loans (the “2014 Series C Prepayments”) will be applied first to the redemption of the 2014 Series C Bonds maturing on September 1, 2044 (the “2014 Series C PAC Bonds”), in an amount up to the cumulative amounts set forth in the following table, prior to the redemption of other Bonds. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series C Bonds and 2014 Series D Bonds” above for a description of the 2014 Series CD Mortgage Loans. 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 March 1, 2015. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans including the assumption that 2014 Series C Prepayments on such Mortgage Loans are received at a rate equal to 100% of the Securities Industry and Financial Markets Association standard prepayment model (“SIFMA Model”).

Payment Date	Cumulative Amount
March 1, 2015	\$385,000
September 1, 2015	920,000
March 1, 2016	1,540,000
September 1, 2016	2,240,000
March 1, 2017	3,015,000
September 1, 2017	3,810,000
March 1, 2018	4,590,000
September 1, 2018	5,355,000
March 1, 2019	6,095,000
September 1, 2019	6,810,000
March 1, 2020	7,490,000
September 1, 2020	8,135,000
March 1, 2021	8,750,000
September 1, 2021	9,340,000
March 1, 2022	9,895,000
September 1, 2022	10,425,000
March 1, 2023	10,925,000
September 1, 2023	11,400,000
March 1, 2024	11,850,000
September 1, 2024	12,275,000
March 1, 2025	12,445,000

If the amount available for such redemption is less than \$100,000, the Administration may delay redemption of the 2014 Series C PAC Bonds until the amount available for such redemption totals \$100,000 or more. The cumulative amounts set forth in the above table are subject to proportional reduction to the extent the 2014 Series C PAC Bonds are redeemed from proceeds of the 2014 Series C Bonds on deposit in the Program Fund not expended for the purposes set forth in the Bond Resolution and thereafter transferred to the Redemption Account. See “THE 2014 SERIES CDEF BONDS – Redemption Provisions – Special Redemption” below.

2014 Series C Prepayments in excess of the amounts set forth in the above table and up to the cumulative amounts set forth in the following table, may be applied to the redemption of Bonds other than the 2014 Series C PAC Bonds; provided that such 2014 Series C Prepayments may be used to redeem the 2014 Series C PAC Bonds if there are no other 2014 Series CD Bonds Outstanding. 2014 Series C Prepayments in excess of cumulative amounts set forth in the following table, may be applied by the Administration to the redemption of Bonds, including the 2014 Series C PAC Bonds. The cumulative amounts in the following table are derived from certain assumptions related to the 2014 Series CD Mortgage Loans including the assumption that 2014 Series C Prepayments are received at a rate equal to 400% of the SIFMA Model. The cumulative amounts set forth in the following table are subject to proportional reduction to the extent the 2014 Series C PAC Bonds are redeemed from proceeds of the 2014 Series C Bonds on deposit in the Program Fund not expended for the purposes set forth in the Bond Resolution and thereafter transferred to the Redemption Account. See “THE 2014 SERIES CDEF BONDS – Redemption Provisions – Special Redemption” below.

Payment Date	Cumulative Amount
March 1, 2015	\$1,615,000
September 1, 2015	3,715,000
March 1, 2016	5,990,000
September 1, 2016	8,420,000
March 1, 2017	10,945,000
September 1, 2017	13,325,000
March 1, 2018	15,465,000
September 1, 2018	17,375,000
March 1, 2019	19,065,000
September 1, 2019	20,540,000
March 1, 2020	21,810,000
September 1, 2020	22,900,000
March 1, 2021	23,835,000
September 1, 2021	24,635,000
March 1, 2022	25,320,000
September 1, 2022	25,900,000
March 1, 2023	26,400,000
September 1, 2023	26,825,000
March 1, 2024	27,185,000
September 1, 2024	27,495,000
March 1, 2025	27,495,000

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 a 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 30th month. Beginning in the 30th 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 2014 Series C PAC Bonds will be Outstanding (“Average Life”) based on the receipt of 2014 Series C Prepayments at certain percentages of the SIFMA Model and certain assumptions related to the 2014 Series CD Mortgage Loans, including the assumptions that (1) the 2014 Series CD Mortgage Loans will (i) be purchased on or about the respective dates, (ii) be outstanding in the respective approximate aggregate principal amounts, (iii) have the respective approximate weighted average mortgage rates, and (iv) have the respective approximate weighted average remaining term of mortgages, all as shown on the “Estimated 2014 Series CD Mortgage Loans” table located in “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series C Bonds and 2014 Series D Bonds” above, (2) 2014 Series C Prepayments in amounts in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are applied when received to redeem the 2014 Series CD Bonds other than the 2014 Series C PAC Bonds, and (3) 2014 Series C Prepayments in excess of 400% of the SIFMA Model are applied proportionally to the redemption of all the 2014 Series CD Bonds then Outstanding, including the 2014 Series C PAC Bonds. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series C Bonds and 2014 Series D Bonds” above for a description of the 2014 Series CD Mortgage Loans. See

Appendices K, L and M for information with respect to the Mortgage Loans relating to the Administration's Residential Revenue Bonds 2004 Series G, 2004 Series H and 2004 Series I, as well as the unallocated Mortgage Loans originally allocated to the Administration's Residential Revenue Bonds 2000 Series C and 1997 Series B, which are being reallocated to the 2014 Series CD Bonds in connection with the refunding of such Bonds and comprise a portion of the 2014 Series CD Mortgage Loans.

<u>Percent of SIFMA Standard Prepayment Model</u>	<u>Last Year Outstanding</u>	<u>Average Life (Years)</u>
0%	2044	27.51
25%	2044	18.42
50%	2043	10.84
75%	2029	6.64
100%	2025	5.00
200%	2025	5.00
300%	2025	5.00
400%	2025	5.02
500%	2025	3.69

However, (i) 2014 Series C Prepayments in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are not required (unless otherwise restricted by the 1986 Code) to be applied to the redemption of the 2014 Series CD Bonds, and (ii) 2014 Series C Prepayments in excess of 400% of the SIFMA Model are not required (unless otherwise restricted by the 1986 Code) to be applied to the redemption of the 2014 Series CD Bonds and, if redeemed, are not required to be applied proportionally to the redemption of all the 2014 Series CD Bonds then Outstanding and subject to redemption. The Administration generally expects to apply 2014 Series C Prepayments not otherwise restricted to the redemption of Bonds having the highest effective bond yield (provided the Administration is not required to do so). Actual events, including, among others, the actual receipt of 2014 Series C Prepayments and the application of such 2014 Series C Prepayments in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model and in excess of 400% of the SIFMA Model 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 2014 Series C PAC Bonds will be Outstanding may differ from any of the years or percentages stated above.

2014 Series D PAC Bonds. An amount equal to 56.13% of the Prepayments of the 2014 Series CD Mortgage Loans (the "2014 Series D Prepayments") will be applied first to the redemption of the 2014 Series D Bonds maturing on September 1, 2036 (the "2014 Series D PAC Bonds"), in an amount up to the cumulative amounts set forth in the following table, prior to the redemption of other Bonds. See "THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series C Bonds and 2014 Series D Bonds" above for a description of the 2014 Series CD Mortgage Loans. 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 March 1, 2015. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans including the assumption that 2014 Series D Prepayments on such Mortgage Loans are received at a rate equal to 100% of the SIFMA Model.

Payment Date	Cumulative Amount
March 1, 2015	\$485,000
September 1, 2015	1,175,000
March 1, 2016	1,970,000
September 1, 2016	2,870,000
March 1, 2017	3,865,000
September 1, 2017	4,885,000
March 1, 2018	5,885,000
September 1, 2018	6,860,000
March 1, 2019	7,805,000
September 1, 2019	8,715,000
March 1, 2020	9,585,000
September 1, 2020	10,415,000
March 1, 2021	11,205,000
September 1, 2021	11,950,000
March 1, 2022	12,665,000
September 1, 2022	13,340,000
March 1, 2023	13,985,000
September 1, 2023	14,595,000
March 1, 2024	15,170,000
September 1, 2024	15,715,000
March 1, 2025	15,925,000

If the amount available for such redemption is less than \$100,000, the Administration may delay redemption of the 2014 Series D PAC Bonds until the amount available for such redemption totals \$100,000 or more. The cumulative amounts set forth in the above table are subject to proportional reduction to the extent the 2014 Series D PAC Bonds are redeemed from proceeds of the 2014 Series C Bonds on deposit in the Program Fund not expended for the purposes set forth in the Bond Resolution and thereafter transferred to the Redemption Account. See “THE 2014 SERIES CDEF BONDS – Redemption Provisions – Special Redemption” below.

2014 Series D Prepayments in excess of the amounts set forth in the above table and up to the cumulative amounts set forth in the following table, may be applied to the redemption of Bonds other than the 2014 Series D PAC Bonds; provided that such 2014 Series D Prepayments may be used to redeem the 2014 Series D PAC Bonds if there are no other 2014 Series CD Bonds Outstanding. 2014 Series D Prepayments in excess of cumulative amounts set forth in the following table, may be applied by the Administration to the redemption of Bonds, including the 2014 Series D PAC Bonds. The cumulative amounts in the following table are derived from certain assumptions related to the 2014 Series CD Mortgage Loans including the assumption that 2014 Series D Prepayments are received at a rate equal to 400% of the SIFMA Model. The cumulative amounts set forth in the following table are subject to proportional reduction to the extent the 2014 Series D PAC Bonds are redeemed from proceeds of the 2014 Series C Bonds on deposit in the Program Fund not expended for the purposes set forth in the Bond Resolution and thereafter transferred to the Redemption Account. See “THE 2014 SERIES CDEF BONDS – Redemption Provisions – Special Redemption” below.

Payment Date	Cumulative Amount
March 1, 2015	\$2,065,000
September 1, 2015	4,750,000
March 1, 2016	7,665,000
September 1, 2016	10,775,000
March 1, 2017	14,000,000
September 1, 2017	17,050,000
March 1, 2018	19,790,000
September 1, 2018	22,235,000
March 1, 2019	24,395,000
September 1, 2019	26,285,000
March 1, 2020	27,910,000
September 1, 2020	29,305,000
March 1, 2021	30,500,000
September 1, 2021	31,520,000
March 1, 2022	32,395,000
September 1, 2022	33,145,000
March 1, 2023	33,780,000
September 1, 2023	34,325,000
March 1, 2024	34,790,000
September 1, 2024	35,185,000
March 1, 2025	35,185,000

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 a 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 30th month. Beginning in the 30th 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 2014 Series D PAC Bonds will be Outstanding (“Average Life”) based on the receipt of 2014 Series D Prepayments at certain percentages of the SIFMA Model and certain assumptions related to the 2014 Series CD Mortgage Loans, including the assumptions that (1) the 2014 Series CD Mortgage Loans will (i) be purchased on or about the respective dates, (ii) be outstanding in the respective approximate aggregate principal amounts, (iii) have the respective approximate weighted average mortgage rates, and (iv) have the respective approximate weighted average remaining term of mortgages, all as shown on the “Estimated 2014 Series CD Mortgage Loans” table located in “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series C Bonds and 2014 Series D Bonds” above, (2) 2014 Series D Prepayments in amounts in excess of the above 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are applied when received to redeem the 2014 Series CD Bonds other than the 2014 Series D PAC Bonds, and (3) 2014 Series D Prepayments in excess of 400% of the SIFMA Model are applied proportionally to the redemption of all the 2014 Series CD Bonds then Outstanding, including the 2014 Series D PAC Bonds. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series C Bonds and 2014 Series D Bonds” above for a description of the 2014 Series CD Mortgage

Loans. See Appendices K, L and M for information with respect to the Mortgage Loans relating to the Administration's Residential Revenue Bonds 2004 Series G, 2004 Series H and 2004 Series I, as well as the unallocated Mortgage Loans originally allocated to the Administration's Residential Revenue Bonds 2000 Series C and 1997 Series B, which are being reallocated to the 2014 Series CD Bonds in connection with the refunding of such Bonds and comprise a portion of the 2014 Series CD Mortgage Loans.

<u>Percent of SIFMA Standard Prepayment Model</u>	<u>Last Year Outstanding</u>	<u>Average Life (Years)</u>
0%	2036	19.20
25%	2036	14.28
50%	2036	10.05
75%	2029	6.63
100%	2025	5.00
200%	2025	5.00
300%	2025	5.00
400%	2025	5.02
500%	2025	3.69

However, (i) 2014 Series D Prepayments in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are not required (unless otherwise restricted by the 1986 Code) to be applied to the redemption of the 2014 Series CD Bonds, and (ii) 2014 Series D Prepayments in excess of 400% of the SIFMA Model are not required (unless otherwise restricted by the 1986 Code) to be applied to the redemption of the 2014 Series CD Bonds and, if redeemed, are not required to be applied proportionally to the redemption of all the 2014 Series CD Bonds then Outstanding and subject to redemption. The Administration generally expects to apply 2014 Series D Prepayments not otherwise restricted to the redemption of Bonds having the highest effective bond yield (provided the Administration is not required to do so). Actual events, including, among others, the actual receipt of 2014 Series D Prepayments and the application of such 2014 Series D Prepayments in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model and in excess of 400% of the SIFMA Model 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 2014 Series D PAC Bonds will be Outstanding may differ from any of the years or percentages stated above.

2014 Series E PAC Bonds. An amount equal to 100% of the Prepayments of the 2014 Series E Mortgage Loans (the "2014 Series E Prepayments") will be applied first to the redemption of the 2014 Series E Bonds maturing on September 1, 2040 (the "2014 Series E 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 March 1, 2015. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans including the assumption that 2014 Series E Prepayments on such Mortgage Loans are received at a rate equal to 100% of the SIFMA Model.

Payment Date	Cumulative Amount
March 1, 2015	\$1,380,000
September 1, 2015	2,980,000
March 1, 2016	4,505,000
September 1, 2016	5,970,000
March 1, 2017	7,365,000
September 1, 2017	8,705,000
March 1, 2018	9,975,000
September 1, 2018	11,185,000
March 1, 2019	12,340,000
September 1, 2019	13,435,000
March 1, 2020	14,475,000
September 1, 2020	15,470,000
March 1, 2021	16,405,000
September 1, 2021	17,300,000
March 1, 2022	18,145,000
September 1, 2022	18,945,000
March 1, 2023	19,695,000
September 1, 2023	20,005,000

If the amount available for such redemption is less than \$100,000, the Administration may delay redemption of the 2014 Series E PAC Bonds until the amount available for such redemption totals \$100,000 or more.

2014 Series E Prepayments in excess of the amounts set forth in the above table and up to the cumulative amounts set forth in the following table, may be applied to the redemption of Bonds other than the 2014 Series E PAC Bonds; provided that such 2014 Series E Prepayments may be used to redeem the 2014 Series E PAC Bonds if there are no other 2014 Series E Bonds Outstanding. 2014 Series E Prepayments in excess of cumulative amounts set forth in the following table, may be applied by the Administration to the redemption of Bonds, including the 2014 Series E PAC Bonds. The cumulative amounts in the following table are derived from certain assumptions related to the 2014 Series E Mortgage Loans including the assumption that 2014 Series E Prepayments are received at a rate equal to 400% of the SIFMA Model.

Payment Date	Cumulative Amount
March 1, 2015	\$5,845,000
September 1, 2015	12,035,000
March 1, 2016	17,285,000
September 1, 2016	21,860,000
March 1, 2017	25,745,000
September 1, 2017	29,120,000
March 1, 2018	31,970,000
September 1, 2018	34,440,000
March 1, 2019	36,525,000
September 1, 2019	38,330,000
March 1, 2020	39,855,000
September 1, 2020	41,170,000
March 1, 2021	42,280,000
September 1, 2021	43,235,000
March 1, 2022	44,040,000
September 1, 2022	44,730,000
March 1, 2023	45,310,000
September 1, 2023	45,805,000

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 a 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 30th month. Beginning in the 30th 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 2014 Series E PAC Bonds will be Outstanding (“Average Life”) based on the receipt of 2014 Series E Prepayments at certain percentages of the SIFMA Model and certain assumptions related to the 2014 Series E Mortgage Loans, including the assumptions that (1) the 2014 Series E Mortgage Loans will (i) be purchased on or about the respective dates, (ii) be outstanding in the respective approximate aggregate principal amounts, (iii) have the respective approximate weighted average mortgage rates, and (iv) have the respective approximate weighted average remaining term of mortgages, all as shown on the “Estimated 2014 Series E Mortgage Loans” table located in “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series E Bonds” above, (2) 2014 Series E Prepayments in amounts in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are applied when received to redeem the 2014 Series E Bonds other than the 2014 Series E PAC Bonds, and (3) 2014 Series E Prepayments in excess of 400% of the SIFMA Model are applied proportionally to the redemption of all the 2014 Series E Bonds then Outstanding, including the 2014 Series E PAC Bonds. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds – 2014 Series E Bonds” above for a description of the 2014 Series E Mortgage Loans. See Appendices K, L and M for information with respect to the Mortgage Loans relating to the Administration’s Residential Revenue Bonds 2004 Series A, 2004 Series B, 2005 Series A, 2005 Series B, 2005 Series D and 2005 Series E, which are being reallocated to the 2014 Series

E Bonds in connection with the refunding of such Bonds and comprise a portion of the 2014 Series E Mortgage Loans.

<u>Percent of SIFMA Standard Prepayment Model</u>	<u>Last Year Outstanding</u>	<u>Average Life (Years)</u>
0%	2040	21.54
25%	2040	15.01
50%	2040	9.42
75%	2028	5.50
100%	2023	3.98
200%	2023	3.98
300%	2023	3.98
400%	2024	3.99
500%	2029	4.16

However, (i) 2014 Series E Prepayments in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model are not required to be applied to the redemption of the 2014 Series E Bonds, and (ii) 2014 Series E Prepayments in excess of 400% of the SIFMA Model are not required to be applied to the redemption of the 2014 Series E Bonds and, if redeemed, are not required to be applied proportionally to the redemption of all the 2014 Series E Bonds then Outstanding and subject to redemption. The Administration generally expects to apply 2014 Series E Prepayments not otherwise restricted to the redemption of Bonds having the highest effective bond yield (provided the Administration is not required to do so). Actual events, including, among others, the actual receipt of 2014 Series E Prepayments and the application of such 2014 Series E Prepayments in excess of 100% of the SIFMA Model and not exceeding a cumulative percentage of 400% of the SIFMA Model and in excess of 400% of the SIFMA Model 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 2014 Series E PAC Bonds will be Outstanding may differ from any of the years or percentages stated above.

Special Redemption.

The 2014 Series CDEF Bonds are subject to special redemption, at the option of the Administration, in whole or in part, at any time and at a price (except as described below with respect to the 2014 Series C PAC Bonds, the 2014 Series D PAC Bonds and the 2014 Series E PAC Bonds (together, the “PAC Bonds”)) equal to the principal amount thereof, plus accrued interest thereon, from:

- (1) Recovery Payments from any Series of Bonds, except as otherwise provided herein under the heading ““Ten Year Rule” Requirements”; and
- (2) excess Revenues from any Series of Bonds, including, without limitation, amounts resulting from any reduction in the Reserve Fund from any Series of Bonds.

Additionally, the 2014 Series CD Bonds are subject to special redemption, at the option of the Administration, in whole or in part, at any time and at a price (except as described below with respect to the 2014 Series C PAC Bonds and the 2014 Series D PAC Bonds) equal to the principal amount thereof, plus accrued interest thereon, from unexpended proceeds of the 2014 Series C Bonds on deposit in the Program Fund not expended for the purposes set forth in the Bond Resolution and thereafter transferred to the Redemption Account.

Provided, however, that (i) the 2014 Series C PAC Bonds and the 2014 Series D PAC Bonds may not be redeemed from such Recovery Payments from any Series of Bonds other than 2014 Series CD Bonds or excess Revenues to the extent such redemption would cause the 2014 Series C PAC Bonds or the 2014 Series D PAC Bonds to be redeemed in an amount which exceeds 100% of the applicable SIFMA Model (as set forth

above under "*PAC Bond Redemption – 2014 Series C PAC Bonds and – 2014 Series D PAC Bonds*", respectively), until no other 2014 Series CD Bonds remain Outstanding; (ii) the 2014 Series E PAC Bonds may not be redeemed from such Recovery Payments from any Series of Bonds other than 2014 Series E Bonds or excess Revenues to the extent such redemption would cause the 2014 Series E PAC Bonds to be redeemed in an amount which exceeds 100% of the applicable SIFMA Model (as set forth above under "*PAC Bond Redemption – 2014 Series E PAC Bonds*"), until no other 2014 Series E Bonds remain Outstanding; (iii) any redemption resulting from unexpended proceeds of the 2014 Series C Bonds described in the paragraph above shall be applied on a pro rata basis amongst any Series and maturity of 2014 Series CD Bonds then Outstanding, and (iv) with respect to any redemption resulting from unexpended proceeds of the 2014 Series C Bonds described in the paragraph above, the 2014 Series C PAC Bonds and the 2014 Series D PAC Bonds 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.

As a result of the special redemption provisions, the Administration can make no assurance that a particular 2014 Series CDEF Bond 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.

Cross-Call Practices. Unless otherwise (i) provided in a Series Resolution, (ii) required or restricted by the 1986 Code, or (iii) directed by the Administration, excess Revenues and Prepayments of Mortgage Loans financed with proceeds of any Series of Bonds, to the extent transferred to the Redemption Fund, may be applied to the redemption of Bonds of any Series. The Administration generally expects to apply excess Revenues or Prepayments to the redemption of the Series having the highest effective bond yield; provided, however, that the Administration reserves the right to redeem Bonds, including the 2014 Series CDEF Bonds, that do not have the highest effective bond yield.

As a result, the 2014 Series CDEF Bonds may be redeemed from excess Revenues and Prepayments of Mortgage Loans financed with the proceeds of other Series of Bonds, except that the PAC Bonds shall not be so redeemed to the extent such redemption would cause the PAC Bonds to be redeemed in an amount which exceeds 100% of the applicable SIFMA Model (as set forth above under "*PAC Bond Redemption – 2014 Series C PAC Bonds, – 2014 Series D PAC Bonds and – 2014 Series E PAC Bonds*," respectively), until no other 2014 Series CD Bonds or 2014 Series E Bonds, as applicable, remain Outstanding. Excess Revenues and Prepayments generated from the 2014 Series CDEF Bonds may be applied to the redemption of other Series of Bonds, except as described above under the heading "*PAC Bond Redemption*."

“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”). Appendix F hereto is a table showing the percentage of mortgage prepayments received in any particular period that must, under the Ten Year Rule, be used for redemption of bonds of the issue that financed the mortgages, including the 2014 Series CD Bonds. The table is based on an allocation of bond proceeds between any “new money” (nonrefunding) portion, which will not be subject to the Ten Year Rule until ten years after the date of issuance, and any portion used, directly or indirectly, to refund one or more prior issues, each of which has its own ten year period which applies to the refunding issue. The Ten Year Rule applies generally to all issues of tax-exempt qualified mortgage bonds issued after December 31, 1988. Since the 2014 Series EF Bonds are being issued as taxable Bonds, the Ten Year Rule will not apply to the 2014 Series EF Bonds or the 2014 Series EF Mortgage Loans. The 2014 Series C PAC Bonds and 2014 Series D PAC Bonds shall not be redeemed in accordance with the 10-Year Rule to the extent such redemption would cause the 2014 Series C PAC Bonds and 2014 Series D PAC Bonds to be redeemed in an amount which exceeds 100% of the applicable SIFMA Model, unless there are no other 2014 Series CD Bonds then outstanding.

Risks of Redemption as a Result of Nonorigination. Subject to a *de minimis* exception, proceeds relating to the 2014 Series C Bonds deposited directly to the Program Fund to make or purchase Mortgage Loans and not used to finance Mortgage Loans within 42 months of the date of issuance will be used to redeem the 2014 Series CD Bonds as required by the 1986 Code. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds”, Appendix B – “THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution” and Appendix B – “THE PROGRAM – Mortgage-Backed Securities; Sale of Mortgage-Backed Securities and Whole Loans”.

On October 20, 2003, the Administration made an unused proceeds call from certain Prior Bonds in the amount of \$32,400,000. For more detail, refer to the filing with the National Recognized Municipal Securities Repositories on October 7, 2003 and see the Department’s website, www.dhcd.state.md.us, CDA Bonds – Investor Information. Since such date the Administration has not redeemed any other Series of Bonds from unexpended proceeds.

Risks of Redemption as a Result of Prepayments and Other Excess Revenues. All Mortgage Loans 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. For information concerning the prepayment speeds of Mortgage Loans under the Program, see Appendix M – “RESIDENTIAL REVENUE BOND PROGRAM PREPAYMENT SPEED OF MORTGAGE LOAN PORTFOLIO BY BOND ISSUANCE.”

It is not possible to predict the amount of excess Revenues that may be generated under the Bond Resolution. Any excess Revenues or Prepayments of Mortgage Loans received under the Bond Resolution and not applied to make or purchase new Mortgage Loans, 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 Bonds from such excess Revenues or Prepayments.

General Provisions. If fewer than all of the 2014 Series C Bonds, 2014 Series D Bonds, 2014 Series E Bonds or 2014 Series F Bonds of like maturity are to be redeemed and are no longer held in book entry form, the Administration will determine the particular 2014 Series C Bonds, 2014 Series D Bonds, 2014 Series E Bonds or 2014 Series F Bonds or portions thereof to be called for redemption. The Trustee will mail notice of the redemption to the Registered Owners of any 2014 Series CDEF Bonds or portions thereof to be redeemed not less than 15 days (or, in the case of 2014 Series CDEF Bonds then registered under DTC’s book entry only system of registration, 30 days) nor more than 90 days before any date upon which 2014 Series CDEF 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 that 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 2014 Series CDEF 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 2014 Series CDEF Bonds will cease to bear interest and such 2014 Series CDEF Bonds will no longer be considered as outstanding under the Bond Resolution.

2014 Series F Bonds in the Weekly Mode

The 2014 Series F Bonds (other than Bank Bonds) will bear interest at a rate determined weekly (the “Weekly Rate”) that will take effect on Thursday (the “Effective Rate Date”) following a Rate Determination Date and remain in effect until the day before the next Effective Rate Date (the “Weekly Mode”). The Weekly Rate will be determined by the Remarketing Agent by 4:00 p.m. New York time on the first Business Day

preceding the applicable Effective Rate Date (each a “Rate Determination Date”). In no event will the 2014 Series F Bonds (other than Bank Bonds) bear interest at a rate in excess of 12% (the “Maximum Rate”). The Trustee will provide monthly statements to DTC setting forth the Weekly Rates for the prior month within seven Business Days of the end of each calendar month.

The Weekly Rate will be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2014 Series F Bonds on the Effective Rate Date being 100% of the principal amount thereof. In determining the Weekly Rate for any 2014 Series F Bonds, the Remarketing Agent for the 2014 Series F Bonds will take into account to the extent applicable (1) market interest rates for comparable securities held by taxable money market funds; (2) other financial market rates and indices that may have a bearing on the Weekly Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, and the London Interbank Offered Rate (LIBOR)); (3) general financial market conditions; and (4) factors particular to the Administration and the 2014 Series F Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any 2014 Series F Bonds (other than Bank Bonds) will be conclusive and binding on the holders of the 2014 Series F Bonds. Failure by the Remarketing Agent or the Trustee to give any notice required under the 2014 Series F Bond Resolution, or any defect in such notice, will not affect the rights of the Bondholders thereof.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the rate on the 2014 Series F Bonds shall be the interest rate as determined or caused to be determined, at the expense of the Administration, by the Trustee weekly to be the lesser of (A) the One-Month LIBOR plus 0.25%, or (B) the Maximum Rate.

Mode Changes Relating to the 2014 Series F Bonds

The Administration may elect (1) to change the intervals at which the interest rate is calculated with respect to all or part of the 2014 Series F Bonds (each such change is a “Mode Change” with respect to the 2014 Series F Bonds to which such Mode Change applies, and the date on which each such Mode Change is effective is a “Mode Change Date”), (2) to change all or part of the 2014 Series F Bonds to become variable rate bonds not required to be covered by a Liquidity Facility (each such change an “Unenhanced Variable Rate Bond Change” with respect to the 2014 Series F Bonds to which it applies, and the date of each such change an “Unenhanced Variable Rate Bond Change Date”) or (3) to convert all or part of the 2014 Series F Bonds to bear interest based upon an index or at fixed rates to their maturity (with respect to the 2014 Series F Bonds to which such conversion applies, a “Conversion”, and the date on which such a Conversion is effective a “Conversion Date”). The Administration will provide notice to the Remarketing Agent, the Trustee, the Bank, and the Tender Agent not less than 20 days before the applicable Mode Change Date, Unenhanced Variable Rate Bond Change Date or Conversion Date of a Mode Change, an Unenhanced Variable Rate Bond Change, or a Conversion. The Trustee will provide notice to DTC of a Mode Change, an Unenhanced Variable Rate Bond Change or a Conversion not less than 15 days before the applicable Mode Change Date, Unenhanced Variable Rate Bond Change Date or Conversion Date. On each Mode Change Date, Unenhanced Variable Rate Bond Change Date, or Conversion Date, the 2014 Series F Bonds to which such Mode Change, Unenhanced Variable Rate Bond Change, or Conversion applies will be subject to mandatory tender for purchase.

The description of the 2014 Series F Bonds contained in this Official Statement is intended to provide information to prospective owners of 2014 Series F Bonds while 2014 Series F Bonds are in the Weekly Mode and to provide information concerning the Initial Liquidity Facility and the Bank, and is not intended to be relied upon by prospective owners of 2014 Series F Bonds with respect to which a Mode Change Date, an Unenhanced Variable Rate Bond Change Date or a Conversion Date has occurred, or upon the expiration or earlier termination of the Initial Liquidity Facility. A condition of a

Mode Change Date, an Unenhanced Variable Rate Bond Change Date or a Conversion Date and the related remarketing of 2014 Series F Bonds is the delivery of an updated disclosure document.

Optional Tender of the 2014 Series F Bonds

Holders of 2014 Series F Bonds in the Weekly Mode may elect to tender their 2014 Series F Bonds for purchase, by providing notice to the Trustee not later than 5:00 p.m. on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in the notice. Such 2014 Series F Bonds will be purchased on the purchase date specified in the notice at a price equal to 100% of the principal amount thereof plus accrued interest (the “Purchase Price”). Such notice of optional tender for purchase of 2014 Series F Bonds by the Bondholders thereof will be irrevocable once such notice is given to the Remarketing Agent.

Mandatory Tender of the 2014 Series F Bonds

The 2014 Series F Bonds or any portion thereof are subject to mandatory tender for purchase (with no right to retain) (1) on any Mode Change Date, Unenhanced Variable Rate Bond Change Date or Conversion Date for such Bonds, (2) upon scheduled expiration or termination by the Administration of the Initial Liquidity Facility or an Alternate Liquidity Facility (defined below) (a “Liquidity Expiration Event”) for such Bonds, on a date not less than 5 days prior to the scheduled expiration or earlier termination of the Liquidity Facility, and (3) upon receipt of a Notice of Termination Date (as described in the Initial Liquidity Facility) by the Trustee following the occurrence of certain Events of Default under such Liquidity Facility, on a date not less than five days prior to the date on which the Liquidity Facility will terminate (each a “Mandatory Tender Date”), at the Purchase Price. Upon any such event, the Trustee will deliver a notice of mandatory tender to Bondholders, at least 15 days prior to the Mandatory Tender Date, stating the reason for the mandatory tender, the date of mandatory tender, and that all Bondholders of 2014 Series F Bonds subject to such mandatory tender will be deemed to have tendered their 2014 Series F Bonds upon such date.

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its 2014 Series F Bond certificates. Any 2014 Series F Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price equal to the principal amount of such 2014 Series F Bonds plus accrued interest will be deemed to have been tendered and purchased on such Mandatory Tender Date. Bondholders will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such 2014 Series F Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Bondholders will no longer be entitled to the benefits of the Bond Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2014 Series F Bonds will be issued in place of such untendered 2014 Series F Bonds pursuant to the Bond Resolutions and, after the issuance of the replacement 2014 Series F Bonds, such untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Bond Resolutions.

Remarketing of the 2014 Series F Bonds

On each date on which 2014 Series F Bonds are required to be purchased, the Remarketing Agent for the 2014 Series F Bonds will use its best efforts to sell the 2014 Series F Bonds at a Weekly Rate (or, in the case of purchase upon a Mode Change, an interest rate corresponding to the appropriate mode) that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket any of the 2014 Series F Bonds so tendered while the Initial Liquidity Facility is in effect, the Bank will purchase the 2014 Series F Bonds in accordance with the Initial Liquidity Facility. The Remarketing Agent will not be required to remarket the 2014 Series F Bonds (1) after the occurrence of an Event of Default under the Bond Resolutions; (2) after the occurrence of a Termination Event under a Liquidity Facility and the Bank’s termination of its commitment to purchase the 2014 Series F Bonds

thereunder (as described under “LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS — Remedies Upon Occurrence of an Event of Default” herein) or (3) if the Bank breaches its obligation to purchase 2014 Series F Bonds tendered and not remarketed. The Administration will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent, including remarketing of tendered 2014 Series F Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may suspend its activities under certain circumstances. The Remarketing Agent may resign its duties by giving 30 days’ written notice to the Administration; provided, however, if a successor Remarketing Agent has not been appointed by the end of such 30 days, the existing Remarketing Agent shall continue to perform its obligations under the Remarketing Agreement until the earlier of (i) 60 days following the giving of its original written notice of resignation or (ii) the appointment of a successor Remarketing Agent by the Administration. The Administration may remove the Remarketing Agent upon 30 days’ written notice; provided, however, the Administration shall not remove the Remarketing Agent until it has appointed a successor Remarketing Agent.

The Remarketing Agent is Paid by the Administration

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing 2014 Series F Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case to the terms of the Remarketing Agreement and the Bond Resolutions), all as further described in this Official Statement. The Remarketing Agent is appointed by the Administration and is paid by the Administration for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2014 Series F Bonds.

The Remarketing Agent Purchases Bonds for its Own Account

The Remarketing Agent is permitted, but not obligated, to purchase tendered 2014 Series F Bonds for its own account. The Remarketing Agent, in its sole discretion, may acquire tendered 2014 Series F Bonds for its own inventory in order to achieve a successful remarketing of the 2014 Series F Bonds (i.e., because there otherwise are not enough buyers to purchase the 2014 Series F Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase the 2014 Series F Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2014 Series F Bonds by purchasing and selling 2014 Series F Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2014 Series F Bonds. If the Remarketing Agent purchases 2014 Series F Bonds for its own account, it may offer those 2014 Series F Bonds at a discount to par to some investors. The Remarketing Agent may also sell any 2014 Series F Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2014 Series F Bonds. The purchase of 2014 Series F Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2014 Series F Bonds in the market than is actually the case. The practices described above also may reduce the supply of 2014 Series F Bonds that may be tendered in a remarketing.

2014 Series F Bonds May Be Offered at Different Prices on Any Date

The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2014 Series F Bonds at par plus accrued interest, if any, on the Effective Rate Date. The interest rate will reflect, among other factors, the level of market demand for such 2014 Series F Bonds (including whether the Remarketing Agent is willing to purchase 2014 Series F Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered bonds at par, plus accrued interest. There may or may not be 2014 Series F Bonds tendered and remarketed on a Rate Determination Date. As an owner of 2014 Series F Bonds the Remarketing Agent may sell 2014 Series F Bonds at varying prices, including at a discount to par, to different investors on a Rate Determination Date or any other date. The Remarketing Agent is not

obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2014 Series F Bonds at the remarketing price.

The Ability to Sell the 2014 Series F Bonds Other Than Through Tender Process May Be Limited

While the Remarketing Agent may buy and sell 2014 Series F Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the 2014 Series F Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2014 Series F Bonds other than by tendering through the Tender Agent in accordance with the tender process.

Under certain circumstances, the Bank is not obligated to purchase tendered 2014 Series F Bonds. In addition, the Bank may fail to purchase tendered Bonds even when they are obligated to do so. In both cases, tendered 2014 Series F Bonds would be returned to the holders thereof and bear interest on a weekly basis at the lesser of (1) the rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2014 Series F Bonds being 100% of the principal amount thereof or (2) the Maximum Rate. No assurance can be provided that there will be a secondary market for the 2014 Series F Bonds in the event the Bank is not obligated, or fails, to purchase the 2014 Series F Bonds. Bondholders will not have the ability to tender their 2014 Series F Bonds during such period and may be required to hold their 2014 Series F Bonds to their maturity or prior redemption.

Administration Not Responsible to Bondholders for Bank's Failure to Purchase 2014 Series F Bonds

Under the terms and provisions of the 2014 Series F Bond Resolution and the Initial Liquidity Facility, the Purchase Price of 2014 Series F Bonds will be payable from moneys furnished in connection with the remarketing of the 2014 Series F Bonds or from the Initial Liquidity Facility. Upon the occurrence of a Termination Event (as defined under "LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS — Remedies Upon Occurrence of an Event of Default" herein) under the Initial Liquidity Facility, the Bank's obligation to purchase 2014 Series F Bonds under the Initial Liquidity Facility will immediately terminate or be suspended without notice or other action on the part of the Bank. See "LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS — Remedies Upon Occurrence of an Event of Default" herein. The Administration is not responsible to Bondholders for any failure by the Bank to purchase 2014 Series F Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2014 Series F Bond Resolution when the Bank is required to purchase the 2014 Series F Bonds under the Initial Liquidity Facility.

If the Bank does not purchase any 2014 Series F Bonds tendered or deemed tendered for purchase by the Bondholders thereof and not remarketed, such 2014 Series F Bonds would be returned to the holders thereof and bear interest on a weekly basis at the lesser of (1) the rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2014 Series F Bonds being 100% of the principal amount thereof or (2) the Maximum Rate. Bondholders will not have the ability to tender their 2014 Series F Bonds during such period and may be required to hold their 2014 Series F Bonds to their maturity or prior redemption.

LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS

General Provisions

The following description is a summary of certain provisions of the Initial Liquidity Facility relating to the 2014 Series F Bonds. Such summary does not purport to be a complete description or restatement of the material provisions of the Initial Liquidity Facility. Investors should obtain and review a copy of the Initial Liquidity Facility in order to understand all of the terms of that document. A final copy of the Initial Liquidity Facility will be provided to the MSRB in an electronic format subsequent to closing.

The Initial Liquidity Facility provides that the Liquidity Provider shall purchase those 2014 Series F Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the 2014 Series F Bond Resolution, in each case, to the extent such 2014 Series F Bonds are not remarketed by the Remarketing Agent. The Initial Liquidity Facility will expire on November 14, 2017, unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the Liquidity Provider to purchase 2014 Series F Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be suspended or terminated. See “LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS — Remedies Upon Occurrence of an Event of Default” herein. In such event, sufficient funds may not be available to purchase 2014 Series F Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Initial Liquidity Facility does not provide security for the payment of principal of or interest on or premium, if any, on the 2014 Series F Bonds.

The 2014 Series CDE Bonds are not secured by the Initial Liquidity Facility.

Purchase of Tendered 2014 Series F Bonds by the Liquidity Provider

The Liquidity Provider will purchase from time to time from the date of issuance of the 2014 Series F Bonds to and including November 14, 2017 (unless extended or earlier terminated pursuant to the terms of the Initial Liquidity Facility), Eligible Bonds (as defined in the Initial Liquidity Facility) tendered or deemed tendered pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Bond Resolutions, in each case, to the extent such 2014 Series F Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by the Liquidity Provider for 2014 Series F Bonds will be equal to the aggregate principal amount of each such 2014 Series F Bond, provided that the aggregate principal amount of all 2014 Series F Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the Initial Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Initial Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of such purchase (provided that if the applicable purchase date is an Interest Payment Date, the amount described in this clause (ii) shall be zero).

Events of Default

The following events constitute events of default under the Liquidity Facility.

(1) Any principal of, or interest on, any Liquidity Facility Bond (including any Bank Bond) or any other amount owed to the Bank as owner of any Bank Bond pursuant to the Liquidity Facility, shall not be paid when due; or

(2) The Administration shall fail to pay any facility fee or other amounts to the Bank due under the Liquidity Facility within fifteen (15) days after the same shall become due; or

(3) Any representation or warranty made or deemed to be made to the Bank by or on behalf of the Administration in the Liquidity Facility or in any of the Liquidity Facility Bonds, the Bank Bond Custody Agreement, the Bond Resolutions, this Official Statement, the purchase contract with respect to the 2014 Series F Bonds (the “Purchase Contract”), the Remarketing Agreement (collectively, the “Related Documents”), or in any certificate or statement delivered under the Liquidity Facility or under any Related Documents shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The Administration shall fail to observe or perform certain enumerated covenants, which shall constitute an event of default immediately and without regard to any grace period; or

(5) The Administration shall default in the due performance or observance of any other term, covenant or agreement contained (or incorporated by reference) in the Liquidity Facility (other than those referred to in paragraphs (1) through (4) above) and such default shall remain unremedied for a period of thirty (30) days after the Bank shall have given written notice thereof to the Administration; or

(6) (i) The Administration shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Administration shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Administration any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Administration, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, rehabilitation, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Administration shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Administration shall generally not, or shall be unable to, or so admit in writing its inability to, pay its Debts; or

(7) An Event of Default under the Bond Resolutions (with respect to the payment of any amount of principal of or interest on any bonds authorized thereunder) shall occur; or

(8) Any material provision of the Liquidity Facility or any Related Document (other than this Official Statement or the Purchase Contract) with respect to the payment of principal or interest on the 2014 Series F Bonds (including Bank Bonds) or with respect to the Security therefor shall cease to be valid and binding on the Administration or any other party thereto or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Administration or such other party thereto or by any Governmental Agency having jurisdiction, or any Governmental Agency having jurisdiction shall find or rule that any material provision of this Agreement or any Related Document (other than this Official Statement or the Purchase Contract) with respect to the payment of principal or interest on the 2014 Series F Bonds (including Bank Bonds) or with respect to the Security therefor is not valid or binding on the Administration or such other party thereto, or the Administration or such other party (in each case, through an authorized person) shall deny that it has any or further liability or obligation under any such document; or

(9) Each of Moody's and Fitch shall reduce the long-term credit rating of the Bonds below "Baa3" (or its equivalent) and "BBB" (or its equivalent), respectively, or such long-term credit ratings are suspended or withdrawn by Moody's and Fitch for credit-related reasons; or

(10) (i) The Administration shall default in any payment of principal of or premium, if any, or interest on any Parity Debt in excess of \$2,500,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or (ii) the Administration shall fail to perform any other agreement, term or condition contained in any agreement under which any such Parity Debt is created or secured, which shall permit or result in the declaring due and payable of such Parity Debt prior to the date on which it would otherwise have become due and payable; or

(11) A final judgment or order for the payment of money from the Program Fund and/or Revenue Fund in excess of \$5,000,000 shall have been rendered against the Administration and shall, by order of the Governmental Agency issuing such final judgment or order, be payable from the Revenues and other monies pledged to the payment of the Bonds under the Bond Resolution, and such judgment or order shall not have

been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered.

Remedies Upon Occurrence of an Event of Default

Following the occurrence of certain of the above referenced events of default, the Bank may take any one or more of the following actions.

(1) In the case of the occurrence of an event of default specified in paragraphs (1), (6), (7) (but only to the extent of the failure to pay principal of, or interest on, Parity Debt), (8), (9), (10)(i) or (11) under the heading “*Events of Default*” (each, a “Termination Event”), the obligations of the Bank under the Liquidity Facility to purchase the Liquidity Facility Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Bank shall be under no obligation to purchase the Liquidity Facility Bonds. Promptly upon such Termination Event, the Bank shall give written notice of the same to the Administration, the Trustee and the Remarketing Agent; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the obligation of the Bank to purchase Bonds pursuant to the Liquidity Facility. The Administration shall cause the Trustee to notify all Bondowners in writing of the termination of the obligation of the Bank to purchase the Liquidity Facility Bonds.

(2) In the case of the occurrence of any event of default described above (other than a Termination Event), the Bank may give written notice of such event of default and termination of the Liquidity Facility (a “Notice of Termination Date”) to the Trustee, the Tender Agent, the Administration and the Remarketing Agent, requesting a mandatory tender of the Liquidity Facility Bonds. The obligation of the Bank to purchase the Liquidity Facility Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and on such date the Bank shall be under no obligation under the Liquidity Facility to purchase Liquidity Facility Bonds.

(3) Upon the occurrence and during the continuance of a Default described in Paragraph 6(ii) or (iii) under the heading “*Events of Default*” (each a “Suspension Event”), the obligation of the Bank to advance funds for the purchase of Liquidity Facility Bonds under the Liquidity Facility shall be immediately and automatically suspended, without notice, until the bankruptcy, insolvency or similar proceeding referred to in such Paragraph is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligations of the Bank under the Liquidity Facility shall be automatically reinstated and the terms of the Liquidity Facility shall continue in full force and effect (unless the obligation of the Bank to purchase Liquidity Facility Bonds under the Liquidity Facility shall otherwise have terminated as provided above) as if there had been no such suspension. If at any time prior to the earlier of (i) the Stated Expiration Date of the Liquidity Facility and (ii) the date that is three (3) years following the suspension of the obligation of the Bank to purchase Liquidity Facility Bonds, (x) the Suspension Event is cured or ceased to be continuing and (y) the obligation of the Bank to purchase Liquidity Facility Bonds under the Liquidity Facility has not otherwise terminated, then, upon written notice from the Trustee to the Bank to such effect, the obligation of the Bank to purchase Liquidity Facility Bonds under the Liquidity Facility shall be automatically reinstated. If the Suspension Event has not been cured or has not ceased to be continuing prior to the three (3) year anniversary of such occurrence and the obligation of the Liquidity Provider to purchase Liquidity Facility Bonds under the Liquidity Facility has not otherwise terminated, then the obligations of the Liquidity Provider to advance funds for the purchase of Liquidity Facility Bonds shall be terminated upon written notice from the Bank to the Administration and the Trustee and the Bank shall have no further obligations to purchase any Bonds; provided that the Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligations of the Bank to purchase Liquidity Facility Bonds under the Liquidity Facility.

(4) Upon the occurrence of any event of default described above, the Bank may declare all accrued and unpaid amounts payable to it under the Liquidity Facility immediately due and payable (other than payments of principal of and interest on Bank Bonds, acceleration rights with respect to which are governed by the Resolution), and the Bank shall have all remedies provided at law or equity, which remedies shall be cumulative, and shall include, without limitation, specific performance; provided, however, the Bank agrees to purchase the Liquidity Facility Bonds on the terms and conditions of the Liquidity Facility notwithstanding the occurrence of an event of default which does not terminate its obligation to purchase Liquidity Facility Bonds under paragraphs (1) and (2) above or does not suspend its obligation to purchase Liquidity Facility Bonds under paragraph (3) above.

THE BANK

State Street Bank and Trust Company is providing the Initial Liquidity Facility. Appendix O contains a summary of certain financial information regarding the Bank. For a description of the Initial Liquidity Facility, see “LIQUIDITY FACILITY RELATING TO THE 2014 SERIES F BONDS” herein. The Administration does not make any representation concerning, nor does the Administration assume any responsibility for, the adequacy, accuracy or timeliness of the information in Appendix O of this Official Statement regarding the Bank or the Initial Liquidity Facility.

SECURITY FOR THE BONDS

Provisions of Bond Resolution

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

- (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds);
- (2) the Administration’s right, title and interest in and to all Program Assets financed from such proceeds;
- (3) Revenues;
- (4) all money, investments and other assets held in the funds and accounts established by or pursuant to the Bond Resolution and the earnings thereon, except for any money, investments, assets or income held in 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 Resolution subject to the filing of a Cash Flow Certificate, (ii) other specific limitations set forth in the Bond Resolution and (iii) with respect to one or more Series of Bonds, the power of the Administration to grant a lien on the same property and rights (or any portion thereof) on a parity with or subordinate to the lien granted to the Trustee for the benefit of the owners of 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 Resolution for releasing of moneys or other assets from the lien of the Bond Resolution, see “SECURITY FOR THE BONDS – Cash Flow Statements and Certificates”.

The pledge made and security interests granted by the Bond Resolution and the covenants and agreements therein set forth are for the equal benefit, protection and security of holders of all Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other except as expressly provided or permitted herein. Subordinate Bonds need not be of equal rank with other Bonds and shall be entitled to the preferences and priorities provided in the Series Resolution authorizing the issuance of Subordinate Bonds. See “SECURITY FOR THE BONDS – Additional Bonds”. The Administration may, from time to time, enter into Qualified Hedges which may be secured on a parity basis with the Bonds. See “SECURITY FOR THE BONDS - Interest Rate Swaps” and Appendix D - “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

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.

Program Assets

Loans. Mortgage Loans, Mortgage-Backed Securities, and any participations in Mortgage Loans or Mortgage-Backed Securities financed by the Administration with proceeds made available from the 2014 Series CDEF Bonds will be pledged as Program Assets under the Bond Resolution. Mortgage Loans or participations in Mortgage Loans allocated to the 2014 Series CDEF Bonds as a result of the refunding of the Refunded Bonds will continue to be pledged as Program Assets under the Bond Resolution. The Trustee will retain all right, title and interest in each such Mortgage Loan or participation interest for the equal and ratable security of the Bonds.

Each of the Loans financed with the proceeds of Prior Bonds issued under the Bond Resolution have been Mortgage Loans. Loans have been and may be insured by FHA or private mortgage insurance, acceptable to the Administration, the MHF, or guaranteed by VA or USDA/RD. Loans with a loan-to-value ratio of 80% or less may be uninsured if certain requirements of the Administration are met. See Appendix G – “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS – The MHF Insurance Program”. 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 applicable provisions 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.

Mortgage Loans financed with the proceeds of the Prior Bonds have been secured primarily by a first lien mortgage. However, the Bond Resolution does not require that a Loan financed in the future be secured by a Mortgage constituting a mortgage lien on a Development, or that the lien of any Mortgage be a first lien. Any of the Loan requirements may be varied pursuant to Credit Enhancement of such Loan or, if the Loan is not Credit Enhanced, as required or permitted by the Administration.

Pursuant to the Bond Resolution, the Administration may, in its discretion: (i) sell any Loan not in default, (ii) release any Loan from the lien of the Bond Resolution, or (iii) materially modify, amend or alter

any security for, or any terms or provisions, of any Loan or Mortgage. Before selling or otherwise transferring a Loan not in default (other than transfer of a Program Asset to a provider of Credit Enhancement or a Credit Facility provided that payment is made under the terms of the Credit Enhancement or Credit Facility), the Administration is required to file with the Trustee a Cash Flow Certificate taking such sale, release, cancellation, modification, amendment or alteration into account. The Administration may materially modify, amend, alter, release or cancel any terms or provisions of any Credit Enhancement.

Generally, the ability of the Administration to pay debt service on the Bonds depends upon the receipt of sufficient Revenues, principally comprising principal and interest payments on Loans, and earnings on investment of moneys in funds and accounts under the Bond Resolution. The Reserve Fund has been established to provide for the payment of debt service on the Bonds if Revenues for that purpose are at any time insufficient. If, however, Borrowers fail to satisfy their respective Loan obligations, and the proceeds of Credit Enhancement, if any, are insufficient, sufficient moneys may not be available to pay principal of and interest on the Bonds. The failure of a Borrower to make timely payment on its Loan or the occurrence of an event of default with respect to a Program Asset does not constitute a default with respect to any other Program Asset. Similarly, the occurrence of an Event of Default under the Bond Resolution does not, of itself, constitute an event of default with respect to any Program Asset. Under such circumstances, neither the Administration nor the Trustee has the right to accelerate payment of any Program Asset not in default.

Mortgage-Backed Securities. Effective as of February 1, 2011, newly originated Mortgage Loans insured by FHA or private mortgage insurers or guaranteed by VA or RHS generally have been purchased and securitized into mortgage-backed securities (the “Mortgage-Backed Securities”) guaranteed by the Government National Mortgage Association (“GNMA”) and the Federal National Mortgage Association (“FNMA”). U.S. Bank National Association, a GNMA and FNMA approved master servicer (the “Servicer”), purchases, securitizes and services such Mortgage Loans pursuant to a Servicing Agreement between the Administration and U.S. Bank National Association. No assurance can be provided, however, that the Administration will continue to cause such Mortgage Loans to be securitized into Mortgage-Backed Securities. A portion of the proceeds of the 2014 Series C Bonds is being used to purchase Mortgage-Backed Securities on deposit in the Warehouse Loan Fund. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds”. See Appendix Q – “THE GNMA MORTGAGE-BACKED SECURITIES PROGRAM” and Appendix R – “THE FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM” for summaries of the GNMA and Fannie Mae Mortgage-Backed Securities Programs, respectively.

Given the recent interest rate environment for tax-exempt bonds and Mortgage Loans, the Administration has financed a substantial portion of its recent mortgage loan production through the sale of Mortgage-Backed Securities or whole loans to third parties rather than through the issuance of bonds, and it is expected that such sales will continue to provide the primary source of financing such production in the near term.

Developments. In addition to financing Loans, Bonds may be issued under the Bond Resolution to provide funds for the making, purchasing or otherwise financing or refinancing of Developments, including any project, facility, undertaking or purpose that the Administration is authorized to undertake, finance or provide financing for pursuant to the Act as now or hereafter in effect, including, without limitation, Single Family Residences, multi-family housing, group housing, shared living facilities, home improvements, housing rehabilitation and any undertaking or project, or portion thereof, which is defined as a “community development project,” a “public purpose project,” an “energy conservation project,” a “home improvement project,” an “infrastructure project” or a “special housing facility” by the Act.

Reserve Fund

The Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified as the Reserve Requirement for each Series of Bonds in the applicable Series Resolution. During fiscal year 1997, the Administration adopted the provisions of GASB 31, which require that the financial statements of

the Administration reflect investments at fair value. Accordingly, the balance of the Reserve Fund reported at March 31, 2014, includes investments at fair value. As of March 31, 2014, the available balance in the Reserve Fund was \$53,646,050, of which \$42,126,119 was cash equivalents. The fair value of investments was \$11,519,931, of which \$9,464,447 was the book value of investments and \$2,055,484 was the increase in fair value of investments. See Appendix J – “INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS” herein. The amount currently on deposit in the Reserve Fund is at least equal to the aggregate Reserve Requirement established in the Series Resolutions which is 2% of the sum of: (i) the aggregate lendable proceeds on deposit in the Program Fund relating to all Prior Bonds, and (ii) the aggregate principal amount of the Mortgage Loans then outstanding made or purchased from amounts described in clause (i) above.

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

The Trustee may, at the direction of an Authorized Officer, withdraw any amount in the Reserve Fund in excess of the Reserve Requirement, and any amount anticipated to be withdrawn in connection with the purchase or redemption of Bonds, and credit such amount to the Revenue Fund. The Reserve Fund and the Reserve Requirement may be funded with moneys or Cash Equivalents, in accordance with the requirements of the Bond Resolution and any Supplemental Resolution, or as determined to be deposited therein by the Administration. If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility or Credit Enhancement are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Reserve Fund that would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider or Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Resolution.

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 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 Administrative 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. In June of 2009, excess revenue in the amount of \$45 million of cash equivalents was transferred from three different indentures of the Administration to the Collateral Reserve Fund. Additionally, in August of 2009, and as a result of the defeasance of the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans), the Administration transferred multi-family loans with a principal balance of \$50.8

million and cash equivalents of approximately \$2 million from that indenture into the Collateral Reserve Fund. In connection with the retirement in August of 2010 of the Administration's general certificate dated May 1, 1980 (the "General Certificate") pursuant to which the Administration had previously issued certain series of single family program bonds, the Administration transferred to the Collateral Reserve Fund additional loans with a principal balance of approximately \$106.4 million and cash equivalents of approximately \$7.5 million. As of March 31, 2014 (and including the Warehouse Loan Fund described below), the Collateral Reserve Fund held Loans with an outstanding principal balance of \$115,837,653 and Investment Obligations in the amount of \$183,267,644. See Appendix J – "INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS" herein. Certain Loans in the Warehouse Loan Fund will be purchased with the proceeds of the 2014 Series C Bonds and the 2014 Series F Bonds. See "THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds".

In addition, the Administration has established the Warehouse Loan Fund under the Collateral Reserve Fund of the Bond Resolution. Amounts on deposit in the Warehouse Loan Fund are used to purchase loans, including Mortgage Loans and Mortgage-Backed Securities. The Administration may apply certain amounts deposited into the Program Fund from proceeds of a Series of Bonds to purchase Mortgage Loans or Mortgage-Backed Securities from the Warehouse Loan Fund. For information on the status of the Warehouse Loan Fund, see Appendix B – "THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution – Status of Available Funds" and Appendix J – "INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS" herein.

Cash Flow Statements and Certificates

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

will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds and other Parity Obligations described in the calculation in the current and in each succeeding Bond Year. A Cash Flow Statement shall include all Outstanding Bonds and other Parity Obligations, together with one or more Series of Bonds to be issued by the Administration, all as may be required by the Bond Resolution, and may exclude any or all Subordinate Contract Obligations. 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 and other Parity Obligations, will equal or exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds and other Parity Obligations; 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 for payment to the Administration free and clear of the pledge and lien of the Bond Resolution, in an amount in excess of the amounts determined to be available for such purpose in the most recent Cash Flow Statement filed with the Trustee;

(iii) prior to selling 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, Bondholders should be aware that the existence of a Cash Flow Statement or Cash Flow Certificate does not assure that the conclusions expressed therein will accurately reflect future revenues or events.

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. See Appendix C – “DEFINITIONS – Investment Obligations” and Appendix B – “THE PROGRAM – Existing Portfolio and Available Funds Under the Bond Resolution”. As of March 31, 2014, the proceeds of Prior Bonds held in the Program Fund, the Revenue Fund, the Reserve Fund and the Collateral Reserve Fund were invested in the Investment Obligations set forth in Appendix J – “INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS”.

In general, it is the Administration’s policy to invest funds held in the Revenue Fund, the Reserve 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.

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 (other than Subordinate 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 “RATINGS” herein.

Credit Facilities

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

A Credit Facility may be: (i) an unconditional and irrevocable letter of credit in a form and drawn on a bank or banks acceptable to the Administration, so long as the providing of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Investment Obligations, or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds.

Credit Enhancement

Forms of credit enhancement may include mortgage insurance provided through the FHA mortgage insurance programs, private mortgage insurance, the VA and the USDA/RD guarantee programs, private mortgage insurance policies and the Maryland Housing Fund (“MHF”) mortgage insurance program. Other forms of credit enhancement also may include letters of credit, insurance policies, sureties, guarantees or any other security arrangement upon which the Administration or the Trustee may draw to provide credit support for Program Assets under the Bond Resolutions. All Loans with a loan-to-value ratio exceeding 80% will be secured by Credit Enhancement in the form of FHA mortgage insurance, private mortgage insurance, a VA or USDA/RD guarantee, or MHF insurance. Any secondary financing in connection with a Loan not covered by Credit Enhancement described in the preceding sentence 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. In the future, Loans may be, but are not required to be, secured by Credit Enhancement. See “SECURITY FOR THE BONDS”.

Variable Rate Bonds

The Administration had outstanding nine (9) series of variable rate Bonds in an aggregate principal amount of \$331,340,000 as of April 1, 2014. The 2014 Series F Bonds are being issued as an additional series of variable rate Bonds. The Administration intends to refund the variable rate Bonds designated 2004 Series I with a portion of the proceeds of the 2014 Series D Bonds. See “THE 2014 SERIES CDEF BONDS – Application of 2014 Series CDEF Bond Proceeds” herein.

Each Series of variable rate Bonds currently bears interest at a variable rate of interest determined either weekly or daily and is subject to tender at the option of the holders of such Bonds and to mandatory tender in accordance with the terms of the Bond Resolutions. Such Bonds may be converted to a different interest rate setting mode, following a mandatory tender of such Bonds as provided in the Bond Resolutions. The Administration has obtained either a Liquidity Facility or a Standby Credit Facility (defined below) (together referred to as a “Standby Facility”) to provide funds for the purchase of Bonds of such series that have been tendered for purchase and not remarketed subject to the terms contained in the Standby Facility. The Administration has covenanted in each Series Resolution with respect to each such series of Bonds to maintain a Standby Facility with respect to each such series of variable rate Bonds prior to the date, if any, when all such variable rate Bonds of such series are converted to another interest rate mode not requiring a Standby Facility under the Series Resolution.

Upon the occurrence of certain events set forth in a related Liquidity Facility, including without limitation, a failed remarketing or certain notice termination events, variable rate Bonds may be subject to increased interest rates and accelerated amortization.

The 2007 Series F Bonds and the 2008 Series D Bonds are enhanced by standby credit facilities (each a “Standby Credit Facility”), which, in addition to providing funds for the purchase of such Bonds that have been tendered for purchase and not remarketed, provide for the purchase of such Bonds upon the failure by the Administration to pay principal and interest on such Bonds when due, subject to the respective terms set forth therein.

The series of variable rate Bonds currently outstanding and information relating to Liquidity Facilities in place with respect to such Bonds as of April 1, 2014, are as follows:

Bond Issue	Date of Initial Issuance	Outstanding Principal (as of April 1, 2014)	Liquidity Facility Provider	Liquidity Facility Expiration Date
2004 Series I ⁽⁵⁾	11/10/2004	20,000,000	State Street ⁽¹⁾	11/14/2014 ⁽⁶⁾
2006 Series G	5/24/2006	40,000,000	State Street ⁽¹⁾	11/14/2014 ⁽⁶⁾
2006 Series J	7/13/2006	60,000,000	State Street ⁽¹⁾	11/14/2014 ⁽⁶⁾
2007 Series F	6/20/2007	29,915,000	PNC Bank ⁽²⁾	7/1/2017
2007 Series J	8/9/2007	37,485,000	TD Bank ⁽³⁾	7/26/2015
2007 Series M	12/12/2007	29,050,000	TD Bank ⁽³⁾	7/26/2015
2008 Series D	9/4/2008	49,890,000	PNC Bank ⁽²⁾	7/1/2017
2012 Series B	8/23/2012	45,000,000	BNYM ⁽⁴⁾	8/24/2015

(1) State Street Bank and Trust Company.

(2) PNC Bank, National Association

(3) TD Bank, N.A.

(4) The Bank of New York Mellon

(5) The Administration intends to refund these Bonds with a portion of the proceeds of the 2014 Series D Bonds.

(6) Effective July 18, 2014, the Liquidity Facility Expiration Date for these Liquidity Facilities was extended to November 14, 2017.

In addition to the series of variable rate Bonds listed above, the Administration's Residential Revenue Bonds 2011 Series B (the "2011 Series B Bonds") are outstanding in the principal amount of \$20,000,000 as of April 1, 2014. The 2011 Series B Bonds bear interest at a variable rate equal to SIFMA plus 0.95%. The 2011 Series B Bonds are not subject to optional tender, but are subject to mandatory tender on March 1, 2016 at which time the Administration expects to remarket the 2011 Series B Bonds. The 2011 Series B Bonds are not secured by a Standby Facility. If the Administration is unable to cause the 2011 Series B Bonds to be remarketed (or refunded) on the mandatory tender date, the 2011 Series B Bonds will be redeemed with available moneys under the Bond Resolution.

General Bond Reserve Fund

As an additional source of funds for the payment of principal of and interest on the bonds and notes issued or to be issued by the Administration, including the 2014 Series CDEF Bonds, the Administration has established the General Bond Reserve Fund (the "General Bond Reserve Fund") pursuant to an Indenture of Trust by and between the Administration and Manufacturers and Traders Trust Company, Baltimore, Maryland, as successor trustee, originally adopted as of June 29, 1984, and amended and restated as of July 1, 2014 between the Administration and Manufacturers and Traders Trust Company as trustee. Amounts on deposit in the General Bond Reserve Fund, to the extent available, may be used to pay the principal of and interest on bonds and notes of the Administration in the event that revenues and assets specifically pledged to such bonds and notes are not sufficient for the payment of principal of and interest on such notes or bonds. In addition, the Administration uses moneys in the General Bond Reserve Fund to cover costs of operation of the Administration. The Administration may withdraw funds within the General Bond Reserve Fund, or may pledge such funds to specific obligations, at any time for any purposes under the Act.

Balances. During fiscal year 1997, the Administration adopted the provisions of GASB 31, an accounting standard adopted by the Government Accounting Standards Board. GASB 31 requires the financial statements of the Administration to reflect investments at fair value. Accordingly, the balance of the General Bond Reserve Fund as reported at March 31, 2014, includes investments at fair market value. As of March 31, 2014, the available balance in the General Bond Reserve Fund was \$31,613,059, of which \$14,507,857 was cash equivalents. The fair value of investments was \$17,105,202, of which \$15,561,752 was the book value of investments and \$1,543,450 was the increase in fair value of investments.

On May 19, 1997, the Director of the Administration adopted a determination (the "Determination"), approved by the Secretary, stating that it is the policy of the Administration to maintain a total amount of cash, Investment Obligations and loans under the Administration's special housing opportunities program for financing group homes (the "Available Balance") in the General Bond Reserve Fund, as of July 1 of each year, of not less than \$20,000,000.

The Determination also provides that the Administration shall provide Moody's with written notice (i) if, as of July 1 of any year, the Available Balance in the General Bond Reserve Fund falls below \$20,000,000, such notice to be given no later than July 30 for unaudited amounts, and no later than September 30, for audited amounts; and (ii) of any event pursuant to which the Administration places or causes to be placed any lien or restriction upon all of any part of the funds held in the General Bond Reserve Fund (other than liens established in connection with the payment of principal of or interest on any of the Administration's bonds from the General Bond Reserve Fund).

Unless a default has occurred with respect to payment of any principal (or, if applicable, any redemption premium) of the Bonds or other bonds issued by the Administration, the Administration may, subject to any limitations set forth in the preceding paragraph, withdraw amounts in the General Bond Reserve Fund or may pledge amounts in the General Bond Reserve Fund to specific obligations at any time for any purposes under the Act. Upon the occurrence of an event of default with respect to any bonds secured by the General Bond Reserve Fund, the trustee for the defaulted bonds may file a claim against the General Bond Reserve Fund in an amount equal to the amount in default, and upon filing

such a claim will have a lien on the General Bond Reserve Fund in the amount of such claim. In the event of multiple defaults, claims against the General Bond Reserve Fund are given priority based upon time of receipt by the General Bond Reserve Fund trustee. There can be no assurance that moneys will be available in the General Bond Reserve Fund for the payment of principal of or interest on the Bonds. The Trustee is also the trustee for the General Bond Reserve Fund.

The Administration reserves the right to exclude the General Bond Reserve Fund as a potential source of security for Additional Bonds issued under the Bond Resolution.

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, including the 2014 Series CDEF Bonds and except Subordinate Bonds (described below). 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, but not limited to, Mortgage Loans, 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 Subordinate Bonds and 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.

Subordinated Bonds. The Administration, from time to time, may issue Additional Bonds to be secured by the Bond Resolution and a Series Resolution relating to such series of Additional Bonds, on a subordinated basis (“Subordinated Bonds”), subject to the conditions provided in the Bond Resolution and the related Series Resolution. A series of Subordinated Bonds may be payable from Revenues derived from the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to Bonds which are not Subordinated Bonds having a higher priority to payment from such Revenues. To date, the Administration has not issued Subordinate Bonds under the Bond Resolution. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Authorization of Subordinate Bonds; Conditions Precedent to Delivery” herein.

Taxable Bonds. The Administration has issued nine Series of taxable bonds under the Bond Resolution (in addition to the 2014 Series EF Bonds), originally in an aggregate principal amount of \$399,450,000. The 2014 Series EF Bonds are being issued as additional series of taxable bonds. Taxable bonds issued under the Resolution are equally and ratably secured on a parity basis with the Bonds. Taxable bond proceeds may be used to: (a) make or purchase Mortgage Loans, (b) purchase certain Loans meeting the eligibility requirements for the Administration’s tax-exempt loans except for the first-time homebuyer requirement in a non-targeted area, (c) purchase Loans that refinance loans with an adjustable rate or an

increased payment, or loans otherwise not affordable to borrowers (“Refinance Loans”), where the borrower meets income limit requirements for the tax-exempt program and where the appraised value of the property does not exceed the purchase limits for the tax-exempt program, (d) purchase certain other Loans that the Administration wishes to finance, and (e) refund other series of Bonds.

The 2007 Series F Bonds, 2007 Series J Bonds and 2007 Series M Bonds, each of which were originally issued as taxable bonds, have been re-offered and remarketed as tax-exempt bonds.

Interest Rate Swaps

The Administration has entered into four master swap agreements, one with JPMorgan Chase Bank, N.A. (“JPM”) (the “JPM Master Swap Agreement”), one with UBS AG (“UBS AG”) (the “UBS AG Master Swap Agreement”), one with Merrill Lynch Derivative Products AG (“MLDP”) (the “MLDP Master Swap Agreement”) and one with The Bank of New York Mellon (“BNYM”) (the “BNYM Master Swap Agreement” and together with the JPM Master Swap Agreement, the UBS AG Master Swap Agreement and the MLDP Master Swap Agreement, the “Master Swap Agreements”). Under the Master Swap Agreements, the Administration has entered into the interest rate swaps described below in order to attain a synthetic fixed rate with respect to the variable rate Bonds associated with such interest rate swaps. The summary below sets forth the major terms of these interest rate swap transactions as of March 31, 2014.

Interest Rate Swaps (In Thousands)							
Swap Provider	Series of Bonds	Initial Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid by Administration	Variable Rate Received by Administration ⁽¹⁾	Termination Date
JPM	2004 Series I	\$20,000	\$20,000	09/01/05	3.8525%	64% of LIBOR plus .29%	09/01/35 ⁽²⁾⁽⁷⁾
UBS AG	2006 Series G	\$40,000	\$40,000	05/24/06	4.4030%	64% of LIBOR plus .29%	09/01/40 ⁽³⁾⁽¹³⁾
JPM	2006 Series J	\$40,000	\$40,000	07/13/06	4.4030%	64% of LIBOR plus .29%	09/01/40 ⁽³⁾⁽⁷⁾
JPM	2006 Series J	\$20,000	\$20,000	07/13/06	4.4550%	64% of LIBOR plus .29%	09/01/40 ⁽³⁾⁽⁷⁾
MLDP	2007 Series F	\$46,485	\$28,435	10/27/09	4.4300%	64% of LIBOR plus .22%	03/01/26 ⁽⁴⁾⁽⁶⁾⁽⁹⁾⁽¹²⁾
MLDP	2007 Series J	\$58,680	\$36,600	09/01/09	4.8350%	64% of LIBOR plus .22%	09/01/25 ⁽⁴⁾⁽⁶⁾⁽⁹⁾⁽¹⁰⁾
BNYM	2007 Series M	\$26,990	\$11,360	10/08/09	4.3350%	64% of LIBOR plus .22%	09/01/43 ⁽⁵⁾⁽⁶⁾⁽¹¹⁾
MLDP	2008 Series D	\$50,000	\$49,890	09/04/08	3.6880%	64% of LIBOR plus .31%	09/01/38 ⁽⁶⁾⁽⁸⁾⁽⁹⁾

(1) “LIBOR” means the 1 month London Interbank Offered Rate.

(2) In connection with the refunding of the 2004 Series I Bonds with a portion of the proceeds of the 2014 Series D Bonds, the Administration intends to terminate this interest rate swap transaction in whole without any Termination Payment on September 1, 2014.

(3) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on March 1, 2016 and on each September 1 and March 1 thereafter. If the option is exercised in part, the applicable Notional Amounts shall be reduced pro rata.

(4) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on March 1, 2017 and on each September 1 and March 1 thereafter. If the option is exercised in part, the applicable Notional Amounts shall be reduced pro rata.

(5) The Administration has the option to terminate a portion of this interest rate swap transaction without any Termination Payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 thereafter until September 1, 2017. As of March 31, 2014, the Administration had exercised its option to partially terminate the notional amount of this interest rate swap in the aggregate amount of \$15,630. Effective September 1, 2014, the Administration expects to terminate \$340 of the notional amount of this interest rate swap. The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination

- Payment on September 1, 2017 and on each March 1 and September 1 thereafter; if the option is exercised in part, the Notional Amount shall be reduced pro rata.
- (6) The outstanding notional amount reflects the amount that has been amortized as of March 31, 2014. For the 2008 Series D interest rate swap transaction, on September 1, 2010, there was a scheduled amortization of the Notional Amount which corresponded to a scheduled mandatory sinking fund redemption of outstanding bonds on such date.
 - (7) On May 14, 2009, these swap agreements were assigned to JPMorgan Chase Bank, N.A. by Bear Stearns Financial Products Inc. All terms and conditions of the contracts remain in force.
 - (8) The Administration has the option to terminate this interest rate swap transaction in whole or in part without any Termination Payment on September 1, 2018 and on each March 1 and September 1 thereafter. If the option is exercised in part, the applicable Notional Amount shall be reduced pro rata.
 - (9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, MLDP remains in existence and continues as a swap provider on this swap agreement.
 - (10) On September 24, 2009, 2007 Series J Bonds, with an outstanding balance of \$58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.
 - (11) On October 8, 2009, 2007 Series M Bonds, with an outstanding balance of \$29,050, were remarketed and the related swap agreement with an outstanding Notional Amount of \$26,990 was amended effective October 8, 2009 (refer to note 5). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement on September 22, 2009.
 - (12) On October 27, 2009, 2007 Series F Bonds, with an outstanding balance of \$46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.
 - (13) The Bank of New York Mellon replaced UBS AG as counterparty to the swap agreement effective April 10, 2014.

Scheduled payments made to the Administration by the Swap Providers under the Master Swap Agreements shall constitute Hedge Receipts under the Bond Resolution and are pledged as security for the Bonds. The requirement to make scheduled payments to the Swap Providers by the Administration under the Master Swap Agreements is entitled to the lien created by the pledge under the Bond Resolution and is therefore on a parity with the Bonds. The Administration's rights and obligations under the Master Swap Agreements do not alter the Administration's obligation to pay the principal of, premium, if any, and interest on the Bonds.

Under certain circumstances (including certain events of default with respect to the Administration or a Swap Provider), an interest rate swap pursuant to the Master Swap Agreements may be terminated in whole or in part prior to the maturity of the Bonds in connection with which the interest rate swap was entered into. Following any termination of an interest rate swap, either the Administration or a Swap Provider may owe a Termination Payment to the other party, depending upon market conditions. Under certain conditions, the Administration could owe a Termination Payment to a Swap Provider, which could be substantial. Such Termination Payment would be payable on a basis subordinate to the payment of principal of and interest on the Bonds, other than any Subordinate Bonds (the Administration, to date, has not issued Subordinate Bonds). The Administration has agreed with each Swap Provider that, for so long as the Administration owes a Termination Payment to such Swap Provider, it will not direct the Trustee to deposit "Excess Revenues" into the Redemption Account of the Redemption Fund for the purpose of redeeming Bonds. "Excess Revenues" for this purpose means Revenues in excess of amounts needed, or reasonably anticipated to be needed as shown in the Administration's most recent Cash Flow Statement, (1) to make payments of interest and principal, at maturity or mandatory redemption due on the Bonds, to pay expenses in connection with any Credit Facility relating to the Bonds or as specified by the Administration and to fund the Reserve Fund in an amount sufficient to cause the amount on deposit in the Reserve Fund to equal the Reserve Requirement; (2) to be applied to the redemption of Bonds or to make or finance mortgage loans or participations in mortgage loans that do not bear interest in order to maintain the tax-exempt status of the Bonds; and (3) to be applied to the redemption of Bonds pursuant to specific undertakings to Owners of Bonds of a Series in a Series Resolution. Notwithstanding the foregoing, the Administration is not required to apply Revenues to such a Termination Payment if such payment would prevent the Administration from filing an acceptable Cash Flow Statement with the Trustee pursuant to the Resolution.

The Master Swap Agreements each contain specific collateral requirements that are in effect with respect to the Administration and the respective Swap Provider. The swaps each require a specific collateral level based on the respective credit rating of each Swap Provider and the Administration, and the value of such swap. Generally, the value threshold levels decline as the credit ratings of each party decline.

The Administration does not expect to enter into an interest rate swap with respect to the 2014 Series F Bonds on the delivery date thereof, but may do so in the future.

TAX STATUS AND RELATED CONSIDERATIONS

2014 Series CD Bonds

Federal Law

The proceeds from the 2014 Series CD Bonds will be used to finance Loans on Single Family Residences or to refund Bonds which were 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 2014 Series CD 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 2014 Series CD 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 2014 Series CD 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 2014 Series CD Bonds or allocable thereto will comply with such requirements. Pursuant to the 2014 Series CD 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 2014 Series CD 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 2014 Series CD 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 2014 Series CD Bonds if repurchase obligations are either unavailable or prove to be unenforceable for any reason, so long as any 2014 Series CD Bonds are Outstanding. See Appendix B – “THE PROGRAM – Eligible Mortgage Loans.” Noncompliance with the requirements in the Program documents and the 2014 Series CD Resolutions would cause interest on the 2014 Series CD 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 2014 Series CD 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 2014 Series CD 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 2014 Series CD Bonds.

Interest on the 2014 Series C Bonds is exempt from individual and corporate federal alternative minimum tax, and (i) with respect to the 2014 Series C Bonds maturing on and prior to September 1, 2016, is included in adjusted current earnings for purposes of corporate alternative minimum tax, and (ii) with respect to the 2014 Series C Bonds maturing on and after March 1, 2021, is not included in adjusted current earnings for purposes of corporate alternative minimum tax. Interest on the 2014 Series CD Bonds held by foreign corporations may be subject to the branch profits tax imposed by the 1986 Code. Interest on the 2014 Series D Bonds is not exempt from individual and corporate federal alternative minimum tax.

The 2014 Series C PAC Bonds and the 2014 Series D PAC Bonds are being offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holder’s tax basis for the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

Ownership of the 2014 Series CD 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 2014 Series CD Bonds. Bond Counsel expresses no opinion as to these matters.

Payments of interest on tax-exempt obligations, including the 2014 Series CD 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 an 2014 Series CD 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 2014 Series CD Bond interest. In any event, backup withholding does not affect the excludability of the interest on the 2014 Series CD 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 2014 Series CD Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the 2014 Series CD Bonds.

The opinions referred to herein as to the treatment of interest on the 2014 Series CD Bonds for federal income tax purposes are based upon laws, regulations, rulings and decisions in effect as of the date hereof. There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the 2014 Series CD Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes applicable to the 2014 Series CD Bonds. Under such circumstances, the Administration has no obligation to redeem or to increase the rate of interest paid on the 2014 Series CD Bonds. Each purchaser of the 2014 Series CD Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

State and Local Tax Exemption

In the opinion of Bond Counsel, the 2014 Series CD 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 2014 Series CD 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 2014 Series CD Bonds should consult their tax advisors regarding the tax status of the 2014 Series CD Bonds in a particular state or local jurisdiction other than the State.

2014 Series EF Bonds

Federal Law

Bond Counsel is of the opinion that interest on the 2014 Series EF Bonds is taxable as ordinary income for purposes of federal income tax.

The 2014 Series EF Bonds may be offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of the 2014 Series EF Bonds through deductions in determining taxable income. Holders should consult their tax advisers for an explanation of the amortization rules.

State and Local Tax Exemption

In the opinion of Bond Counsel, the 2014 Series EF 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 2014 Series EF 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 2014 Series EF Bonds should consult their tax advisors regarding the tax status of the 2014 Series EF Bonds in a particular state or local jurisdiction other than the State.

Additional Considerations

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under section 501(a) of the Code, other than governmental and church plans as defined herein (“Qualified Retirement Plans”), on Individual Retirement Accounts (“IRAs”) described in Section 408 and 408(a) of the Code, and on certain other plans described in Section 4975(e)(1) of the Code (collectively, “Tax-Favored Plans”).

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) for which no election has been made under Section 410(d) of the Code, and non-U.S. benefit plans (as described in Section 4(b)(4) of ERISA), are not subject to the requirements of ERISA or Section 4975 of the Code. While assets of such a plan may be invested in the 2014 Series CDEF Bonds without regard to the ERISA and Code considerations described below, they may be nevertheless subject to the provisions of applicable federal, state, local or foreign law that are similar to these ERISA and Code provisions. Accordingly, fiduciaries of such plans should consult with their counsel in considering whether to purchase the 2014 Series CDEF Bonds.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties in Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) a fiduciary with respect to a plan; (2) a person providing services to a plan; and (3) an employer or employee organization any of whose employees or members are covered by the plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available.

Plan Asset Issues. Certain transactions involving the purchase, holding or transfer of the 2014 Series CDEF Bonds might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the Administration were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Administration would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquires an "equity interest" in the Administration and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

Although there is little statutory or regulatory guidance on this subject, and there can be no assurances in this regard, it appears that the 2014 Series CDEF Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. Accordingly, the assets of the Administration should not be treated as the assets of plans investing in the 2014 Series CDEF Bonds. If the Administration's assets were deemed to constitute "plan assets" pursuant to the Plan Asset Regulation, transactions that the Administration might enter into, or may have entered into in the ordinary course of business, might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Internal Revenue Code.

Prohibited Transaction Exemptions. However, without regard to whether the 2014 CDEF Bonds are treated as an equity interest for such purposes, the acquisition or holding of 2014 CDEF Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Administration or one of the Underwriters, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. In such case, certain status-based exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a 2014 CDEF Bond. Included among these exemptions are:

- Prohibited Transaction Class Exemption ("PTCE") 96-23, which exempts certain transactions effected on behalf of a Benefit Plan by an "in-house asset manager";

- PTCE 90-1, which exempts certain investments by “insurance company pooled separate accounts”;
- PTCE 95-60, which exempts certain investments by “insurance company general accounts”;
- PTCE 91-38, which exempts certain investments by bank collective investment funds; and
- PTCE 84-14, which exempts certain transactions effected on behalf of a Benefit Plan by a “qualified professional asset manager.”

Note that IRAs (and certain other plans described in Section 4975(e)(1)) are typically not represented by banks, insurance companies or registered investment advisors so that, practically speaking, these status-based exemptions may be unavailable. There is also a statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (which may be available to IRAs as well as to other Benefit Plans) (the “Statutory Exemption”). The Statutory Exemption covers transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of which is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the 2014 CDEF Bonds, or that, if available, the scope of relief provided by these exemptions will necessarily cover all acts that might be construed as prohibited transactions.

Any ERISA Plan fiduciary considering whether to purchase 2014 CDEF Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of employee benefit plans that are not subject to the requirements of ERISA or Section 4975 of the Code should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar federal, state, local or foreign law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing 2014 CDEF Bonds on behalf of, or with the assets of, any Benefit Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the 2014 CDEF Bonds. The acquisition, holding and, to the extent relevant, disposition of 2014 CDEF Bonds by or to any Benefit Plan is in no respect a representation by the Administration (or any affiliate or representative of the Administration) that such an investment meets all relevant legal requirements with respect to investments by such Benefit Plans generally or any particular Benefit Plan, or that such an investment is appropriate for Benefit Plans generally or any particular Benefit Plan.

Legislative Changes

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 tax matters referred to herein or adversely affect the marketability or market value of the 2014 Series CDEF Bonds. Further, such proposals may impact the marketability or market value of the 2014 Series CDEF 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 or marketability of the 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF Bonds.

Purchasers of the 2014 Series CDEF Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions referred to herein are based upon laws, regulations, rulings and decisions in effect as of the date of delivery of the 2014 Series CDEF Bonds.

FINANCIAL STATEMENTS FOR THE PROGRAM

The financial statements for the fiscal year ended June 30, 2013 of the Community Development Administration Residential Revenue Bonds (the “Fund”) have been audited by CohnReznick LLP and the financial statements for the fiscal year ended June 30, 2012 of the Fund have been audited by Reznick Group, P.C., predecessor to CohnReznick LLP, both as described in the Independent Auditor’s Report of CohnReznick LLP accompanying the financial statements in Appendix H 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. Unaudited financial statements for the Residential Revenue Bonds of the Administration for the nine-month period ending March 31, 2014, are also included in Appendix H to this Official Statement.

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

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 2014 Series CDEF Bonds or in any way contesting or affecting the validity of the 2014 Series CDEF Bonds, the Bond Resolutions or other proceedings of the Secretary taken with respect to the issuance of the 2014 Series CDEF 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 2014 Series CDEF Bonds are subject to receipt of the opinions of Ballard Spahr LLP, Washington, D.C., Bond Counsel, which will be in substantially the forms set forth in Appendix N. 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. Certain legal matters pertaining to the Initial Liquidity Facility for the 2014 Series F Bonds will be passed on for the Bank by its special counsel, McGuireWoods LLP, Chicago, Illinois.

LEGALITY FOR INVESTMENT

Under the Act, the 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDE Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Loop Capital Markets, LLC., M&T Securities, Inc. and Morgan Stanley & Co. LLC (together, the “2014 Series CDE Underwriters”). The 2014 Series CDE Underwriters have agreed to purchase all but not less than all of the 2014 Series CDE Bonds from the Administration at the prices set forth on the inside cover page hereof. The 2014 Series CDE Underwriters will receive an underwriting fee of \$931,130.89 with respect to the 2014 Series CDE Bonds.

The obligation of the 2014 Series CDE Underwriters to purchase the 2014 Series CDE Bonds will be subject to certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the 2014 Series CDE Bonds may be changed, from time to time, by the 2014 Series CDE Underwriters. The 2014 Series CDE Underwriters may offer and sell the 2014 Series CDE Bonds to certain dealers (including dealers depositing 2014 Series CDE 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.

The 2014 Series F Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “2014 Series F Underwriter” and, together with the 2014 Series CDE Underwriters, the “Underwriters”). The 2014 Series F Underwriter has agreed to purchase all but not less than all of the 2014 Series F Bonds from the Administration at the price set forth on the inside cover page hereof. The 2014 Series F Underwriter will receive an underwriting fee of \$41,223.42 with respect to the 2014 Series F Bonds.

The obligation of the 2014 Series F Underwriter to purchase the 2014 Series F Bonds will be subject to certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions. The initial public offering price of the 2014 Series F Bonds may be changed, from time to time, by the 2014 Series F Underwriter. The 2014 Series F Underwriter may offer and sell the 2014 Series F Bonds to certain dealers (including dealers depositing 2014 Series F 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 2014 Series CDE Bonds, has entered into a negotiated dealer agreement (“Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including 2014 Series CDE Bonds at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase 2014 Series CDE Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2014 Series CDE Bonds that CS&Co. sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement,

Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2014 Series CDE Bonds. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2014 Series CDE Bonds.

Loop Capital Markets LLC (“Loop Capital Markets”), one of the Underwriters of the 2014 Series CDE Bonds, has entered into distribution agreements (each a “Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS and DBS will purchase the 2014 Series CDE Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any 2014 Series CDE Bonds that such firm sells.

M&T Securities, Inc., one of the underwriters for the 2014 Series CDE Bonds, is a subsidiary of Manufacturers and Traders Trust Company, the Trustee for the 2014 Series CDEF Bonds.

RATINGS

Fitch Ratings (“Fitch”) has assigned the rating of “AA” to the 2014 Series CDE Bonds and “AA/F1⁺” to the 2014 Series F Bonds, with a stable outlook with respect to the long term ratings. Moody’s Investors Service (“Moody’s”) has assigned the rating of “Aa2” to the 2014 Series CDE Bonds and “Aa2/VMIG1” to the 2014 Series F Bonds, with a stable outlook with respect to the long term ratings. Each rating and outlook reflects only the view of Fitch and Moody’s, respectively, and an explanation of such rating and outlook may be obtained from the issuing rating agency. There is no assurance that such ratings or outlooks will be maintained for any given period of time or that they will not be lowered or withdrawn entirely by the issuing rating agency, if, in its judgment, circumstances so warrant. A downward change in or withdrawal of a rating or outlook may have an adverse effect on the market price of the 2014 Series CDEF Bonds. The Administration has no obligation or duty to provide Owners of the 2014 Series CDEF Bonds with notice of any change in or withdrawal of a rating or outlook except as otherwise described under “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 Residential Revenue Bond Program prepared in accordance with generally accepted accounting principles and audited by a certified public accountant; and
- (2) information regarding the status of the portfolio of Program Assets expected to be financed, and which are 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 Program Assets or the Bonds;
- (d) information concerning delinquencies and foreclosures of Program Assets; and
- (e) information concerning Program Asset prepayments 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 2014 Series CDEF 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 2014 Series CDEF Bonds,
- vii. modifications to rights of Bondholders, if material,
- viii. bond calls, if material, and tender offers,
- ix. defeasances,
- x. release, substitution, or sale of property securing repayment of the 2014 Series CDEF 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.

During the previous five years, there have been instances where the Administration has not complied in all material respects with undertakings related to certain of the Bonds and to certain other bonds issued by the Administration. While the Administration has timely filed the local government annual financial information with respect to its infrastructure lending programs, the audited financial statements of the Administration related to the Administration's infrastructure lending programs for fiscal years ended 2009, 2010 and 2011 were not timely filed on EMMA in calendar years 2010, 2011 and 2012, respectively. During the period the annual financial statements of the Administration were not available on EMMA, such annual financial statements were available and remain available to the investing public on the Administration's website at www.mdhousing.org under "Investor Information."

In all other instances, the Administration timely filed the required annual financial information on EMMA; however, annual financial information was not properly associated with the CUSIPs for certain of the Bonds for fiscal years ended 2009 and 2012 and for certain other bonds issued by the Administration in certain fiscal years. As of the date hereof, the Administration is of the opinion that it has filed all required annual financial information and has properly associated all CUSIPs with the related Bonds and other bonds issued by the Administration.

The long-term rating of the Administration's Local Government Infrastructure Bonds 2010 Series A-2 issued on August 25, 2010 was upgraded from Aa3 to Aa1 by Moody's on December 14, 2012, and the long-term rating of the Administration's Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) 2011 Series A issued on August 31, 2011 was upgraded from Aa2 to Aa1 by Moody's on September 9, 2013. In each instance, notice of such upgrade was not timely filed but the Administration subsequently filed such notice. In addition, the short-term ratings of the Administration's Residential Revenue Bonds, 2007 Series J and 2007 Series M, were downgraded on June 15, 2012, as a result of the downgrading of the rating of the related liquidity provider. Notice of such ratings downgrades was not timely filed, but on July 26, 2012, such bonds were remarketed in connection with the replacement of such liquidity provider pursuant to separate remarketing memoranda, each dated July 19, 2012 and each reflecting such replacement and the restoration of such ratings.

The Administration has implemented procedures intended to ensure that similar instances will not occur in the future.

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 2014 Series CDEF 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 2014 Series CDEF Bonds, and will be enforceable by any holder of 2014 Series CDEF 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 2014 Series CDEF 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 and the 2014 Series CDEF 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, the USDA/RD mortgage guarantee program, private mortgage insurance, and the MHF insurance program do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations; and the description of private mortgage insurance does not purport to be comprehensive or definitive and is qualified by reference to applicable insurance policies and other such applicable information.

Financial Advisor

Caine Mitter & Associates Incorporated and Strategic Solutions Center, LLC have served as co-financial advisors (together, the "Financial Advisor") to the Administration in connection with the sale of the 2014 Series CDEF Bonds.

Selection and Compensation of Professionals

The Administration selects its independent auditor through a competitive process in accordance with State procurement law. Compensation of the auditor is not contingent on the sale of the 2014 Series CDEF Bonds. 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 2014 Series CDEF 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 2014 Series CDEF Bonds.

This Official Statement is not to be construed as a contract or agreement between the Administration and the owners of any of the 2014 Series CDEF 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

September 10, 2014

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 a unit of 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-7 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 governmental units. In addition, the Administration, which is a governmental unit 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 governmental units, including the Administration. The Maryland Housing Fund (“MHF”) is a governmental unit 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 Department staff in the use of computer resources.

The Division of Neighborhood Revitalization provides state and federal financial assistance including loans, grants, guaranties and state tax credits to Maryland’s sustainable communities; provides technical assistance programs to local governments, nonprofit organization and small businesses to reinvest in these

communities; and provides financial assistance to enable foreclosure prevention/mitigation housing and legal counseling.

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 from other executive branch agencies of State government (one from an agency which issues revenue bonds), one representative from 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.

Principal Executive Officers

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

Clarence J. Snuggs was appointed by the Governor effective September 1, 2014 as Acting Secretary of the Department. Mr. Snuggs previously served as Deputy Secretary of the Department from 2007 to his recent appointment. Since 2003, Mr. Snuggs served as Director of Enterprise Community Partners’ Baltimore office. In that capacity he had overall responsibility for operating the office and its programs, which focused on affordable housing production, capacity building for local community leaders and community-based organizations, public education system reforms and other community development initiatives. Between 1998 and 2003, Mr. Snuggs was Deputy Executive Director and Corporate Treasurer for the congressionally chartered Neighborhood Reinvestment Corporation in Washington, D.C. Prior to Neighborhood Reinvestment, Mr. Snuggs served as Vice President for Community Lending at Maryland National Bank and Signet Bank. Mr. Snuggs has been active in affordable housing and community development for nearly 20 years through his leadership and involvement in a host of regional and local community and civic organizations. He holds a Bachelor of Arts degree from Winston-Salem State University and a Master of Business Administration 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 Bachelor of Science degree in accounting from Towson University in 1980 and received his Master of Business Administration 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 University 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 Bachelor of Business Administration 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 of Community Development, for the Administration. He previously served as Vice-President of Residential and Consumer Lending and CRA Officer at Chesapeake Bank of Maryland. He served in that capacity at several Baltimore community banks and his responsibilities included secondary marketing, underwriting, and the management of staff for origination, closing, sales and post closing of various first lien 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 Master of Business Administration degree from Loyola University (Baltimore).

Senior Staff of the Administration

Senior staff members of the Administration are as follows:

<u>Name</u>	<u>Position</u>
Tonna Phelps	Director, Single Family Programs
Elaine Cornick	Acting Director, Multifamily Programs
Teresa R. Smith	Director, Finance

As of March 31, 2014, the staff of the Administration consists of approximately 168 positions and an additional 23 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, 38 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 Bachelor of Science in Business Administration from the University of Baltimore.

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 Bachelor of Business Administration in Finance from the University of Hawaii and a Master of Business Administration degree from Cameron University in Oklahoma.

Elaine Cornick, was appointed Acting Director, Multifamily Programs, on July 15, 2014 with an effective date of August 1, 2014. Prior to her appointment as Acting Director, she served as Deputy Director, Administration, Multifamily Housing as of May 2014 and as a Team Leader for Multifamily Programs since July 2013. Prior to her work in Multifamily Programs, Ms. Cornick was a Senior Manager in the Department's Single Family Programs and held various other positions in Single Family Programs since 1991. Before joining the department, Ms. Cornick worked at Mass Housing and for the City of Boston. Ms. Cornick has an Associate's Degree from Roxbury Community College.

Other Housing Programs of the Department

In addition to the Residential Revenue Program which is financed with the proceeds of Bonds (see Appendix B – "THE PROGRAM"), and the single family program financed with the proceeds of bonds issued under the New Issue Bond Program, 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 Programs. The Administration generally provides reduced-interest mortgage loans to eligible homebuyers. Since February 1, 2011, the Administration has financed a substantial portion of its recent mortgage loan production through the sale of mortgage-backed securities guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association rather than through the issuance of housing revenue bonds.

Single Family Programs include the Department's Homeownership Programs and Special Loan Programs. The Administration's Single Family Programs 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 households of limited income. 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 households of limited income. 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.

A portion of the proceeds of the 2014 Series C Bonds are being used to purchase Mortgage Loans under the Administration's Homeownership for Individuals with Disabilities Program (the "HIDP"). Under the HIDP, mortgage loans are made to individuals with disabilities, families with a disabled child or a guardian of a disabled person who are otherwise unable to obtain mortgage loans due to a lack of credit history or for other reasons related to their disability status. Funding for the HIDP is made available through State appropriations and proceeds from tax-exempt bonds (including with proceeds of the 2014 Series C Bonds). Loans financed with bond proceeds under the HIDP have fixed interest rates ranging from 3.25% to 4.875% per annum.

New Issue Bond Program. On January 12, 2010, the Administration issued \$154,290,000 of Single Family Housing Revenue Bonds (the "NIBP Bonds"). The NIBP Bonds were issued pursuant to the Single Family Housing Revenue Bond Resolution providing for the issuance of Single Family Housing Revenue Bonds, as supplemented and amended by the Series Resolution Providing for the Issuance and Sale of Single Family Housing Revenue Bonds 2009 Series A, as amended (together, the "NIBP Bond Resolution"), each adopted by the Administration as of December 1, 2009. The NIBP Bonds were placed pursuant to the New Issue Bond Program of the Housing Finance Agency Initiative announced October 19, 2009 (the "NIBP") by the United States Department of the Treasury (the "Treasury"). Under the NIBP, proceeds of the NIBP Bonds initially were credited to an escrow fund and held pursuant to the NIBP (the "NIBP Escrow Fund"). In order to release the NIBP Proceeds from the NIBP Escrow Fund the Administration reissued corresponding portions of NIBP Bonds as three series of tax-exempt bonds designated as Single Family Housing Revenue Bonds with the respective series designations of 2009 Series A-1, 2009 Series A-2 and 2009 Series A-3 (together, the "NIBP Program Bonds") in the aggregate principal amount of \$154,290,000. In conjunction with the reissuance of the NIBP Program Bonds, the Administration caused to be issued three additional series of bonds under the NIBP Resolution designated as Single Family Housing Revenue Bonds with the respective series designations of 2011 Series A, 2011 Series B and 2011 Series C (together, the "NIBP Market Bonds") in the aggregate principal amount of \$102,865,000. Proceeds of the NIBP Program Bonds and the NIBP Market Bonds were used 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"). All of the NIBP Proceeds have been released from the NIBP Escrow Fund.

On August 28, 2013 the Administration issued an additional series of bonds under the NIBP Bond Resolution in the aggregate principal amount of \$55,987,759.

The Administration does not currently anticipate issuing any new series of bonds under the NIBP Bond Resolution, but may do so in the future.

Bonds issued under the NIBP Resolution are not secured by or payable from the loans or assets of the Bond Resolution. The Bonds are not secured or payable from any loans or other assets held under the NIBP Resolution.

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

The Administration's multifamily 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 the Rental Housing Program funded with State appropriations which provides 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. Federal HOME funds are also available for these purposes.

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. Additionally, loans are made to private sector entities to provide units for very low income individuals with disabilities. The public entities provide the land and participate in the ownership and management of the properties. The properties are intended to remain low income housing in perpetuity, and the State moneys are required to be repaid only if the low income requirements are not enforced.

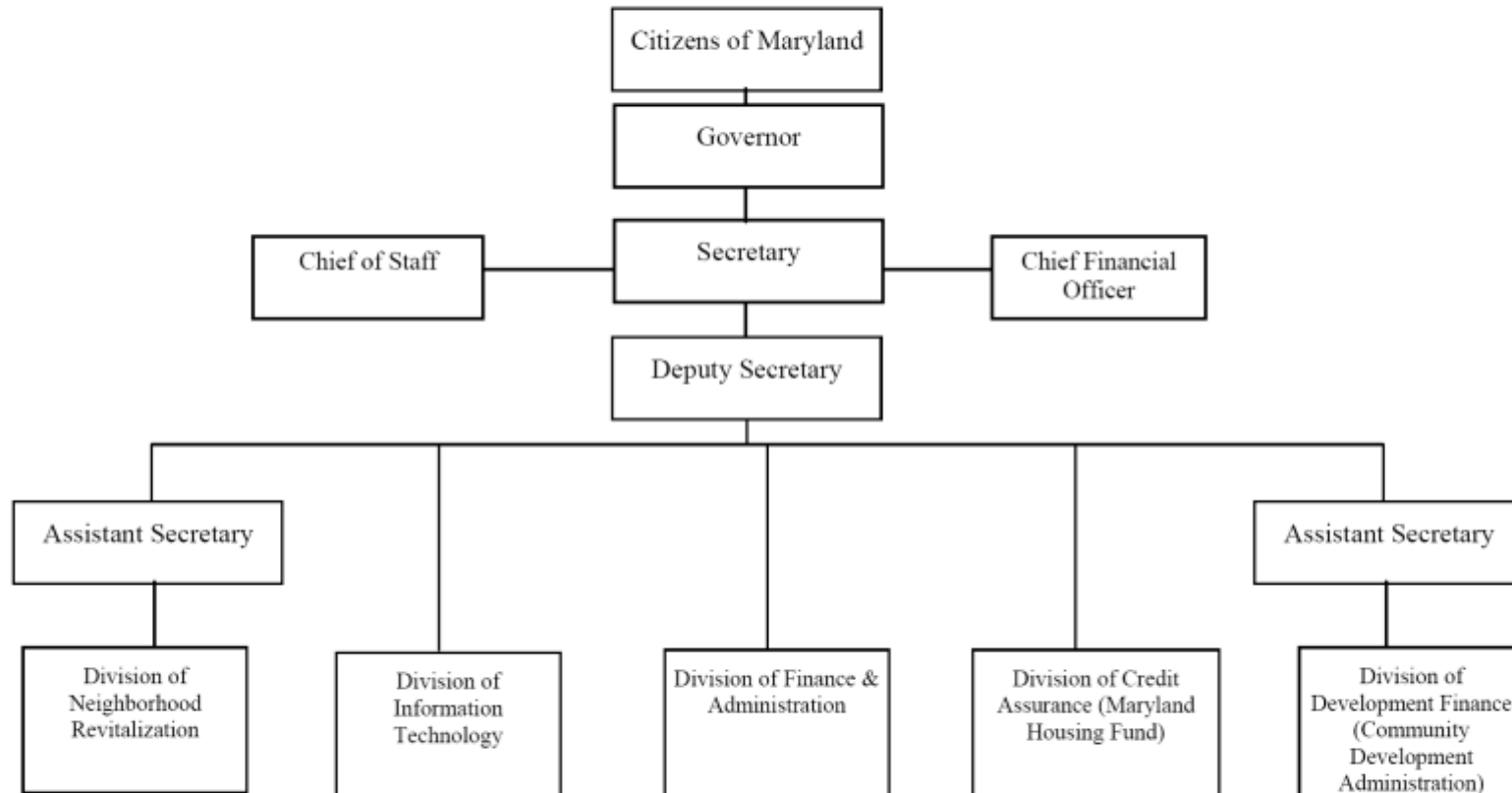
The Department's Rental Service Programs include the Section 8 Housing Choice Voucher program and the Rental Assistance Programs. Under the Section 8 Housing Choice Voucher program, the Department receives federal housing subsidy funds and has authority to serve as a public housing agency in utilizing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

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

Infrastructure Financing Programs

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

Department of Housing and Community Development Organizational Chart



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

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APPENDIX B

THE PROGRAM

The Administration adopted the Bond Resolution in 1997 pursuant to the Act primarily to finance single family housing loans under the Residential Revenue Bond Program, but reserved the right to finance and also may issue Bonds to finance other kinds of housing and other types of loans permitted to be financed under the Bond Resolution. Prior to the adoption of the Bond Resolution, the Administration funded its single family program primarily through the issuance of bonds under the 1980 General Certificate. The 1980 General Certificate was retired in August of 2010.

On January 12, 2010, the Administration issued \$154,290,000 of Single Family Housing Revenue Bonds (the “NIBP Bonds”) pursuant to the NIBP Bond Resolution, the proceeds of which, (“the NIBP Proceeds”) were originally held in an escrow fund pending release in accordance with the NIBP. All of the NIBP Proceeds have been released from the NIBP Escrow Fund. In addition, on August 28, 2013 the Administration issued an additional series of bonds under the NIBP Bond Resolution in the aggregate principal amount of \$55,987,759. The Administration does not currently anticipate issuing any new series of bonds under the NIBP Bond Resolution, but may do so in the future. NIBP Bonds issued under the NIBP Bond Resolution are not secured by or payable from the loans or assets of the Bond Resolution. The Bonds are not secured or payable from any loans or other assets held under the NIBP Bond Resolution. See the most recent update for the Single Family Housing Revenue Bonds filed with EMMA.

Information provided in this Appendix B is derived from the Administration’s statistics which are compiled from different sources on a weekly, monthly, and quarterly basis and later revised as necessary.

Existing Portfolio and Available Funds Under the Bond Resolution

Existing Portfolio. As of March 31, 2014, the Mortgage Loan portfolio of the Administration under the Bond Resolution consisted of 12,670 Mortgage Loans with an aggregate principal amount outstanding of \$1,502,408,026.

Participations in Mortgage Loans. The Administration may finance Mortgage Loans by purchasing participation interests in such Mortgage Loans, which may include Mortgage Loans financed with different Series of Bonds issued under the Bond Resolution. In the event that the Administration finances Mortgage Loans with the proceeds of two or more series of bonds under the Bond Resolution, funds from one or more of the series of bonds may earn interest at the rate of 0%. See “Certain Information Relating to Mortgage Loans” below.

Additionally, pursuant to the Agreement of Participation dated as of October 1, 2011 (the “Participation Agreement”) by and among the Administration, Manufacturers and Traders Trust Company, in its capacity as trustee under the Bond Resolution (the “Trustee”) and Manufacturers and Traders Trust Company, in its capacity as trustee under the NIBP Bond Resolution (the “NIBP Trustee”), the Administration has financed Mortgage Loans, and may continue to finance Mortgage Loans, through the purchase of participation interests in Mortgage-Backed Securities using amounts available under the Bond Resolution combined with amounts available under the NIBP Bond Resolution. Amounts received with respect to such Mortgage-Backed Securities are disbursed in accordance with the Participation Agreement.

Status of Available Proceeds.

As of March 31, 2014, all original proceeds from the Prior Bonds were expended and there were no outstanding reservations and commitments. The Administration has been financing new loans for its single

family program primarily through the pooling of loans in exchange for Mortgage-Backed Securities and the sale of such Mortgage-Backed Securities in the capital markets.

Certain Information on Loan Type. See Appendix L for certain information on Mortgage Loans by bond series and loan type (including participations in Mortgage Loans). The following table sets forth additional information as of March 31, 2014.

	Original Number of Loans	Original Principal Amount	Number of Outstanding Loans	Outstanding Principal Balance
30 Year Amortization	23,672	\$2,653,165,833	11,955	\$1,352,843,395
40 Year Amortization	689	145,574,562	472	93,525,110
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization*	184	41,335,376	42	8,874,785
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization*	2,581	565,401,450	-	-
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization*	598	142,204,219	201	47,164,736
	27,724	\$3,547,681,440	12,670	\$1,502,408,026

***Note:** As of March 31, 2014 the portfolio held 1,780 loans that were originally interest only, with a current principal balance of \$373,312,844, and are now amortizing and therefore are reflected in the respective 30 Year and 40 Year amortization amounts above.

In general, funds made available from the issuance of Bonds may be used to finance Mortgage Loans. Origination fees (including discount points) for the Mortgage Loans currently range from zero points to three points; in addition, a grant of 2% or 3% may be available. At this time, the Administration would purchase Mortgage Loans that have an original term of 30 years with even monthly payments of principal and interest. Pending application to the purposes of each fund or account, monies held in various funds and accounts under the Bond Resolution will be invested in Investment Obligations.

The Administration may use all or a portion of proceeds available for Mortgage Loans to finance Mortgage Loans 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.

Eligible Mortgage Loans

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) unless the Mortgage Loan has a loan-to-value ratio of 80% or less and meets other requirements of the Administration, the Mortgage Loan must be subject to FHA mortgage insurance, a VA or USDA/RD guarantee, or private mortgage insurance, and 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 G – “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 \$265,158 for homes in Non-Targeted areas of Washington County to \$747,880 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 \$471,000 for the Washington, D.C. metropolitan statistical area, which includes Calvert, Charles, Frederick, Montgomery and Prince George’s Counties, and the Baltimore metropolitan statistical area, which includes Anne Arundel, Baltimore, Carroll, Harford, Howard and Queen Anne’s Counties as well as Baltimore City. 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 maximum purchase price of a residence financed by the Administration may not exceed the lesser of either the insurer’s or guarantor’s mortgage limit or the maximum purchase price established by federal tax law. 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 Homeownership 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.

Borrower Income Limitations. The federal tax law and the Act place limits on maximum annual 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 \$88,400 for a one or two-person household in certain non-Targeted Areas of the State to \$150,220 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 Homeownership 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. See “Existing Portfolio and Available Funds Under the Bond Resolution.”

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 meets 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.

Remedies for Non-compliance. Mortgage Loans will provide that if the Administration discovers that any of the Borrower's covenants in the deed of trust, including the Borrower's and the seller's certifications concerning eligibility for the loan, is untrue or incomplete, the Administration may require that the Mortgage Loan become immediately due and payable.

Mortgage Loans purchased from Mortgage Lenders are subject to repurchase by such Mortgage Lenders in the event of certain types of non-compliance. See "Mortgage Loans Purchased from Mortgage Lenders – Provisions for Repurchase of Mortgage Loans" below.

In an effort to assure continued compliance with Sections 103A and 143, the Administration includes due-on-sale clauses in the Deeds of Trust for Mortgage Loans, except to the extent FHA, VA, or USDA/RD do not permit such provisions. The Administration will require borrowers to seek the permission of the Administration and the mortgage insurer for any assumption of Mortgage Loans by Borrowers. Under the federal Depository Institutions Act of 1982, due-on-sale clauses, such as those to be contained in the Deeds of Trust with respect to the Mortgage Loans, are generally enforceable, with certain exceptions which may affect the ability of the Administration to enforce such clauses. Although there has been no reported Maryland court decision on the enforceability by the Program of due-on-sale clauses, an Assistant Attorney General of the State, in his capacity as counsel to the Department, rendered an opinion in 1981 that due-on-sale clauses in the context of the Program would be enforceable under Maryland law. However, any such enforcement by equitable remedies, such as foreclosure, would be subject to the exercise of discretion by the courts.

Loans Financed from Taxable Bonds

The Administration has used the proceeds of taxable bonds to purchase Mortgage Loans or participations therein. The Administration also may use taxable bond proceeds to purchase Loans that will refinance loans with an adjustable rate or an increased payment, or loans that otherwise may not be affordable for the borrowers ("Refinance Loans"). The refinancing program currently requires that the borrower meet income limits for tax-exempt loans, and that the appraised value of the residence may not exceed the purchase price limits for the tax-exempt program. The Administration may also finance from taxable bonds (a) Loans that meet the eligibility requirements for the Administration's tax-exempt loans except for the first-time homebuyer requirement in a non-targeted area or (b) certain other Loans that the Administration may wish to finance.

The Administration will use the proceeds of the 2014 Series F Bonds to purchase Loans (the "2014 Series F Refinance Loans") originated by the Administration in order to refinance mortgage loans for existing Administration borrowers who are believed to owe more on their mortgage loans than their homes are worth, and who are current on their mortgage loans. Borrowers of 2014 Series F Refinance Loans are required to meet the income limits for loans financed with tax-exempt bonds (except where the Director or Deputy Director of the Division (as defined below) determines that special circumstances with respect to a particular borrower exist). 2014 Series F Refinance Loans are required to be insured through the same private mortgage insurance as the mortgage loan being refinanced (provided in certain instances such mortgage loans may not have been insured if the loan to value ratio at the time of original closing was below 80% and in such cases the 2014 Series F Refinance Loan is not required to be insured). 2014 Series F Refinance Loans fully amortize over the term of the 2014 Series F Refinance Loans (which term shall be equal to either the remaining term of the refinanced loan or 30 years, if permitted by the private mortgage insurance provider). Interest rates on 2014 Series F Refinance Loans are fixed through maturity at rate of 4.875% per annum.

Mortgage Loans Purchased from Mortgage Lenders

The Administration purchases Mortgage Loans from qualified Mortgage Lenders. The Mortgage Lenders accept applications from potential Borrowers, screen them for eligibility, reserve funds with the Administration, obtain the required mortgage insurance commitment, obtain pre-closing compliance approval from the Administration, settle the Mortgage Loans with the Borrowers, and submit the Mortgage Loans to the Administration for purchase.

The Department's Division of Development Finance (the "Division") performs the initial screening of Mortgage Loans for eligibility under the criteria set forth above, unless a Mortgage Lender meets certain requirements to exempt the Mortgage Lender's loans from an initial screening. See "Eligible Mortgage Loans" herein. After a Mortgage Lender obtains a reservation for a potential Borrower, the Mortgage Lender submits the potential Mortgage Loan to the Division. The Division reviews the potential Mortgage Loan for eligibility under the criteria set forth above.

The Administration purchases Mortgage Loans at a price equal to the outstanding principal balance thereof. Except as permitted otherwise by the Administration, the Mortgage Lender may collect origination fees ("points") which include any fee paid to the Administration. Under the three-point program, the Mortgage Lenders pay the Administration a fee ranging between one percent and three percent, depending on when the purchase file is approved. Under the two-point program, the Mortgage Lenders pay the Administration a fee ranging between zero percent and two percent, depending on when the purchase file is approved. The Mortgage Lender thus receives a zero to two percent origination fee depending on when the purchase file is approved. Such fees paid to the Administration are not revenues under the Bond Resolution. Under the one-point program, the Mortgage Lender receives a one-point origination fee and the Administration pays the Mortgage Lender a fee of up to one percent, depending on when the purchase file is approved. Under the zero-point program, the Administration pays the Mortgage Lender a fee ranging between zero percent and two percent, depending on when the purchase file is approved.

Eligibility of Mortgage Lenders. Each Mortgage Lender must be (1) a "mortgage lender" within the meaning of the Act, (2) an approved seller of mortgage loans to Freddie Mac or Fannie Mae or who otherwise meets origination and other requirements of the Administration, and (3) in compliance with all other applicable State and federal laws, rules and regulations governing the business of the Mortgage Lender and the making of loans for residential housing. Each Mortgage Lender must enter into a Purchase Agreement with the Administration. The Administration may permit, upon its written approval, assignment of a Purchase Agreement to another Mortgage Lender that meets the preceding criteria.

Representations of Mortgage Lenders. Each Purchase Agreement sets forth or will set forth certain representations and warranties by the Mortgage Lender to the Administration concerning the Mortgage Loans sold to the Administration, including, among others, that at the time of delivery of such Mortgage Loan to the Administration (1) there is no default or delinquency under the terms of the Mortgage Loan, and no payments are more than 20 days past due under the Mortgage Loan (except for certain refinancing loans insured through a set aside of the MHF Unallocated Reserve); (2) the Mortgage Loan has never been more than 45 days in arrears (except for certain refinancing loans insured through a set aside of the MHF Unallocated Reserve); (3) all documents required to be filed to perfect the lien on the mortgaged property against third parties have been filed; (4) the deed of trust for such mortgaged property is the subject of a title insurance policy by an insurer acceptable to the Administration in an amount at least equal to the original principal amount of the Mortgage Loan, insuring that the deed of trust constitutes a first lien (except as otherwise permitted by the Administration for Mortgage Loans which may be financed under future bond series), subject only to permitted liens and encumbrances; (5) the term of the Mortgage Loan does not exceed any limits set forth in the Purchase Agreement; (6) the Mortgage Loan meets all applicable State and federal laws, codes and regulations; (7) if the Mortgage Loan was made to finance the purchase of a newly constructed residence, the builder has warranted all materials, workmanship and mechanicals under a homeowners warranty acceptable to the mortgage insurer or credit enhancer; (8) the improvements constituting part of the property are covered by

hazard insurance as required by the Administration; and (9) each Mortgage Loan with a loan-to-value ratio greater than eighty percent is subject to mortgage insurance from FHA, a mortgage guarantee from VA or USDA/RD, the Maryland Housing Fund or private mortgage insurance acceptable to the Administration. In addition, under the Act, each Mortgage Lender must certify that the Borrower does not have assets exceeding twenty percent of the purchase price, in order to assure that the Borrower could not obtain a mortgage loan to purchase property in the unassisted private lending market.

Special Mortgage Purchase Agreements. The Administration may enter into alternate mortgage purchase agreements with certain Mortgage Lenders that are not Fannie Mae or Freddie Mac approved sellers of mortgage loans, provided that the Mortgage Lenders meet origination and other requirements of the Administration, which include experience in residential mortgage lending and in working with governmental or private mortgage insurance programs approved for Mortgage Loans.

Provisions for Repurchase of Mortgage Loans. Each Purchase Agreement provides or will provide that the Mortgage Lender will repurchase any Mortgage Loan sold to the Administration, upon written notice by the Administration, if at any time (1) the Administration determines that any representation was untrue or incomplete when made or a misstatement of a material fact exists in any of the documents delivered in connection with such Mortgage Loan; (2) there is a failure to deliver required Mortgage Loan documents; (3) any mortgage insurance with respect to such Mortgage Loan lapses because of the negligence of the Mortgage Lender with respect to the servicing of such Mortgage Loan; (4) the Administration suffers or is threatened with a material loss by reason of the misfeasance, nonfeasance or malfeasance of the Mortgage Lender or its agent acting as servicer of such Mortgage Loan; (5) any payment of principal and interest is not made on the Mortgage Loan or the initial premium for any mortgage insurance is not paid and, on the basis of such non-payment, the issuer of mortgage insurance refuses to pay a claim on such Mortgage Loan; and (6) the Mortgage Lender, without prior written consent of the Administration, waives the enforcement of (or consents on behalf of the Administration to waive) the particular provisions of the Mortgage Loan requiring that (a) the Mortgage Loan is due on sale and may not be assumed except to the extent that the Mortgage Loan so provides; (b) at the time the Mortgage Loan is made, the Borrower shall not borrow additional amounts secured by the lien of the deed of trust without the consent of the Administration; and (c) an event of default permitting acceleration of the indebtedness shall occur if the Administration determines that any representation or statement of a material fact in any document executed in connection with the Borrower's application or the origination of such Mortgage Loan was or is untrue or incomplete.

If a Mortgage Lender refuses to repurchase a Mortgage Loan, then the Administration may seek enforcement through legal proceedings which are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity. Such legal proceedings may result in a delay of the repurchase. The ability of a Mortgage Lender to repurchase a Mortgage Loan will depend upon the financial condition of the Mortgage Lender at the time of the required repurchase. From January 1998 through March 31, 2014, 112 Mortgage Loans had been repurchased by the Mortgage Lender or servicer as required by the Administration. Fourteen repurchase demands remain outstanding as of March 31, 2014.

Mortgage-Backed Securities; Sale of Mortgage-Backed Securities and Whole Loans

Effective as of February 1, 2011, newly originated Mortgage Loans insured by FHA or guaranteed by VA, RHS or private mortgage insurers generally have been purchased and securitized into mortgage-backed securities guaranteed by GNMA or FNMA (the "Mortgage-Backed Securities"). U.S. Bank, National Association, a GNMA and FNMA approved master servicer, purchases, securitizes and services such Mortgage Loans pursuant to a Servicing Agreement between the Administration and U.S. Bank National Association. No assurance can be provided, however, that the Administration will continue to cause such Mortgage Loans to be securitized into Mortgage-Backed Securities. A portion of the proceeds of the 2014 Series C Bonds are being used to purchase Mortgage-Backed Securities on deposit in the Warehouse Loan Fund.

Given the recent interest rate environment for tax-exempt bonds, the Administration has financed a substantial portion of its recent mortgage loan production through the sale of Mortgage-Backed Securities or whole loans to third parties rather than through the issuance of bonds and it is expected that such sales will continue to provide the primary source of financing such production in the near term.

Homeownership Initiatives and Developer Reservations

Homeownership Initiatives. From time to time, the Administration may set aside a portion of proceeds of the Bonds for special initiatives that promote targeted homeownership objectives. For these special initiatives, the Administration may adjust interest rates, income limits and other eligibility criteria, within the requirements of the 1986 Code or the 1954 Code, as applicable, the requirements of the credit enhancer and the Act.

Developer Reservations. The Administration may agree to provide financing for Mortgage Loans to eligible purchasers of Single Family Residences in certain “community development projects” (the “Single Family Projects”) pursuant to commitments to developers. The Administration requires the developer to submit an application acceptable to the Administration. Upon a determination by the Secretary of project eligibility under the Act, the Administration issues a commitment to a developer for a specified time period to finance Mortgage Loans to eligible purchasers with respect to the Single Family Project. A commitment reserves financing for prospective purchasers who qualify and are eligible under the Program and also sets forth maximum sales prices on units to be financed by the Administration and covenants and warranties to be made by the developer. The Administration may allow developers of Single Family Projects to make a deposit in an escrow account which will be applied to reduce the monthly payments due on Mortgage Loans made on residences in the Single Family Projects for up to four years after closing.

After a developer has sold a Single Family Residence and entered into a sales contract, the developer or a representative of the developer forwards the completed loan application to the Administration, if the Administration is expected to make the Mortgage Loan, or to a Mortgage Lender, if the Administration is expected to purchase the Mortgage Loan.

For developers who arrange for Mortgage Loan financing of individual Mortgage Loans through approved Mortgage Lenders, the Administration will purchase Mortgage Loans for Single Family Residences either in accordance with a Purchase Commitment or pursuant to a reservation initiated by the Mortgage Lender on behalf of the borrower.

Mortgage Loans Made by the Administration

The Administration may originate loans eligible for insurance through the Maryland Housing Fund, with Maryland Housing Fund approval, and may also originate uninsured loans that have acceptable secondary financing from the Department, a governmental agency or a non-profit, under circumstances authorized by the Act. The Administration will not originate FHA, VA, USDA/RD or privately insured loans unless it becomes an FHA, VA or USDA/RD lender or a lender authorized by a private mortgage issuer.

Mortgage Loans originated by the Administration that are found to be ineligible under Section 103A or Section 143 are not subject to repurchase by any Mortgage Lender. In order to preserve the exclusion from gross income for federal income tax purposes of the interest payable on the bonds, the loans may be sold out of the Bond Resolution portfolio or the Administration may declare such Mortgage Loans in default and commence foreclosure proceedings or take other appropriate measures. Foreclosure is an equitable remedy subject to various defenses and judicial discretion.

Servicing of Mortgage Loans

Whole Loan Servicer Agreement. As of March 31, 2014, approximately 50% of all Mortgage Loans are serviced by Bogman, Inc. and 50% of the Mortgage Loans are serviced by M & T Bank (together referred to herein as the “Whole Loan Servicers”).

The agreements with the Whole Loan Servicers (the “Whole Loan Servicer Agreements”) require the Whole Loan Servicers to perform all duties and acts incident to the servicing of Mortgage Loans covered thereby that a reasonable, prudent mortgagee would perform with respect to mortgage loans owned by it. The Whole Loan Servicers are responsible for the collection of all payments from Borrowers and must render an accounting monthly to the Administration of all sums collected and disbursed under the Whole Loan Servicer Agreements. The Whole Loan Servicers are required to remit to the Trustee all Mortgage Repayments, Prepayments and curtailments it receives with respect to Mortgage Loans serviced under the Whole Loan Servicer Agreements. In addition, the Whole Loan Servicer Agreements require the Whole Loan Servicers to have in effect (and maintain during the term of the related Whole Loan Servicer Agreement), at no cost to the Administration, a fidelity bond and policies of insurance providing fire and extended coverage and errors and omissions coverage, all in amounts and with coverage satisfactory to the Administration, for mortgagee errors and omissions and insuring against loss arising from dishonest, criminal or fraudulent acts, and errors and omissions of the officers and employees of the respective Whole Loan Servicer.

If any default occurs on a Mortgage Loan covered by the Whole Loan Servicer Agreements, the Whole Loan Servicers must take all actions necessary and proper to enforce all applicable contractual provisions of the defaulted Mortgage Loan, including, at the direction of the Administration, the institution of foreclosure proceedings. The Administration will bear all foreclosure and related expenses, to the extent not reimbursable by the applicable mortgage insurance or collected from the Borrower. The failure of a Whole Loan Servicer to send notice properly and report to the Administration or the insurer of a Mortgage Loan as to the status of a delinquent Mortgage Loan may result in a Whole Loan Servicer being required to compensate the Administration.

The Whole Loan Servicers are required to comply with detailed requirements set forth in the Department’s servicing manual.

Asset Management. Asset management for Mortgage Loans is provided to the Administration by the Single Family Operations section of the Division of Credit Assurance (“Asset Management”).

With respect to the Mortgage Loans, Asset Management:

(1) monitors the servicing performance of the Whole Loan Servicers for compliance with the requirements of the Whole Loan Servicer Agreements and the Department’s servicing manual by requiring from the Whole Loan Servicers:

- (a) monthly Mortgage Loan delinquency reports;
- (b) annual audited financial statements; and
- (c) an annual certification that the respective Whole Loan Servicer is complying with the Servicer Agreement and the Department’s servicing manual;

(2) directs and reviews respective Whole Loan Servicer’s handling of Mortgage Loan delinquencies;

(3) directs and evaluates respective Whole Loan Servicer’s actions in connection with foreclosure proceedings; and

- (4) analyzes delinquencies and foreclosures and creates and implements corrective action plans.

The Division of Credit Assurance contracts with two different private sector realty companies which provide REO management and disposition services for properties in the REO portfolio. Asset Management staff monitors these services.

Servicemembers Civil Relief Act. It is possible that one or more of the Mortgage Loans could be affected by the Servicemembers Civil Relief Act, as amended (formerly, the Soldiers' and Sailors' Civil Relief Act of 1940), which applies to persons called to active duty in the armed forces. The act applies only if the service member was not in the military when the loan was made. The act creates a rebuttable presumption that any persons called to active duty will experience a "material impairment of their ability to pay their debts". As a result, the outstanding debts of a person called to active duty may be reduced to bear interest at an annual rate of 6% for the period of military service. The act also provides that foreclosure on such debt will not be permitted for a period up to one (1) year after the end of active duty. Unless renewed, the one (1) year period will revert back to a ninety (90) day period after December 31, 2014. A mortgagee, such as the Administration, may apply to any federal or State court to override the presumption and preclude its effects on a debt, such as a Mortgage Loan.

Loan Modifications

In the case of delinquencies of Mortgage Loans insured or guaranteed by FHA, VA or Rural Development or by any private insurance companies, the Administration modifies the terms of such Mortgage Loans in accordance with the requirements of the mortgage insurer or guarantor. Such modifications may include the deferral of monthly payments of principal and interest, the extension of the maturity dates and re-amortization of the outstanding principal balances of the Mortgage Loans, and, in the case of FHA insured mortgage loans, the payment by FHA of partial insurance claims.

Since October 23, 2009, FHA has required lenders holding FHA insured mortgage loans in default to modify such mortgage loans by reducing the interest rates to current market rates and by extending the term to a full 30 years from the date of loan modification. The Administration has received a letter from FHA waiving such requirements; however, no assurance can be given as to whether FHA will continue such waiver or, if not continued, what the impact will be on the Bonds as a result of any such modifications of the Administration's FHA insured mortgage loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan, (the "Plan"). The Administration is not participating in the Making Home Affordable Program, which is part of the Plan, and is not modifying the Administration's Mortgage Loans through the Home Affordable Modification Program, which is also part of the Plan. No assurance can be given whether the Administration will commence the modification of the Administration's Mortgage Loans pursuant to such guidelines or the Plan.

Estimated Revenues of Program

Under Section 143 of the Code, the yield of the Mortgage Loans or participations therein allocable to each Series of federally tax-exempt Bonds issued under the Bond Resolution (other than with any contributions by the Administration) may not exceed the yield of such Series of Bonds by more than 1-1/8 percentage points. All Revenues derived from such Mortgage Loans are available for payment of the Bonds. However, except as otherwise permitted under the 1986 Code, an amount equal to the portion of Revenues derived from investments in Investment Obligations made in connection with such Series of Bonds (other than with contributions by the Administration) that exceeds a yield equal to the yield of such Series of Bonds (calculated in accordance with Section 143 of the Code, whichever is applicable) or represents gains made on such investments must be paid to the United States. Such restrictions limit the amounts available to pay the

principal of and interest on the Bonds. The Administration estimates that, in each year in which the bonds are scheduled to be outstanding, there will be sufficient moneys available under the Bond Resolution to pay the principal of and interest on the Bonds, after payment of (1) fees and expenses of the fiduciaries and (2) the estimated costs of servicing the Mortgage Loans and other Program expenses.

Certain Information Relating to Mortgage Loans

Certain information relating to the Mortgage Loans (including participations in Mortgage Loans) made or purchased with proceeds of prior Series of Bonds as of March 31, 2014, is set forth in Appendix K.

The following table sets forth as of March 31, 2014, the number, outstanding principal balance and percentage of the total outstanding balance of the Mortgage Loans which have been financed in each of the political subdivisions of the State:

RESIDENTIAL REVENUE BOND PROGRAM LOAN PORTFOLIO BY COUNTY **as of March 31, 2014**

<u>County</u>	<u>Current Number of Mortgage Loans⁽¹⁾</u>	<u>Current Outstanding Principal⁽¹⁾</u>	<u>Percent of Current Total Outstanding Principal⁽¹⁾</u>
Allegany County	298	\$17,023,212	1.13%
Anne Arundel County	583	98,861,256	6.58%
Baltimore City	4,999	414,807,108	27.61%
Baltimore County	2,140	264,381,285	17.60%
Calvert County	86	17,478,460	1.16%
Caroline County	99	9,496,310	0.63%
Carroll County	118	23,779,045	1.58%
Cecil County	100	11,983,680	0.80%
Charles County	241	50,920,949	3.39%
Dorchester County	94	8,918,403	0.59%
Frederick County	288	52,797,410	3.51%
Garrett County	15	980,394	0.07%
Harford County	666	94,994,171	6.32%
Howard County	190	33,872,383	2.25%
Kent County	28	2,692,717	0.18%
Montgomery County	206	39,790,884	2.65%
Prince George's County	1,285	225,456,579	15.01%
Queen Anne's County	32	5,958,999	0.40%
Saint Mary's County	94	14,855,341	0.99%
Somerset County	72	6,201,174	0.41%
Talbot County	49	5,055,029	0.34%
Washington County	500	53,158,883	3.54%
Wicomico County	418	43,562,031	2.90%
Worcester County	69	5,382,324	0.36%
	12,670	\$1,502,408,026	100.00%

Note:

(1) Individual amounts may not add up to the total amount because of rounding.

As of March 31, 2014 the Mortgage Loans (including participations in Mortgage Loans) made or purchased by the Administration with proceeds of prior Series of Bonds were originally covered by primary mortgage insurance or guarantees as of the date of the origination thereof as follows:

Primary Mortgage Insurer or Guarantor	Current Number of Mortgage Loans⁽¹⁾	Current Outstanding Principal⁽¹⁾	Percent of Current Total Outstanding Principal⁽¹⁾
FHA	5,945	\$566,920,799	37.73%
VA	266	28,573,794	1.90%
RHS	228	30,097,626	2.00%
All Privately Insured⁽²⁾	3,785	726,076,587	48.33%
Mortgage Guaranty Insurance Corporation	1,802	361,676,566	49.81% ⁽³⁾
Republic Mortgage Insurance Company	648	122,728,183	16.90% ⁽³⁾
United Guaranty Residential Insurance Company	899	158,289,565	21.80% ⁽³⁾
PMI Mortgage Insurance Company	173	30,863,570	4.25% ⁽³⁾
Genworth Financial	133	27,756,010	3.82% ⁽³⁾
Triad Guaranty Insurance Corporation	49	8,548,074	1.18% ⁽³⁾
Radian Guaranty, Incorporated	81	16,214,618	2.23% ⁽³⁾
MHF	1,998	115,013,088	7.66%
Uninsured Paid Down (current loan to value ratio of less than 80%)	185	4,240,917	0.28%
Uninsured (original loan to value ratio of more than 80%)	6	1,341,884	0.09%
Uninsured (original loan to value ratio of less than 80%)	257	30,143,332	2.01%
	12,670	\$1,502,408,026	100.00%

Notes:

(1) Individual amounts may not add up to the total amount because of rounding.

(2) Currently, coverage of 35% is required of private mortgage insurance policies; the Administration is not currently financing Mortgage Loans that are insured by private mortgage insurance companies but may do so in the future. According to their respective websites, due to financial conditions, PMI Mortgage Insurance Company, Republic Mortgage Insurance Company and Triad Guaranty Insurance Corporation are each currently acting under supervision of their respective regulators and as a result are paying only a percentage of any claim allowed under an applicable insurance policy. The Administration makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Administration on Mortgage Loans on which losses are incurred and has no obligation to provide continuing disclosure with respect thereto.

(3) This percentage represents the portion of the private insurer as a percentage for the total of all privately insured.

Based on reports to the Administration from the Whole Loan Servicers and based on reports to the National Delinquency Survey prepared by the Economic and Research Department of the Mortgage Bankers Association of America, the following tables set forth information about delinquencies and foreclosures of mortgage loans, reported by certain mortgage servicers.

	National Delinquency Survey (defined as a percentage)			Residential Revenue Bond Program ⁽¹⁾⁽²⁾⁽⁴⁾
	U.S.A. All Types <u>3/31/2014</u>	Maryland All Types <u>3/31/2014</u>	Maryland FHA ⁽³⁾ <u>3/31/2014</u>	Program <u>3/31/2014</u>
30 days delinquent	2.41%	2.59%	4.12%	7.33%
60 days delinquent	0.89%	1.00%	1.59%	2.83%
90 days+ delinquent	3.39%	3.30%	5.55%	6.74%
In foreclosure	2.65%	3.48%	3.83%	4.05%
Placed in foreclosure during last three months	0.45%	0.79%	1.01%	2.70%

Mortgages Sixty Days or More Delinquent or in Foreclosure

Quarter Ended	U.S.A. <u>All Types</u>	Maryland <u>All Types</u>	Maryland <u>FHA⁽³⁾</u>	Program ⁽¹⁾⁽²⁾ <u>3/31/2014</u>
3/31/2010	10.93%	10.67%	11.26%	9.20%
3/31/2011	9.31%	9.58%	10.74%	9.74%
3/31/2012	6.74%	8.38%	13.03%	11.18%
3/31/2013	7.43%	9.43%	12.54%	13.33%
3/31/2014	6.93%	7.78%	10.97%	13.62%

Notes:

⁽¹⁾ The delinquency statistics in the tables above include all whole loans financed entirely from the Bond Resolution.

⁽²⁾ The Program purchased the first Mortgage Loan on October 29, 1997.

⁽³⁾ Includes all types of FHA mortgage loans.

⁽⁴⁾ Program delinquency rates do not include mortgage loans residing in Collateral Reserves (C) or the Administration's refinanced (Lifeline/Homesaver) loans.

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APPENDIX C

DEFINITIONS

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

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

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

“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 other than Prior Bonds.

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

“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.

“Bond Resolution” means the Residential Revenue Bond Resolution, originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005.

“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.

“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 608(d) of the Bond Resolution.

“Cash Flow Statement” means the calculation made by or for the Administration pursuant to Section 608(b) 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, a Parity Obligation, a Subordinate Bond or a Subordinate Contract Obligation.

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

“Development” means any project, facility, undertaking or purpose which the Administration is authorized to undertake, finance or provide financing for pursuant to the Act as now or hereafter in effect, including, without limitation, a Single Family Residence, multi-family housing, group housing, shared living facilities, home improvements, housing rehabilitation and any undertaking or project, or portion thereof, which is defined as a “community development project”, a “public purpose project”, an “energy conservation project”, a “home improvement project”, an “infrastructure project” or a “special housing facility” by the Act.

“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.

“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, 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.

“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.

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

“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.

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

“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 having a rating at least comparable to a Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (or the domestic agency or branch of foreign commercial banks) which have a rating in a long-term rating category at least comparable to the long-term rating on the Bonds (other than Subordinated Bonds) or on their short term accounts or securities on the date of purchase not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized rating agency and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) 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 is rated at the time of purchase in a long-term rating category at least comparable to the long-term rating on the Bonds (other than Subordinate Bonds) and a rating on their short-term accounts or deposits not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized 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 not less than F-1/P1 or the comparable rating of a Rating Agency or any other nationally recognized rating agency, which may be established by a Ratings Certificate;

(8) Pre-Refunded Municipal Obligations having a rating at least comparable to a Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency;

(9) Investment agreements with any financial institution or other entity either (i) with debt rated at least comparable to a Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency or (ii) if an investment agreement maintains only a short-term rating, a rating not less than F-1/P1 or the comparable rating of a Rating Agency or of any other nationally recognized 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 (other than

Subordinate 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 relate to a Single Family Residence and may or may not be secured by a Mortgage, to the extent permitted by the Act.

“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.

“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.

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

“Parity Hedge Obligation” has the meaning provided in the Bond Resolution.

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

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

“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 making or purchasing or otherwise financing Qualified Program Assets pursuant to the provisions of the Bond Resolution.

“Program Asset” means a Loan or a Development.

“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 Hedge” means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Administration with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap; asset, index, price or market-linked transaction or agreement; other interest rate exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto; or any similar arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge.

“Qualified Hedge Provider” means a provider of a Qualified Hedge as determined in a Certificate of the Administration.

“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 Subordinate Bonds and 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 (other than Subordinate 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 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 (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, Hedge Receipts and Termination Receipts, including Recovery Payments or Acquired Development Receipts, and not including any fees received by the Administration for its own account pursuant to annual contribution contracts between the Administration and HUD, if any, with respect to Project Assets financed by Loans, or financing, commitment or similar fees or charges of the Administration at or prior to the time of making, purchasing or otherwise financing a 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 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.

“Subordinate Bonds” means bonds authorized under this Resolution and issued pursuant to the Bond Resolution.

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

“Subordinate Contract Obligation Accounts” means the Accounts of that name in the Revenue Fund established pursuant to the Bond Resolution.

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

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

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

“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

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 Bondholders

As provided in the Act and as covenanted in the Bond Resolution, in consideration of (i) the acceptance by the Trustee of the trusts created, (ii) the purchase and acceptance of Bonds of any Series issued thereunder by any who shall from time to time be holders thereof and (iii) the entering into of other Parity Obligations or Subordinate Contract Obligations:

- (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 Subordinate 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 Parity Obligations 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 Bonds other than Subordinate 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]**

Authorization of Subordinate Contract Obligations; Conditions Precedent to Delivery

The Administration may from time to time enter into Subordinate Contract Obligations to be secured by the Bond Resolution on a subordinated basis, subject to the conditions hereinafter provided.

Payment of Subordinate Contract Obligations, including the principal or redemption price of and interest on, and the purchase price of each Series of Subordinate Bonds, may be secured by the pledge of funds and accounts under certain provisions of the Bond Resolution, including Subordinate Contract Obligation Accounts, to the extent specified in the Series Resolution, subordinate, however, to the pledge securing Parity Obligations, and upon such terms and conditions set forth in the Series Resolution authorizing such Subordinate Contract Obligations. Subordinate Contract Obligations may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to Parity Obligations and with respect to any Subordinate Contract Obligations having a higher priority to payment from such Revenues.

The Series Resolution authorizing a Subordinate Contract Obligation may provide that such Subordinate Contract Obligation shall be secured solely by such proceeds or Revenues and not by any other moneys, funds or accounts held under the Bond Resolution, and that such proceeds or Revenues shall not constitute security for or a source of payment of any other Bonds or other Subordinate Contract Obligations outstanding or thereafter issued or entered into in accordance with the Bond Resolution. The Series Resolution authorizing a Subordinate Contract Obligation may establish different priorities of payment and security among different Subordinate Contract Obligations. **[§210]**

Qualified Hedges

The Administration may, to the extent from time to time permitted pursuant to law, enter into Qualified Hedges. The Administration's obligation to pay any amount under any Qualified Hedge may be

secured by a pledge of, and a lien on, Revenues on a parity with the lien securing the Parity Obligations (a “Parity Hedge Obligation”), or may constitute a Subordinate Contract Obligation, as determined by the Administration in the Series Resolution authorizing the related issue of Bonds or in a Supplemental Resolution. Parity Hedge Obligations shall not include any payments of any termination (including Termination Payments) or other fees, expenses, indemnification or other similar obligations to a Party to a Qualified Hedge, which payments shall be Subordinate Contract Obligations payable from Revenues deposited into a Subordinate Contract Obligation Account in the order of priority set forth in the Bond Resolution. **[§214] [§406]**

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, and
 - (d) Subordinate Contract Obligation Accounts;
- (iii) Reserve Fund;
- (iv) Collateral Reserve Fund;
- (v) Acquired Development Fund; and
- (vi) Rebate Fund. **[§401]**

Additional Funds and Accounts (including for the purpose of depositing amounts required to be rebated to mortgagors or the United States) may be created and designated in Series Resolutions.

Program Fund

Except as may be provided by a Series Resolution for Subordinate Bonds, 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 Administrative 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, (iii) to pay costs of completing an Acquired Development as set forth in the Bond Resolution, and (iv) 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 on Parity Bonds, and any other payments due on such payment date on other Parity Obligations, and to pay any Expenses in connection with any Credit Facility related to such Parity Obligations, as set forth in the Series Resolution or a Supplemental Resolution;

(2) to the payment of Expenses specified in a Series Resolution, or such other 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
- (6) to any Subordinate Contract Obligation Accounts, an amount sufficient together with amounts on deposit in that Account, established by a Series Resolution for Subordinate Contract Obligations, timely to pay when due, any Subordinate Contract Obligation and to pay any Expenses in connection with any Credit Facility related to such Subordinate Contract Obligations, as set forth in the Series Resolution or a Supplemental Resolution or to provide any reserve with respect to Subordinate Contract Obligations.

At any time the Trustee is required to, upon Administration Request, accompanied by a Cash Flow Certificate, release amounts on deposit in the Revenue Fund to the Administration for any lawful purpose 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.

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

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. **[§408]**

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. **[§409]**

Acquired Development Fund

Acquired Development Receipts are required to be held by the Trustee in the Acquired Development Fund and are required to be used solely for the payment of Acquired Development Expenses; provided that any amount specified by an Authorized Officer as not being needed to maintain the Acquired Development Expense Requirement is required to be transferred to the Revenue Fund.

Payments from the Acquired Development Fund are required to be made upon the direction of an Authorized Officer. Upon receipt of each such direction of an Authorized Officer, the Trustee is required to pay the amount stated therein to the Administration by check or draft or is required to arrange for the transfer, deposit or payment of such amounts as directed by the Authorized Officer.

The Administration is required to maintain on its books of account a separate account within the Acquired Development Fund for each Acquired Development, showing all disbursements of money withdrawn for it from the Acquired Development Fund, and is required to provide to the Trustee, at least quarterly, a report showing in reasonable detail the expenditures for each Acquired Development.

The Trustee is required to transfer amounts from the Acquired Development Fund to the credit of the Debt Service Account as provided in the Bond Resolution. **[§410]**

Sale of Program Assets; Release of Lien of Resolution

The Administration is authorized to sell, assign or otherwise dispose of a Program Asset (and to release the same from the lien of the Bond Resolution), in addition to a sale, assignment or disposition pursuant to the Bond Resolution or any applicable Supplemental Resolution, provided that, with respect to any Program Asset not in default, 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 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 or Development 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.

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds as provided in the Bond Resolution, only Bonds other than Subordinate Bonds are to be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds any acceleration or other remedy will relate only to Subordinate Bonds.

Except as expressly provided above, under no circumstances shall the Administration's failure to pay (i) Parity Hedge Obligations, (ii) Termination Payments or (iii) Subordinate Contract Obligations constitute an Event of Default under the Bond Resolution. [§701]

Remedies; Rights of Bondholders

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 Parity 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 Bondholders to Direct Proceedings

Notwithstanding anything in the Bond Resolution to the contrary, the Owners of a majority in principal amount of the Parity 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 Bondholders 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 Bondholders 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]**

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. If the Administration pays or causes to be paid, or there is otherwise paid, to a Party to a Parity Obligation, other than Parity Bonds, or to a Subordinated Contract Obligation, other than

Subordinate Bonds, at the times and in the manner stipulated in the Bond Resolution and in the Series Resolution, then the obligations of the Administration to such Parties 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 or for the payment of Parity Obligations, other than Parity Bonds, and Subordinate Contract Obligations, other than Subordinate Bonds, which are no longer required for such payments. **[§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]**

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APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

Outstanding Residential Revenue Bonds

The following table sets forth certain information relating to Bonds issued by the Administration under the Bond Resolution outstanding as of April 1, 2014.

			<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	
Residential Revenue Bonds								
2004	Series	A	3.806300%	2004	9/1/2016	\$ 10,710,000	\$ 3,430,000	(1)
2004	Series	B	4.799120%	2004	9/1/2028	19,290,000	1,530,000	(1)
2004	Series	G	3.310198%	2004	9/1/2016	13,445,000	4,110,000	(1)
2004	Series	H	4.621570%	2004	9/1/2029	26,555,000	5,925,000	(1)
2004	Series	I	(2)	2004	9/1/2035	20,000,000	20,000,000	(1)
2005	Series	A	3.655208%	2005	9/1/2016	12,640,000	4,250,000	(1)
2005	Series	B	4.792302%	2005	9/1/2029	27,360,000	12,330,000	(1)
2005	Series	D	3.910070%	2005	9/1/2017	13,485,000	5,520,000	(1)
2005	Series	E	4.974120%	2005	9/1/2036	46,515,000	30,290,000	(1)
2006	Series	A	3.983190%	2006	9/1/2017	12,020,000	5,320,000	(1)
2006	Series	B	4.984790%	2006	9/1/2037	47,980,000	32,330,000	(1)
2006	Series	E	4.199900%	2006	9/1/2017	23,540,000	10,490,000	(1)
2006	Series	F	5.307100%	2006	9/1/2039	56,460,000	27,230,000	(1)
2006	Series	G	(2)	2006	9/1/2040	40,000,000	40,000,000	(1)
2006	Series	H	4.102933%	2006	9/1/2017	17,670,000	7,905,000	(1)
2006	Series	I	5.204300%	2006	3/1/2041	142,330,000	80,455,000	(1)
2006	Series	J	(2)	2006	9/1/2040	60,000,000	60,000,000	(1)
2006	Series	K	4.111420%	2006	9/1/2017	15,000,000	6,740,000	(1)
2006	Series	L	5.062770%	2006	3/1/2041	165,000,000	117,320,000	(1)
2006	Series	O	3.829481%	2006	9/1/2017	10,000,000	4,460,000	(1)
2006	Series	P	4.858303%	2006	9/1/2037	85,000,000	56,045,000	(1)
2006	Series	S	6.135383%	2006	9/1/2037	25,000,000	15,765,000	(3)
2007	Series	A	4.951603%	2007	9/1/2047	270,000,000	186,555,000	(1)
2007	Series	B	6.065560%	2007	9/1/2037	30,000,000	20,140,000	(3)
2007	Series	C	3.944500%	2007	9/1/2017	45,000,000	21,995,000	(1)
2007	Series	D	4.924814%	2007	3/1/2048	175,000,000	127,685,000	(1)
2007	Series	E	6.031685%	2007	9/1/2042	49,375,000	40,670,000	(4)
2007	Series	F	(2)	2007	9/1/2031	46,485,000	29,915,000	(8)
2007	Series	G	4.245422%	2007	9/1/2017	61,605,000	27,695,000	
2007	Series	H	5.150783%	2007	3/1/2048	63,395,000	57,020,000	
2007	Series	I	6.523650%	2007	9/1/2043	62,800,000	52,915,000	(4)
2007	Series	J	(2)	2009	9/1/2031	58,680,000	37,485,000	(6)
2007	Series	K	3.761910%	2007	9/1/2017	30,000,000	11,940,000	
2007	Series	M	(2)	2007	9/1/2043	29,050,000	29,050,000	(7)
2008	Series	A	3.895197%	2008	9/1/2017	60,000,000	36,450,000	
2008	Series	B	3.909668%	2008	9/1/2017	19,770,000	9,550,000	
2008	Series	C	5.453421%	2008	9/1/2048	80,230,000	20,425,000	
2008	Series	D	(2)	2008	9/1/2038	50,000,000	49,890,000	
2008	Series	E	4.290850%	2008	9/1/2017	21,500,000	11,010,000	
2009	Series	A	4.798085%	2009	9/1/2039	40,000,000	36,875,000	
2009	Series	B	4.516954%	2009	9/1/2039	45,000,000	41,350,000	
2009	Series	C	4.227838%	2009	9/1/2039	15,985,000	14,685,000	

Outstanding Residential Revenue Bonds - continued

			<u>Effective</u>	<u>Year</u>	<u>Final</u>	<u>Amount</u>	<u>Amount</u>
			<u>Bond Yield</u>	<u>of Issue</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
2010 Series A	.....		4.416792%	2010	3/1/2021	\$ 28,465,000	\$ 24,495,000
2010 Series B	.....		5.325532%	2010	9/1/2035	40,000,000	38,030,000
2011 Series A	.....		4.494892%	2011	9/1/2041	70,825,000	63,915,000 (1)
2011 Series B	.....		(2)	2011	3/1/2036	20,000,000	20,000,000 (1)
2012 Series A	.....		3.123440%	2012	9/1/2025	44,450,000	35,500,000 (1)(5)
2012 Series B	.....		(2)	2012	9/1/2033	45,000,000	45,000,000 (1)(5)
2014 Series A	.....		3.739403%	2014	9/1/2032	57,515,000	57,515,000 (1)
2014 Series B	.....		3.095548%	2014	9/1/2044	35,565,000	35,565,000 (1)
Total Residential Revenue Bonds						<u>\$ 2,485,695,000</u>	<u>\$ 1,734,765,000</u>

Other Outstanding Bonds of the Administration

The following table sets forth certain information relating to Bonds issued by the Administration under its other programs and outstanding as of April 1, 2014.

				<u>Year</u>	<u>Final</u>	<u>Amount</u>	<u>Amount</u>
				<u>of Issue</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
Single Family Housing Revenue Bonds							
2011	Series	A	(New Issue)	2011	3/1/2027	\$ 40,310,000	\$ 30,730,000
2009	Series	A-1	(Released Program Bonds)	2011	9/1/2041	60,460,000	53,970,000
2011	Series	B	(New Issue)	2011	3/1/2027	40,000,000	31,780,000
2009	Series	A-2	(Released Program Bonds)	2011	9/1/2041	60,000,000	54,000,000
2011	Series	C	(New Issue)	2011	3/1/2027	22,555,000	18,635,000
2009	Series	A-3	(Released Program Bonds)	2011	9/1/2041	33,830,000	31,690,000
2013	Series	A	(Pass-Through Program).....	2013	7/1/2043	55,987,759	54,437,320 (10)
Total Single Family Housing Revenue Bonds						<u>\$ 313,142,759</u>	<u>\$ 275,242,320</u>

Housing Revenue Bonds

Series 1996 A	.....	1996	7/1/2023	\$ 137,385,000	\$ 5,600,000
Series 1996 B	.....	1996	7/1/2028	2,575,000	1,245,000
Series 2004 B	.....	2004	7/1/2046	20,320,000	8,790,000
Series 2004 C	.....	2004	1/1/2047	36,515,000	7,695,000
Series 2004 D	.....	2004	7/1/2037	3,270,000	1,280,000
Series 2005 A	.....	2005	1/1/2047	6,385,000	5,915,000
Series 2005 B	.....	2005	1/1/2047	19,355,000	17,995,000
Series 2005 C	.....	2005	7/1/2047	13,985,000	11,450,000
Series 2006 A	.....	2006	7/1/2047	10,800,000	9,335,000
Series 2006 B	.....	2006	1/1/2039	4,800,000	2,520,000
Series 2006 C	.....	2006	7/1/2036	2,120,000	1,835,000
Series 2006 D	.....	2006	7/1/2048	8,000,000	4,230,000
Series 2007 A	.....	2007	1/1/2049	22,435,000	20,215,000
Series 2007 B	.....	2007	1/1/2038	4,875,000	4,625,000
Series 2007 C	.....	2007	1/1/2043	2,310,000	1,460,000
Series 2008 A	.....	2008	7/1/2038	5,845,000	5,330,000
Series 2008 B	.....	2008	7/1/2049	17,360,000	9,960,000
Series 2008 C	.....	2008	7/1/2048	11,380,000	7,135,000
Series 2008 D	.....	2008	7/1/2039	5,110,000	3,660,000
Series 2009 A	.....	2009	7/1/2041	8,755,000	7,005,000
Series 2012 A	.....	2012	1/1/2054	9,340,000	9,320,000
Series 2012 B	.....	2012	7/1/2054	5,505,000	4,500,000
Series 2012 C	.....	2012	9/1/2014	7,200,000	7,200,000
Series 2012 D	.....	2012	1/1/2054	4,700,000	4,700,000

						<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Housing Revenue Bonds continued									
Series	2013	A	.....	2013	7/1/2054	\$	10,925,000	\$	10,925,000
Series	2013	B	.....	2013	1/1/2055		11,915,000		11,915,000
Series	2013	C	.....	2013	7/1/2045		23,270,000		22,695,000
Series	2013	D	.....	2013	1/1/2055		10,790,000		10,790,000
Series	2013	E	.....	2013	7/1/2045		41,795,000		41,795,000 (2)(5)
Series	2013	F	.....	2013	7/1/2055		16,255,000		16,255,000
Series	2014	A	.....	2014	1/1/2055		4,805,000		4,805,000
Total Housing Revenue Bonds							<u>\$ 490,080,000</u>	<u>\$ 282,180,000</u>	
Multi-Family Mortgage Revenue Bonds									
Series	2010	A (New Issue)	.....	2010	7/1/2030	\$	8,410,000	\$	7,710,000
Series	2009	A-1 (Released Program Bonds)	.....	2010	7/1/2051		24,380,000		24,380,000
Series	2010	B (New Issue)	.....	2010	7/1/2045		16,730,000		16,250,000
Series	2009	A-2 (Released Program Bonds)	.....	2010	7/1/2051		6,610,000		6,610,000
Series	2009	A-3 (Released Program Bonds)	.....	2010	1/1/2044		5,410,000		5,410,000 (9)
Series	2010	D (New Issue)	.....	2010	1/1/2035		6,880,000		5,940,000
Series	2009	A-4 (Released Program Bonds)	.....	2010	7/1/2051		10,760,000		10,760,000
Series	2011	A (New Issue)	.....	2011	7/1/2026		2,190,000		1,965,000
Series	2009	A-5 (Released Program Bonds)	.....	2011	7/1/2051		8,460,000		8,460,000
Series	2011	B (New Issue)	.....	2011	1/1/2028		8,680,000		3,635,000
Series	2009	A-6 (Released Program Bonds)	.....	2011	7/1/2051		13,230,000		13,230,000
Series	2011	C (New Issue)	.....	2011	7/1/2051		16,685,000		16,535,000
Series	2009	A-7 (Released Program Bonds)	.....	2011	7/1/2051		23,190,000		23,190,000
Total Multi-Family Mortgage Revenue Bonds							<u>\$ 151,615,000</u>	<u>\$ 144,075,000</u>	
Infrastructure Financing Bonds (MBIA Insured)									
1997 Series	A	.....	1997	6/1/2027	\$	9,860,000	\$	365,000	
1998 Series	B	.....	1998	6/1/2028		30,320,000		760,000	
1998 Series	C	.....	1998	12/1/2020		2,845,000		145,000	
1999 Series	A	.....	1999	6/1/2029		6,985,000		795,000	
2001 Series	A	.....	2001	6/1/2031		8,460,000		125,000	
Total Infrastructure Financing Bonds (MBIA Insured).....							<u>\$ 58,470,000</u>	<u>\$ 2,190,000</u>	
Local Government Infrastructure Bonds (Ambac Insured)									
2002 Series	A	.....	2002	6/1/2032	\$	11,790,000	\$	265,000	
2003 Series	A	.....	2003	6/1/2023		14,560,000		1,170,000	
2004 Series	A	.....	2004	6/1/2034		16,375,000		8,645,000	
2004 Series	B	.....	2004	6/1/2034		4,735,000		3,670,000	
2005 Series	A	.....	2005	6/1/2030		9,345,000		6,815,000	
2006 Series	A	.....	2006	6/1/2026		8,940,000		5,575,000	
2007 Series	A	.....	2007	6/1/2037		11,460,000		8,755,000	
2007 Series	B	.....	2007	6/1/2027		24,575,000		17,990,000	
Total Local Government Infrastructure Bonds (Ambac Insured)							<u>\$ 101,780,000</u>	<u>\$ 52,885,000</u>	

			<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Local Government Infrastructure Bonds						
2010	Series	A-1 (Senior Obligations)	2010	6/1/2030	\$ 19,395,000	\$ 16,765,000
2010	Series	A-2 (Subordinate Obligations)	2010	6/1/2030	8,515,000	7,375,000
2012	Series	A-1 (Senior Obligations)	2012	6/1/2032	9,550,000	8,905,000
2012	Series	A-2 (Subordinate Obligations)	2012	6/1/2032	4,420,000	4,135,000
2012	Series	B-1 (Senior Obligations)	2012	6/1/2032	14,900,000	14,185,000
2012	Series	B-2 (Subordinate Obligations)	2012	6/1/2032	6,855,000	6,535,000
2013	Series	A-1 (Senior Obligations)	2013	6/1/2043	14,660,000	14,660,000
2013	Series	A-2 (Subordinate Obligations)	2013	6/1/2043	6,720,000	6,720,000
Total Local Government Infrastructure Bonds					<u>\$ 85,015,000</u>	<u>\$ 79,280,000</u>
Multifamily Development Revenue Bonds						
Series	1999	A (GNMA-Selborne House Project)	1999	12/20/2040	\$ 2,150,000	\$ 1,905,000
Series	2001	C (Parklane Apartments Project)	2001	2/15/2034	9,800,000	9,800,000 (2)
Series	2001	D (Princess Anne Townhouses)	2001	12/15/2033	4,350,000	3,120,000
Series	2001	E (Princess Anne Townhouses)	2001	12/15/2033	2,875,000	2,435,000 (2)
Series	2001	G (Waters Tower Senior Apts.)	2001	12/15/2033	4,045,000	3,420,000 (2)
Series	2002	B (Broadway Homes Project)	2002	5/1/2020	5,045,000	2,060,000
Series	2002	C (Orchard Mews Apartment Project)	2002	5/1/2035	5,845,000	4,435,000
Series	2003	A (Barrington Apartments Project)	2003	6/15/2037	40,000,000	39,905,000 (2)
Series	2005	A (Fort Washington Manor Sr. Housing)	2005	11/15/2038	14,000,000	12,910,000 (2)
Series	2005	B (Washington Gardens)	2005	2/1/2036	5,000,000	2,245,000
Series	2006	A (Barclay Greenmount Apartments)	2006	4/1/2035	4,535,000	3,470,000
Series	2006	B (Charles Landing South Apartments)	2006	12/1/2036	3,375,000	3,375,000 (2)
Series	2007	A (Brunswick House Apartments)	2007	10/1/2037	3,000,000	1,955,000
Series	2007	B (Park View at Catonsville)	2007	12/1/2037	5,200,000	4,750,000 (2)
Series	2008	A (Walker Mews Apartments)	2008	5/1/2048	11,700,000	11,700,000 (2)
Series	2008	B (Shakespeare Park Apartments)	2008	5/1/2038	7,200,000	7,200,000 (2)
Series	2008	C (The Residences at Ellicott Gardens)	2008	12/1/2040	9,105,000	6,175,000 (2)
Series	2008	D (Crusader Arms Apartments)	2008	2/1/2041	3,885,000	2,660,000 (2)
Series	2008	E (MonteVerde Apartments)	2008	3/1/2041	15,200,000	15,200,000 (2)
Series	2008	F (Hopkins Village Apartments)	2008	11/1/2038	9,100,000	9,100,000 (2)
Series	2008	G (Kirkwood House Apartments)	2008	12/1/2038	16,000,000	16,000,000 (2)
Series	2009	A (Sharp Leadenhall Apartments)	2009	3/1/2041	16,950,000	16,950,000 (2)
Series	2012	A (Park View at Bladensburg)	2012	12/1/2030	3,500,000	3,500,000
Series	2013	A (Gateway Village)	2013	3/1/2015	9,700,000	9,700,000
Series	2013	B (Ross Overlook Apartments)	2013	4/1/2016	13,000,000	13,000,000
Series	2013	C (The Greens at English Consul)	2013	3/1/2015	7,225,000	7,225,000
Series	2013	D (The Greens at Logan Field)	2013	3/1/2015	7,550,000	7,550,000
Series	2013	E (The Residences at Thayer Avenue)	2013	5/1/2015	8,135,000	8,135,000
Series	2013	F (Adams Crossing Apartments)	2013	6/1/2015	16,225,000	16,225,000
Series	2013	G (Glen Manor Apartments)	2013	1/1/2031	13,640,000	13,640,000
Series	2013	H (Seton Village)	2013	12/1/2015	5,400,000	5,400,000
Series	2014	A (Bon Secours Benet House)	2014	2/1/2016	5,700,000	5,700,000
Total Multi-Family Development Revenue Bonds					<u>\$ 288,435,000</u>	<u>\$ 270,845,000</u>
Multifamily Development Revenue Refunding Bonds						
Series	1997	(Avalon Lea Apartments Project)	1997	6/15/2026	\$ 16,835,000	\$ 16,835,000 (2)
Total Multifamily Development Revenue Refunding Bonds					<u>\$ 16,835,000</u>	<u>\$ 16,835,000</u>

	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Capital Fund Securitization Revenue Bonds				
Series 2003	2003	7/1/2021	\$ 94,295,000	\$ 59,185,000
Total Capital Fund Securitization Revenue Bonds			<u>\$ 94,295,000</u>	<u>\$ 59,185,000</u>
Local Government Infrastructure Bonds				
2011 Series A (Mayor and City Council of Cumberland Issue)	2011	6/1/2032	\$ 12,275,000	\$ 12,225,000
Total Local Government Infrastructure Bonds			<u>\$ 12,275,000</u>	<u>\$ 12,225,000</u>
Total Amount of Other Bonds Outstanding			<u>\$ 1,611,942,759</u>	<u>\$ 1,194,942,320</u>
Total Amount of Residential Revenue Bonds Outstanding (11)			<u>\$ 2,485,695,000</u>	<u>\$ 1,734,765,000</u>
Total Amount of All Bonds Outstanding			<u>\$ 4,097,637,759</u>	<u>\$ 2,929,707,320</u>

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- (1) Certain prepayments of mortgage loans financed with the proceeds of such series of bonds are to be applied first to the redemption of certain bonds within such series.
 - (2) These are variable rate bonds that are repriced according to the terms in the respective Official Statement.
 - (3) These are taxable pass through bonds.
 - (4) These are taxable bonds with redemption provisions pertaining only to these bonds. For a description of the redemption provisions refer to the Official Statement.
 - (5) These are taxable bonds.
 - (6) 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.
 - (7) 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.
 - (8) 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.
 - (9) Multi-Family Mortgage Revenue Bonds 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.
 - (10) These pass-through bonds are subject to mandatory payment, without premium, on the first day of each month from scheduled principal payments and prepayments. For a description of the principal payment and redemption provisions refer to the Official Statement.
 - (11) See information under caption "Outstanding Residential Revenue Bonds" above.

For updated information on issuances and/or redemptions after April 1, 2014, please refer to the website www.mdhousing.org, Investor Information.

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APPENDIX F

COMMUNITY DEVELOPMENT ADMINISTRATION RESIDENTIAL REVENUE BONDS TEN YEAR RULE PERCENTAGES

Percentage represents the amount of each repayment of principal and prepayment received in each series which must be used to pay the principal portion of debt service or redeem bonds of that series. Percentages are requirements as of December 31 of each year.

Bond Series	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
1998 Series A/B	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series E/F	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999 Series H	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2000 Series A/B	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2000 Series F/G	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2001 Series E/F	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2002 Series A	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2003 Series A/B/C	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series A/B/C	52.87%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series D/E/F	49.76%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series G/H/I	49.85%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2004 Series J/K	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2005 Series A/B/C	20.75%	20.75%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2005 Series D/E	81.41%	81.41%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series A/B/C/D	72.96%	72.96%	72.96%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series E/F/G	19.20%	19.20%	19.20%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series H/I/J	7.87%	7.87%	7.87%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series K/L/M/N	48.13%	48.32%	58.31%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2006 Series O/P/Q/R	57.71%	57.91%	58.06%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2007 Series A	13.33%	13.33%	13.33%	13.45%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2007 Series C/D	31.89%	32.02%	38.64%	66.27%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2007 Series G/H	43.46%	44.56%	47.38%	58.43%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2007 Series K/L	60.62%	60.95%	61.42%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2008 Series A	71.39%	72.92%	74.66%	99.91%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2008 Series B/C/D	35.20%	37.21%	38.99%	44.97%	46.51%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2008 Series E/F	41.09%	43.02%	44.47%	51.49%	53.33%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2009 Series A/2007 Series J	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2009 Series B/2007 Series M	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2009 Series C/ 2007 Series F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2010 Series A	76.59%	76.59%	76.59%	76.59%	76.59%	76.59%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2010 Series B	60.37%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2011 Series A/B	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%
2014 Series A/B	32.31%	45.39%	45.39%	45.39%	45.39%	45.39%	45.39%	45.39%	45.39%	45.39%	45.39%	100.00%
2014 Series C/D	18.79%	37.69%	37.69%	37.69%	37.69%	37.69%	37.69%	37.69%	37.69%	37.69%	37.69%	100.00%

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APPENDIX G

MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

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

Introduction

The Administration has prepared the following description of the FHA mortgage insurance program, the VA Home Loan Guaranty Program, the USDA/RD Mortgage Guaranty Program, and private mortgage insurance. 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 and for applicable private mortgage insurance. Credit Enhancement for Mortgage Loans made or purchased by the Administration with the proceeds of the 2014 Series CDEF Bonds is limited by the Bond Resolutions to insurance under the FHA insurance program, the VA Home Loan Guaranty Program, the USDA/RD Guarantee Program, and private mortgage insurance (described below). In addition, Mortgage Loans may be insured by the Maryland Housing Fund. See THE MHF INSURANCE PROGRAM below. 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.

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 dependent 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.

Private Mortgage Insurance

Each private mortgage insurance policy with respect to a Mortgage Loan must contain provisions substantially as follows: (a) the mortgage insurer must pay a claim, including unpaid principal, accrued interest, the amounts equal to deferred interest in connection with Mortgage Loans with graduated payments schedules, if any, and expenses, within sixty days of presentation of the claim by the Administration; (b) when a claim for the outstanding principal amount, accrued interest and expenses is presented, the mortgage insurer must either (i) pay such claim in full and take title to the mortgaged property and arrange for its sale or (ii) pay the insured percentage of such claim and allow the Administration to retain title to the mortgaged property or (iii) settle a claim for actual losses where such losses are less than the insured percentage of the claim. (See the "Homeowners Protection Act" below for a discussion of federal legislation that affects private mortgage insurance.) Recent rating agencies' reviews of private mortgage insurers may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. The Administration makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Administration on Mortgage Loans on which losses are incurred.

Homeowners Protection Act

The Homeowners Protection Act of 1998 (the "Homeowners Protection Act") permits a borrower to cancel private mortgage insurance (for which the borrower pays the premium) on the date on which the

principal balance of the mortgage loan is scheduled to reach 80% of the original value of the residence or on the date on which the principal balance actually reaches 80% of the original value of the residence. The original value is the lesser of the sales price or the appraised value at the time the mortgage loan transaction was consummated. In order to effect such cancellation, the borrower must request in writing that the cancellation be initiated, must have a good payment history with respect to the mortgage loan (i.e., no mortgage payment was, during the year beginning two years prior to cancellation, 60 or more days delinquent, and no mortgage payment was, during the year beginning one year prior to cancellation, 30 or more days delinquent), and must satisfy any requirements of the lender for evidence that the value of the residence has not declined below its original value and for certification that the borrower's equity in the residence is not encumbered by a subordinate loan. This Homeowners Protection Act further provides for automatic termination of mortgage insurance on the date on which the principal balance of the mortgage loan is scheduled to reach 78% of the original value of the residence, or if the borrower is not then current on his mortgage loan payments, on the date on which the borrower subsequently becomes current on such payments. These termination and cancellation provisions do not apply to mortgage loans characterized as high risk loans. Even if the private mortgage insurance is not canceled or terminated as described above, private mortgage insurance must be terminated on the first day of the month immediately following the date that is the midpoint of the amortization period of the mortgage loan if the mortgagor is then current on his mortgage loan payments. This Homeowners Protection Act also requires that borrowers be provided with certain disclosures and notices regarding termination and cancellation of private mortgage insurance. This Homeowners Protection Act applies to mortgage loans closed on or after July 29, 1999.

This Homeowners Protection Act applies to insurance provided by the Maryland Housing Fund as well as private mortgage insurance described above.

In addition to termination and cancellation rights available to the borrower under the Homeowners Protection Act, the Administration also permits a borrower to request cancellation of private mortgage insurance or insurance through the Maryland Housing Fund for loans made after January 1, 2005, provided that: (1) the loan balance is 75% or less of the current value of the home as established by a new appraisal acceptable to the Administration; (2) none of the borrower's payments were 30 days or more past due within the 12-month period before the mortgage insurance will be cancelled; (3) none of the borrower's payments were 60 days or more past due during the 24-month period before the mortgage insurance will be cancelled; and (4) the loan is between two and five years old. If the loan is more than five years old, the loan balance may be 80% (instead of 75%) or less of the current value of the home as established by a new appraisal acceptable to the Administration; conditions (2) and (3) also apply.

THE MHF INSURANCE PROGRAM

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

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

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

Multifamily Loan Programs

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

The Administration is a participant in the Federal Housing Administration's ("FHA") Risk-Sharing Program (the "FHA Risk-Sharing Program") for multifamily loans. As a Level I participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. As a Level II participant under the FHA Risk-Sharing Program, the Administration would be responsible for reimbursement to FHA of up to 25% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses, pursuant to a commitment letter issued by MHF to the Administration in connection with each Loan. Between 1997 and 2004, the Administration participated in the FHA Risk-Sharing Program only in connection with the refinancing of Loans then insured by MHF where the Administration was able to decrease the dollar amount of MHF's insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program for new Loans funded through the Administration with credit enhancement under the FHA Risk-Sharing Program.

MHF has also provided mortgage insurance for short term loans made by the Administration pursuant to the Tax Credit Bridge Loan Insurance program. For a project which qualifies for federal low income housing tax credits, MHF provided limited insurance for bridge loans made by the Administration until equity capital contributions were made by the tax credit investor. The Tax Credit Bridge Loan Insurance program is governed by Sections 3-203 and 3-206 of the MHF Statute and COMAR 05.06.02 of the MHF Regulations.

Single Family Loan Programs

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

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

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

million of the Unallocated Reserve to the General Reserve on November 3, 2008 to insure loans under the HOPE initiative and other Department programs.

Additional Information

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody's that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds, MHF transferred \$10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006, or 2007. Legislation was enacted during the 2008 session requiring another \$10 million to be transferred, and beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than \$10 million, be transferred to the Department's revolving housing loan funds. During the fiscal years ending June 30, 2009, 2010, 2011, 2012 and 2013, MHF transferred \$5.7 million, \$2.7 million, \$2.1 million, \$2.05 million and \$1.1 million respectively. For more information, see "Management's Presentation of the MHF Program" below.

MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM

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

Financial Statements and Information

Audited financial statements of MHF for the fiscal years ended June 30, 2013, and June 30, 2012 are included in the Appendix I – "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND." Additionally, unaudited financial statements for the period July 1, 2013 through March 31, 2014 of MHF are also included in APPENDIX I hereto.

The financial statements of MHF for the fiscal year ended June 30, 2013 have been audited by CohnReznick LLP. The financial statements of MHF for the fiscal year ended June 30, 2012 have been audited by Reznick Group, P.C., predecessor to CohnReznick LLP. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States. The financial statements of MHF are reported on a consolidated basis combining results of operations for all of the MHF Programs.

Income and Reserves

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

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

The MHF Statute provides that any moneys of MHF that the Department creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF

Regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve. All reserves are held by the Office of the Treasurer of the State, which credits MHF with interest income based on the total reserve balance for the benefit of MHF.

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

Statements of Net Assets Discussion

During the fiscal year ending June 30, 2013, the overall equity decreased from \$82,062,053 at June 30, 2012 to \$73,667,308. The net decrease of \$8,394,745 is primarily due to actual and anticipated insurance losses on acquired single family properties, and general administration costs allocated to MHF. During the nine-month period ending March 31, 2014, the overall equity decreased from \$73,667,308 at June 30, 2013 to \$72,655,443 at March 31, 2014. The decrease of \$1,011,865 is primarily due to the transfer of cash to the Department's revolving housing loan funds as referenced above and actual and anticipated insurance losses on single family properties acquired.

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

In fiscal year 2013, MHF paid claims directly from the reserve funds resulting in an increase to the Unrestricted Accumulated Deficit from \$4,992,332 to a deficit of \$11,843,619. During the nine-month period ending March 31, 2014, the Unrestricted Accumulated Deficit increased from \$11,843,619 to a deficit of \$12,137,768 due to net loss of income from operating activities (income net of interest earned on investments held by the State Treasurer).

Discussion of Changes in Net Position

During the fiscal year ending June 30, 2013, MHF reported a Change in Net Position of (\$7,326,093). The net change is due primarily to an increase in the allowance for insurance losses from acquired single family properties.

During the nine-month period ending March 31, 2014, MHF reported a Change in Net Position of (\$241,960). The net change is due primarily to decrease in allowance for insurance losses from single family properties, net losses of sales of acquired single family properties and general administration expenses.

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

Discussion of Operating Cash Account

Selected Activity in MHF's Operating Cash Account

The following table is management's presentation of selected activity in MHF's operating cash account as of March 31, 2014.

	<u>Single Family</u>	<u>Multifamily</u>	<u>Total</u>
Premiums Collected ⁽¹⁾	\$1,650,777	\$1,083,769	\$2,734,546
Operating Expenses Paid ⁽²⁾	(1,217,288)	(995,962)	(2,213,250)
Premiums Net of Operating Expenses	433,489	87,807	521,296
Claims ⁽³⁾	(8,632,370)	43,000	(8,589,370)
Recoveries ⁽⁴⁾	7,008,816	29,636	7,038,452
Net Claim Activity	(1,623,554)	72,636	(1,550,918)
Other ⁽⁵⁾	0	(27,052)	(27,052)
Net Cash from Selected Activity	<u>(\$1,190,065)</u>	<u>\$133,391</u>	<u>(\$1,056,674)</u>

Notes:

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

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

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

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

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

During the fiscal year ending June 2013, the net cash activity in MHF's operating cash was (\$914,126) for Single Family and (\$1,317,887) for Multifamily.

During the nine-month period ending March 31, 2014, the net cash activity in MHF's operating cash was (\$1,190,065) for Single Family and \$133,391 for Multifamily. The change in Single Family is due to increase in claims. The change in Multifamily is due to premiums received.

Liquidity

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

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

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

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

Discussion of Leverage Ratios

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

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

Under the 2010 Single Family Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of the aggregate dollar amount of the Single Family insurance to assets in the Single Family Reserve (as may be reduced as described below) to exceed 25 to 1, and that no new insurance payable from the Single Family Reserve shall be issued or committed to, if upon such issuance or commitment and subsequent issuance, that ratio would be exceeded.

Due to MHF having never insured loans that were securitized by Fannie Mae, on April 4, 2014 MHF notified Fannie Mae of its intent to cease seeking certification as a Fannie Mae qualified insurer and requested that Fannie Mae remove MHF from its list of eligible mortgage insurance providers. The Administration and MHF have entered into the First Amendment to Insurance Agreement Between the Maryland Housing Fund and the Community Development Administration, dated as of April 30, 2014, which eliminates the obligation of MHF to take all actions necessary for the qualification of Single Family Regular Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.

Selected Information about the Single Family Regular Reserve Ratios

	<u>06/30/12</u>	<u>06/30/13</u>	<u>3/31/14</u>
Single Family Regular Program Reserve ⁽¹⁾⁽²⁾	\$ 19,816,789	\$ 19,250,357	\$18,656,812
Amount Available for Calculation of “Ratio of Insurance to Available Reserve” ⁽³⁾	19,816,789	19,250,357	18,656,812
Primary Insurance coverage in force ⁽⁴⁾			
Insurance Agreement prior to 2005	13,666,598	11,760,376	10,568,942
Insurance Agreement post 2005	27,099,393	24,255,146	23,538,103
Pool Insurance coverage in force ⁽⁵⁾	-	-	-
Reinsurance Program ⁽⁶⁾	913,198	2,336,884	47,076
Ratio of Mortgage Loans to the Regular Reserve ⁽⁷⁾	2.06to1	1.87to1	1.83to1

Notes:

⁽¹⁾ The Single Family Program does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of March 31, 2014, MHF had committed no additional primary insurance coverage.

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

⁽³⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multifamily Reserve may be reduced in a manner determined by MHF to be appropriate. As of March 31, 2014, there was no reduction in the Single Family Reserve to cover the accumulated deficit.

⁽⁴⁾ The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement (\$42,275,769 at March 31, 2014). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement (\$67,251,723 at March 31, 2014).

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

⁽⁶⁾ Effective January 1, 2011, MHF and the Administration entered into a Reinsurance Program for loans that the Administration had originated between 2005 and 2010. Under this program, MHF committed up to \$12.5 million to cover losses incurred by the Administration. The Reinsurance Program terminated April 1, 2014 upon the Administration’s receipt of payment of \$12.5 million.

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

MHF operates its multifamily insurance in accordance with an amended and restated insurance agreement dated February 12, 2006, with the Administration (the “Insurance Agreement”).

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

Selected Information about the Multifamily Reserve Ratios

	<u>06/30/12</u>	<u>06/30/13</u>	<u>3/31/14</u>
Total Multifamily Reserve ⁽¹⁾	\$ 44,698,739	\$ 44,698,739	\$ 44,698,739
Amount Available for Calculation of “Ratio of Insurance to Available Reserve” ⁽²⁾	44,698,739	43,625,027	43,064,572
Insurance Outstanding			
Multifamily mortgage insurance in force	126,076,578	143,802,497	154,799,369
Ratio of Insurance to Available Reserve	2.82 to 1	3.30 to 1	3.58 to 1

Notes:

⁽¹⁾ The Multifamily Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of March 31, 2014, MHF had committed to additional mortgages in the amount of \$5,508,616.

⁽²⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multifamily Reserve may be reduced in a manner determined by MHF to be appropriate. As of March 31, 2014, there was no reduction in the MF Reserve to cover the accumulated deficit. However, an adjustment of \$1,482,239 was made to the amount available to calculate the ratios.

The total amount of the Multifamily Reserve is available to pay Multifamily insurance claims. In addition, to the extent available, MHF could elect to pay all or part of any Multifamily claim from the Unallocated Reserve or from operating funds. MHF maintains other reserves that are not available to pay such claims (e.g., the Single Family Regular, Revitalization, and General Reserves).

SINGLE FAMILY INFORMATION

Additional Single Family Claims Potential

Under its Single Family Regular insurance program, MHF is not obligated to pay claims on Single Family insurance until after the insured lender has completed foreclosure, evicted the occupants of the properties (if necessary) and restored the property to a condition satisfactory to MHF. As a result, at any time there are a number of mortgages that have been foreclosed and which are likely to result in payment of claims but which have not yet reached the point where MHF recognizes them as liabilities in its financial statements. The total principal amount of such potential claims was \$3,575,823 as of March 31, 2014. On a quarterly basis, MHF includes its projection of net losses with respect to these potential claims in its financial statements as part of the allowance for Single Family insurance losses. Although these amounts are not payable from the Multifamily Reserve, they are potentially payable from other resources of MHF, including operating cash, the Unallocated Reserve and the Single Family Reserve.

Discussion of Single Family Operations

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

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

Single Family Claims Experience

The following chart sets forth information about claims on mortgage loans insured under the Single Family Regular Program Reserve and the Revitalization Reserve. This data includes net claim activity for properties sold during fiscal years ending June 30, 2012, June 30, 2013 and the nine-month-period ending March 31, 2014. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after March 31, 2014.

Single Family Claims Experience

	<u>06/30/2012</u>	<u>06/30/13</u>	<u>3/31/14</u>
Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year	\$ 1,953,059	\$ 15,911,690	\$ 6,732,697
Claims Paid on Acquired Properties Sold During the Fiscal Year			
Principal	(3,280,813)	(26,602,915)	10,418,828
Interest	(1,187)	(0)	(0)
Expenses and Carrying Costs	<u>(11,051)</u>	<u>(756,618)</u>	<u>684,278</u>
Total Claims Paid	\$ (3,293,051)	\$ (27,359,533)	\$ 11,103,106
Net Loss on Acquired Properties Sold During the Fiscal Year	<u>\$ (1,339,992)</u>	<u>\$ (11,447,843)</u>	<u>\$ (4,370,409)</u>

2010 Single Family Insurance Agreement

The 2010 Single Family Insurance Agreement provides as follows:

- (1) MHF will not decrease the amount of funds in the Single Family Regular Program Reserve as increased from time to time for any reason except to pay claims and advances against claims arising under the Program and for expenditures with respect to properties acquired by MHF as a result of payment of such claims.
- (2) Except as necessary to pay claims and advances on claims and except for expenditures with respect to properties acquired by MHF as a result of payment of such claims, MHF will not exceed a certain leverage ratio. See "Management's Presentation of the MHF Program – Discussion of Leverage Ratios."
- (3) MHF and the Administration agree that MHF is released from any obligation to continue to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

Terms of Single Family Insurance Coverage

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

Primary Insurance. Historically, under the 1980 Single Family Insurance Agreement, MHF issued Primary Insurance that covered up to 25% of the total claim depending upon initial loan-to-value ratio. Under the 2005 Single Family Insurance Agreement, MHF issues Primary Insurance that covers the top 35% of the total claim. MHF Regulations provide that mortgage insurance may be terminated if: (1) the lender requests cancellation; (2) a claim is satisfied; (3) the mortgage is paid off; (4) a renewal premium is not paid by the

mortgagee after its receipt of final notice from MHF; or (5) the mortgage terms are modified without MHF approval.

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

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

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

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

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

Single Family Energy Efficiency and Conservation Block

Effective May 1, 2013, the Department and MHF entered into an Energy Efficiency and Conservation Block Agreement with the Department of Energy. The Agreement allows up to one million dollars (\$1,000,000) to provide energy efficiency and weatherization improvements for properties owned by the Department and MHF (“REO Properties”). The Division of Credit Assurance (“DCA”), a unit of the Department, will determine which REO Properties are eligible and will hire contractors to perform energy audits and work with the Department to promote the value of home energy efficiency and to sell the improved properties to low and moderate income families in Maryland. The program ended on September 30, 2013. \$474,923 was spent to enhance 57 REO Properties as of September 30, 2013.

MULTIFAMILY INFORMATION

Multifamily Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF's Multifamily program as of March 31, 2014. The amounts shown are net of debt service claim payments. The amounts shown do not include insurance on mortgage loans insured by MHF and reinsured by FHLMC. See "The FHLMC Reinsurance Agreement" below. The reinsured mortgage loans had an aggregate principal balance at March 31, 2014, of \$1,574,303.

In addition to the loans listed below, as of March 31, 2014, eleven Single Family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of \$91,810 are insured under the Multifamily Reserves.

Outstanding Multifamily Insurance as of March 31, 2014

LOAN CATEGORY	Loans with Outstanding Insurance	Original Insured Principal Amount	Outstanding Insured Principal Amount
Housing Revenue Bonds of the Administration ⁽¹⁾			
Multifamily Projects	46	\$132,833,805	\$109,947,569
Other	53	9,569,560	8,148,802
Multifamily Housing Revenue Bonds (Insured Mortgage Loans) of the Administration ⁽²⁾			
Multifamily Projects	15	34,691,053	22,013,829
Other	60	6,594,184	4,004,359
General Bond Reserve Fund of the Administrations ⁽³⁾	40	5,612,570	5,356,021
Housing Commission of Montgomery County ⁽⁴⁾	3	13,678,000	5,328,790
TOTAL	217	\$202,979,172	\$154,799,370

Notes:

⁽¹⁾ Loans financed with proceeds of the Administration's Housing Revenue Bonds. The Loans provided permanent financing for construction and permanent financing for developments located in 7 counties and the City of Baltimore. These Developments (not including SHOP) contain 2,972 units of which 907 units in 7 Developments are assisted under the Section 8 Program. The 53 projects in the "Other" category represent 171 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the Maryland Mortgage Program ("MMP").

⁽²⁾ Loans financed with proceeds of the Administration's Multi-Family Housing Revenue Bonds (Insured Mortgage Loans). The Loans provided permanent financing or construction and permanent financing for developments located in 6 counties and the City of Baltimore. The Developments (not including SHOP) contain 1,605 units of which 184 units in 2 Developments are assisted under the Section 8 Program. The mortgage loans were initially endorsed for insurance between 1982 and December 31, 1997. The 16 Multi-Family Projects include SHOP Loans that exceed 75% of the maximum acquisition cost set by the MMP; the 60 projects in the "Other" category represent 201 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

⁽³⁾ Loans financed with General Bond Reserve Funds for SHOP Loans; the 40 projects represent units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

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

Charts detailing the Multifamily loans insured by MHF and financed by the Administration may be found in the Administration's filings in accordance with Rule 15c2-12 of the Securities and Exchange

Commission with the Electronic Municipal Market Access (“EMMA”) for Housing Revenue Bonds and for Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

Certain Additional Expected Multifamily Claims

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

Discussion of Multifamily Operations

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

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

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

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

MHF’s Risk Rating of the Multifamily Projects as of March 31, 2014

	Current Principal Balances	Percentage of Total Principal	Number of Loans	Number of Projects
“A” Loans: ⁽¹⁾	\$143,097,757	93.05%	54	51
“B” Loans:	10,694,965	6.95%	10	8
Portfolio Totals:	153,792,722	100.00%	64	59

Notes:

⁽¹⁾ Included in the 'A' Loans, in the “Current Principal Balance” column, is \$17,509,182 for 153 group home loans, which are not reflected in the 'Number of Loans' or 'Number of Projects' columns.

Portfolio Management. The Division is evaluating each of the loans in the “B” category to develop a plan for stabilizing the loans and reducing its potential for default. Strategies may include loan modification, use of additional resources, adjustments to funding of reserves for replacement going forward, and replacement of management agents. As of March 31, 2014, there were no loans in the “C” category.

Multifamily Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multifamily Reserve as of March 31, 2014.

In the column entitled “Claims Net of Cash Recoveries,” the figures show the result as of March 31, 2014. Workouts are in progress. See the individual footnotes below for further information.

MULTIFAMILY CLAIMS PAID BY MHF
As of March 31, 2014

Development/Claim Status	Principal	Interest & Carrying Costs	Total	Recoveries	Claims Net of Cash Recoveries	Date Claim Paid
<u>Closed Claims</u>						
Single Family Mortgage Loans ⁽¹⁾	\$309,392	\$ -	\$309,392	\$346,620	\$37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Douglynne Woods & Rhoda's Legacy Bond Street ⁽²⁾	566,658	-	566,658	566,658	-	04/1982
Belleview-Manchester ⁽³⁾	543,940	71,711	615,651	408,859	(206,792)	08/1989
Strathdale Manor Apartments ⁽⁴⁾	288,333	-	288,333	-	(288,333)	10/1990
Walker Mill ⁽⁵⁾	10,700,000	2,376,830	13,076,830	-	(13,076,830)	05/1994
Edmondale ⁽⁶⁾	3,346,441	1,229,080	4,575,521	2,314,817	(2,260,704)	01/1997
Town Properties ⁽⁷⁾	457,739	24,206	481,945	-	481,945	04/1997
Loch Raven ⁽⁸⁾	819,111	12,493	831,604	582,989	(248,615)	07/1997
Village Home Apartments ⁽⁹⁾	12,103,623	1,065,472	13,169,095	9,080,444	(4,088,651)	02/1998
Regent Apartments ⁽¹⁰⁾	954,202	55,182	1,009,384	649,523	(359,861)	12/1998
Maple Avenue ⁽¹¹⁾	1,227,455	72,446	1,299,901	860,603	(439,298)	01/1999
Westfield Apartments ⁽¹²⁾	3,053,892	211,540	3,265,432	1,748,397	(1,517,035)	06/1999
Westfield Gardens ⁽¹³⁾	4,401,438	390,924	4,792,362	2,910,539	(1,881,823)	11/1999
Apartments at the Greens ⁽¹⁴⁾	496,757	1,735	498,492	279,435	(219,057)	11/1999
Stewarttown ⁽¹⁵⁾	6,337,284	21,927	6,359,211	6,010,026	(349,185)	11/1999
Telephone Apartments ⁽¹⁶⁾	2,543,590	-	2,543,590	2,150,000	(393,590)	12/1999
Robinwood Townhomes ⁽¹⁷⁾	1,030,275	33,569	1,063,844	773,833	(290,011)	01/2001
North Avenue Terraces ⁽¹⁸⁾	2,451,741	218,057	2,669,798	2,630,807	(38,991)	11/2001
SHOP Loans ⁽¹⁹⁾	1,155,285	48,762	1,204,047	750,000	(454,047)	07/2002
Bell Haven Apartments ⁽²⁰⁾	772,987	78,925	851,912	725,068	(126,844)	03/2001
Quail Run/Bay Street Properties ⁽²¹⁾	5,856,640	2,449,128	8,305,768	5,842,157	(2,463,611)	03/1996
Tomall Apartments ⁽²²⁾	1,182,578	37,677	1,220,255	1,186,575	(33,680)	03/2003
Market Mews ⁽²³⁾	152,885	994	153,879	75,000	(78,879)	06/2004
Eastdale ⁽²⁴⁾	1,700,014	1,565,862	3,265,876	2,168,828	(1,097,048)	12/1985
Villages of Laurel ⁽²⁵⁾	3,302,667	320,060	3,622,727	3,622,727	-	11/1999
Hollins Townhouses ⁽²⁶⁾	5,036,854	607,133	5,643,987	5,643,987	-	11/1999
Claims where debt is outstanding	2,445,475	1,073,289	3,518,764	2,052,599	(1,466,165)	10/1990
Renaissance Plaza ⁽²⁷⁾	\$6,907,349	\$4,680,554	\$11,587,903	\$4,624,028	(6,963,875)	02/1991
Mount Pleasant ⁽²⁸⁾	\$3,506,595	\$601,296	\$4,107,891	\$4,051,487	(56,404)	02/1996
<u>Claims where REO is held</u>						
Lease-Purchase ⁽²⁹⁾	\$1,534,088	\$ 82,619	\$ 1,616,707	\$901,933	\$(714,774)	05/1996

Notes:

⁽¹⁾ Claims on eight Single Family loans insured under the Multi-Family Reserve before 1980.

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

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

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

Baltimore City at foreclosure on April 15, 1997. The property was sold for an amount that was insufficient to provide any recovery to MHF.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁽¹⁹⁾ Nine Deed of Trust Notes in the original principal amounts of \$833,650 for the various SHOP loans. MHF paid full claim payments on the nine loans in the amounts of \$824,224. In March 2001, MHF accepted five loan assignments in the original principal amount of \$502,950. MHF paid full claims on the five loans for \$491,062 and received full recovery on the first and

fourth loans by virtue of third party sales at foreclosure on June 7, 2001. MHF realized losses on the sale of the second and third loans of approximately \$27,000 and \$22,000, respectively. MHF realized a loss of approximately \$40,000 on the fifth loan by virtue of third party purchasing on June 7, 2001. In August 2001, MHF accepted one assignment in the principal amount of \$108,000. MHF paid a full claim on the loan for \$106,372 and realized full recovery at a third party foreclosure sale on August 16, 2001. In October 2001, MHF accepted another three assignments in the original principal amount of \$222,700. MHF paid full claims on the three loans for \$226,790 and received full recovery on one loan at the third party foreclosure sale on June 13, 2002. MHF realized losses of approximately \$18,000 and \$16,000 on the two loans at the third party foreclosure sale on June 13, 2002. The court ratified the foreclosure sales on July 26, 2002.

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

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

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

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

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

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

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

⁽²⁷⁾ Renaissance Plaza Deed of Trust Note in the original principal amount of \$7,000,000. MHF paid all amounts in arrears totaling \$428,052 in February 1991. In connection with the default, MHF also paid additional principal of \$6,880,050; interest totaling \$1,498,664, and operating deficits in the amount of \$2,781,137. The Renaissance Plaza project, which consists of three buildings, has been sold pursuant to the orders of a judicial receivership. Closing on the sale of one building occurred on December 30, 1993. MHF received two notes in payment of the purchase price: a first lien mortgage in the amount of

\$2,722,544 at 6.22% interest, \$365,000 of which is an amortizing loan, the balance to be paid out of cash flow, if any from the properties; and a second lien gap note in the amount of \$512,404 at 0% interest until maturity. The gap note was paid in full at the closing of financing for rehabilitation of the building on February 18, 1994. The closing of the other two buildings occurred on December 14, 1994. MHF received three notes in payment of the purchase price for the two buildings: a first lien mortgage in the amount of \$2,600,000 at 7.4% interest to begin amortizing on January 1, 1997; a second lien mortgage in the amount of \$4,450,000 at 8.23% interest to be paid out of cash flow, if any, from the properties; and a third lien gap note in the amount of \$500,000 at 0% interest until maturity (April 13, 1995), and a default rate of 7.4% interest. The gap note was paid in full at the closing of financing for rehabilitation of the two buildings on February 14, 1995. The \$2,600,000 deed of trust note was sold at par and assigned to the Administration on September 24, 1996, in connection with an issuance of bonds by the Administration.

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

⁽²⁹⁾ In May 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original amount of \$2,000,000, which financed a project known as Lease Purchase. MHF paid a claim for the project in the amount of \$1,587,498 on May 15, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. MHF accepted a deed of assignment on this project on July 12, 1996. Thirty-six of the original 40 units have been sold and the majority of the remaining units are occupied by tenants, some of whom are candidates to purchase their properties.

Actuarial Study

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

FHLMC Reinsurance Agreement

On December 28, 1994, MHF, the Department, the Administration, and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") entered into a Reinsurance Agreement (the "Reinsurance Agreement"). The purpose of the Reinsurance Agreement was to cede to and fully reinsure with FHLMC, MHF's mortgage insurance obligations with respect to certain loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure, without any contingent liability for MHF, 17 loans insured by MHF having an original unpaid principal balance of \$70,346,036 and, as of March 31, 2014, an aggregate unpaid principal balance of \$1,574,303. Nine of these loans were financed originally with the Administration's Multifamily Housing Revenue Bonds (Insured Mortgage Loans) and acquired with proceeds of the Administration's Housing Revenue Bonds Series 1996 A Bonds, and are identified in APPENDIX D – "DESCRIPTION OF LOANS AND DEVELOPMENTS" in the Official Statement for the Administration's Housing Revenue Bonds, Series 1999 D. The remainder of these loans was financed with the proceeds of the Administration's Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

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

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

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008

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

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

Staff

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

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

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

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

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

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

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

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

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

Additional Information

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

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APPENDIX H

**FINANCIAL STATEMENTS OF THE
COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS**

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS**

JUNE 30, 2013 AND 2012

Community Development Administration
Residential Revenue Bonds

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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Administration Residential 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, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Community Development Administration Residential Revenue Bonds early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities.

Other Matters

The financial statements of Community Development Administration Residential Revenue Bonds as of June 30, 2012, were audited by other auditors whose report dated September 28, 2012, expressed an unmodified opinion on those statements. As part of our audit of the 2013 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Fund other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

As discussed in Note 1, the financial statements present only the Community Development Administration Residential 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 and for the year ended June 30, 2013, and the changes in its net position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on page 58, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Baltimore, Maryland
October 18, 2013

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF NET POSITION
(in thousands)

June 30, 2013 and 2012

	2013	2012
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit	\$ 324,726	\$ 329,651
Investments	19,439	-
Mortgage-backed securities	3,014	426
Single family mortgage loans	34,119	36,213
Multi-family mortgage loans	1,658	1,545
Accrued interest and other receivables	23,635	21,411
Claims receivable on foreclosed and other loans, net of allowance	91,433	87,028
Real estate owned	10,648	6,558
Total restricted current assets	<u>508,672</u>	<u>482,832</u>
Restricted long-term assets		
Investments, net of current portion	11,509	29,593
Mortgage-backed securities, net of current portion	87,529	17,026
Single family mortgage loans, net of current portion and allowance	1,612,635	1,851,453
Multi-family mortgage loans, net of current portion	27,463	29,327
Accrued interest receivable, net of current portion	-	11
Total restricted long-term assets	<u>1,739,136</u>	<u>1,927,410</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of fair value on interest rate swap agreements	27,065	35,862
Total deferred outflows of resources	<u>27,065</u>	<u>35,862</u>
Total restricted assets and deferred outflows of resources	<u><u>\$ 2,274,873</u></u>	<u><u>\$ 2,446,104</u></u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accrued interest payable	\$ 27,496	\$ 30,596
Accounts payable	5,782	1,403
Rebate liability	-	59
Bonds payable	127,755	66,795
Deposits by borrowers	2,239	2,138
Total current liabilities	<u>163,272</u>	<u>100,991</u>
Long-term liabilities		
Rebate liability, net of current portion	182	6,836
Bonds payable, net of current portion	1,773,492	1,962,232
Deposits by borrowers, net of current portion	2,445	2,396
Interest rate swap agreements	27,065	35,862
Total long-term liabilities	<u>1,803,184</u>	<u>2,007,326</u>
Total liabilities	<u>1,966,456</u>	<u>2,108,317</u>
NET POSITION		
Restricted	<u>308,417</u>	<u>337,787</u>
Total liabilities and net position	<u><u>\$ 2,274,873</u></u>	<u><u>\$ 2,446,104</u></u>

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

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

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenue		
Interest on mortgage loans	\$ 105,805	\$ 117,437
Interest on mortgage-backed securities	1,417	827
Increase in fair value of mortgage-backed securities	9,135	3,980
Interest income on investments, net of rebate	602	1,377
(Decrease) increase in fair value of investments, net of rebate	(972)	1,309
Gain on early retirement of debt	1,780	6,657
Other operating revenue	969	1,212
	<u>118,736</u>	<u>132,799</u>
Operating expenses		
Interest expense on bonds	85,493	96,232
Professional fees and other operating expenses	10,349	6,940
Other expenses related to investment agreement (see note 3)	3,573	-
Provision for loan losses	29,415	16,965
Origination expenses	2	18
Losses and expenses on real estate owned, net	4,208	8,261
Loss on foreclosure claims, net	1,714	350
Bond issuance costs	622	133
	<u>135,376</u>	<u>128,899</u>
Operating (loss) income	<u>(16,640)</u>	<u>3,900</u>
Nonoperating (expenses) revenue		
(Decrease) increase in fair value of mortgage-backed securities	<u>(4,708)</u>	<u>512</u>
Total nonoperating (expenses) revenue	<u>(4,708)</u>	<u>512</u>
Transfers of funds as permitted by the Resolution	<u>(8,022)</u>	<u>(10,243)</u>
CHANGES IN NET POSITION	(29,370)	(5,831)
Net position - restricted at beginning of year, as previously stated	337,787	377,605
Cumulative effect of change in accounting principle	<u>-</u>	<u>(33,987)</u>
Net position - restricted at beginning of year, as restated	<u>337,787</u>	<u>343,618</u>
Net position - restricted at end of year	<u><u>\$ 308,417</u></u>	<u><u>\$ 337,787</u></u>

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 226,242	\$ 194,660
Principal and interest received on mortgage-backed securities	2,764	1,450
Escrow funds received on multi-family loans	1,896	1,999
Escrow funds paid on multi-family loans	(1,746)	(1,718)
Mortgage insurance claims received	86,491	89,924
Foreclosure expenses paid	(6,686)	(8,626)
Loan fees disbursed	(2)	(18)
Purchase of mortgage loans	(1,996)	(3,245)
Purchase of mortgage-backed securities	(268,806)	(174,179)
Transfer of mortgage-backed securities	-	153,129
Funds received from sale of mortgage-backed securities	198,632	62,030
Professional fees and other operating expenses	(10,207)	(6,787)
Other income received	969	1,212
Other reimbursements	(1,846)	(395)
Net cash provided by operating activities	<u>225,705</u>	<u>309,436</u>
Cash flows from investing activities		
Proceeds from maturities or sales of investments	17,525	971
Purchases of investments	(19,739)	(2,695)
Arbitrage rebates paid	(6,955)	(646)
Interest received on investments	<u>1,776</u>	<u>1,586</u>
Net cash used in investing activities	<u>(7,393)</u>	<u>(784)</u>
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	90,143	-
Payments on bond principal	(215,835)	(171,080)
Bond issuance costs	(622)	(133)
Interest on bonds	(88,901)	(98,950)
Transfers among Funds	<u>(8,022)</u>	<u>(10,243)</u>
Net cash used in noncapital financing activities	<u>(223,237)</u>	<u>(280,406)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	(4,925)	28,246
Cash and cash equivalents on deposit at beginning of year	<u>329,651</u>	<u>301,405</u>
Cash and cash equivalents on deposit at end of year	<u><u>\$ 324,726</u></u>	<u><u>\$ 329,651</u></u>

(continued)

Community Development Administration
Residential Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating (loss) income	\$ (16,640)	\$ 3,900
Adjustments to reconcile operating (loss) income to net cash provided by operating activities		
Decrease (increase) in assets		
Mortgage loans	237,489	158,914
Mortgage-backed securities	(78,684)	38,850
Accrued interest and other receivables	(2,213)	(1,274)
Claims receivable on foreclosed and other loans	(28,646)	(7,315)
Real estate owned	(4,090)	12,668
(Decrease) increase in liabilities		
Accrued interest payable	(3,100)	(2,426)
Accounts payable	4,379	708
Rebate liability	(6,713)	(313)
Deposits by borrowers	150	281
Amortizations		
Investment discounts and premiums	4	4
Bond original issue discounts and premiums	(308)	(292)
Provision for loan losses	29,415	16,965
Increase in fair value of mortgage-backed securities	(9,135)	(3,980)
Realized gains on mortgage-backed securities sold	10,020	2,634
Decrease (increase) in fair value of investments	855	(1,374)
Arbitrage rebates paid	6,955	646
Gain on early retirement of debt	(1,780)	(6,657)
Bond issuance costs	622	133
Interest received on investments	(1,776)	(1,586)
Interest on bonds	88,901	98,950
	<u>88,901</u>	<u>98,950</u>
Net cash provided by operating activities	<u>\$ 225,705</u>	<u>\$ 309,436</u>

See notes to financial statements

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2013 and 2012

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Residential Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds primarily to originate or purchase single family mortgage loans.

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.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Fund is restricted as to its use as the net position is pledged to bondholders.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements

During fiscal year 2013, CDA implemented the provisions of GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Prior to the adoption of this standard, CDA adopted all Financial Accounting Standards Board (FASB) statements issued, unless those pronouncements conflicted with or contradicted GASB standards. With the adoption of GASB Statement No. 62, CDA no longer adopts or applies FASB statements.

During fiscal year 2013, CDA implemented GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. The impact of this statement was to formally replace the reporting title of net assets with the reporting title of net position, and to report the effect of the separate classifications of deferred outflows of resources and deferred inflows of resources on net position. The provisions of GASB Statement No. 63 have been applied retroactively.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2013, CDA early implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either: properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources; or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The impact of this statement on CDA's accounting policies is described in detail within Note 2 for the affected accounts. The provisions of GASB Statement No. 65 have been applied retroactively.

Cash and Cash Equivalents on Deposit

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2013 and 2012, the Fund's cash equivalents were primarily invested in a money market mutual fund. Cash equivalents are more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on single family homes. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Prior to implementation of GASB Statement No. 65, mortgage loans were carried at their unpaid principal balances, net of allowance and unamortized loan fees and expenses. Loan fees and expenses were deferred and amortized over the life of the related loans using the effective interest method. With the implementation of GASB Statement No. 65, all mortgage loans, not held for sale, are classified as held for investment and as such their related loan fees and origination expenses are recognized as revenue or expense in the period received or incurred. Deferred loan fees and deferred origination expenses have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$18,010, decreases net position and reflects the amount of capitalized fees received net of costs incurred prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$16,202 of capitalized fees received net of costs thus decreasing total net position. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect the receipt of deferred loan fees net of deferred origination expenses, and including previously recorded amortization of deferred loan fees and origination expenses, resulting in a net increase of \$1,808 in changes in net position. For fiscal year 2013, \$2 of origination expenses was recognized as an expense. There were no fees received to be recognized as revenue. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as claims receivables. See Notes 4 and 14 for additional information on mortgage loans and mortgage insurance, respectively.

Accrued Interest and Other Receivables

Accrued interest and other receivables include interest on loans and investments. On insured single family loans, interest ceases to accrue after foreclosure. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. See Note 5 for additional information.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims Receivable on Foreclosed and Other Loans

Claims receivable on foreclosed and other loans include insured single family loans that are in foreclosure or other single family loans with pending insurance claims, recorded net of allowance. These loans are primarily insured by U.S. Government Agencies or private mortgage insurers. Foreclosed loans insured by private mortgage insurers are held in this account until the insurer has made a final determination as to claim payment or transfer of the property to CDA.

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure or deeds-in-lieu and is stated at the lower of cost or fair value less estimated costs to sell. Expenses incurred related to real estate owned are reported on the Statements of Revenue, Expenses and Changes in Net Position.

Allowance for Loan Losses

Substantially all of the single family mortgage loans of the Fund are insured or guaranteed by agencies of the U.S. Government, the Maryland Housing Fund (MHF), or private mortgage insurers. As of June 30, 2013 and 2012, CDA has established an allowance for loan losses on the uninsured portions of single family mortgage loans with private mortgage insurance. CDA has also established an allowance for loan losses on single family loans with private mortgage insurance that are in foreclosure. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group as well as a current assessment of probability and risk of loss due to default or deteriorating economic conditions. Multi-family mortgage loans of the Fund are insured or guaranteed; as such, no allowance for loans losses was necessary as of June 30, 2013 and 2012. See Note 4 for additional information on allowance for loan losses.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issuance Costs

Prior to implementation of GASB Statement No. 65, costs incurred in issuing bonds were capitalized and amortized using the effective interest method for each respective bond issue. With the implementation of GASB Statement No. 65, bond issuance costs are recognized and expensed in the period incurred. Deferred bond issuance costs have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$15,296, decreases net position and reflects the amount of capitalized costs incurred prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$14,108 of deferred bond issuance costs thus reducing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect the expensing of deferred bond issuance costs netted with previously recorded amortization expense, resulting in an increase of \$1,188 in changes in net position. For fiscal year 2013, bond issuance costs of \$622 are recognized as an expense.

Bonds Payable

Prior to implementation of GASB Statement No. 65, bonds payable were carried at their unpaid principal balances, net of unamortized deferred gain or loss for bonds refunded for economic purposes and original issue discounts or premiums. With the implementation of GASB Statement No. 65, any refunded amounts related to unamortized deferred bond issuance costs are no longer netted against bonds payable. Any other costs incurred from the refunding of bonds are shown as deferred outflows of resources on the Statements of Net Position. Bonds payable have been retroactively restated on the Statements of Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$681, decreases net position and reflects the amount of capitalized costs incurred prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$629 of deferred issuance costs thus reducing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization of deferred refunded issuance costs, resulting in an increase of \$52 in changes in net position. See Notes 6, 7, 8, 9, 10 and 12 for additional information on bonds.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 12 for further information on changes in long-term obligations.

Rebate Liability on Investments

Regulations governing the issuance of tax-exempt debt place limitations on permitted investment yield on borrowed funds. Based on these regulations, CDA is required to periodically rebate excess earnings from investments to the United States Treasury. In addition, the liability also includes an estimate of the rebate obligation related to unrealized gains as a result of recording investments at fair value. Rebate liability is more fully described in Note 11.

Interest Rate Exchange Agreements (Swaps)

Interest rate exchange agreements (swaps) are derivative instruments which are entered into as cash flow hedges to reduce exposure to identified financial risks associated with assets, liabilities or expected transactions or to lower the costs of borrowings and are considered to be hedging derivative instruments. Swaps are reported at fair value in the Statements of Net Position and are tested quarterly for hedge effectiveness. Effectiveness is established if the changes in cash flows of the swaps substantially offset the changes in cash flows of the hedgeable items. The changes in fair values of the swaps that are determined to be effective hedges will be recognized as deferred inflows or outflows in the Statements of Net Position. The changes in fair value of the swaps that are determined not to be effective hedges will be reported in the Statements of Revenue, Expenses and Changes in Net Position. CDA's swaps are more fully described in Note 9.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2013 and 2012, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

Prior to implementation of GASB Statement No. 65, single family commitment fees received at loan origination were recorded as deferred and amortized over the life of the loan. With the implementation of GASB Statement No. 65, all mortgage loans, not held for sale, are classified as held for investment and as such their related loan fees are recognized as revenue in the period received. Deferred loan fees have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$5,516, increases net position and reflects the amount of capitalized fees received prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$5,006 of deferred loan fees thus increasing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization of deferred loan fees, resulting in a decrease of \$510 in changes in net position. For fiscal year 2013, there were no fees received to be recognized as revenue.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Origination Expenses

Prior to implementation of GASB Statement No. 65, origination fees and servicer release fees paid to originators of its single family loans were recorded as deferred and amortized over the life of the loan. On some single family loans CDA provided borrowers with grants toward loan down payment and closing costs. With the implementation of GASB Statement No. 65, origination fees, servicer release fees and other costs associated with loan origination are expensed in the period incurred as origination expenses. Deferred origination expenses have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$23,526, decreases net position and reflects the amount of costs incurred prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$21,208 of deferred origination expenses thus decreasing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in net Position was restated to reflect the expensing of origination fees, netted with previously recorded amortization of deferred origination expense, resulting in an increase of \$2,318 in changes in net position. For fiscal year 2013, there were origination expenses of \$2 incurred and recognized as an expense.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

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 15 for additional information.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 except for increases and decreases in the fair value of mortgage-backed securities that are held within the portfolio. Mortgage-backed securities that are part of the TBA program are classified as operating which is more fully described in Note 3.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting period. Actual results could differ from these estimates.

Reclassification

Certain reclassifications have been made, none of which affected the results of activities and changes in net position, to present the financial statements on a consistent basis.

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the Residential Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

The following assets, reported at fair value and held by the Fund as of June 30, 2013 and 2012, are evaluated in accordance with GASB accounting guidance for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2013	2012
Cash and Cash Equivalents:		
Federated Prime Cash Obligations Fund	\$ 307,163	\$ 329,651
Demand Deposit Account	17,563	-
Investments:		
Obligations of U.S. Government Agencies	9,101	9,961
Repurchase and Investment Agreements	21,847	19,632
GNMA Mortgage-backed Securities	85,993	17,452
FNMA Mortgage-backed Securities	4,550	-
Total	<u>\$ 446,217</u>	<u>\$ 376,696</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2013, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	\$ 307,163	\$ 307,163	\$ 307,163	\$ -	\$ -	\$ -	\$ -
Demand Deposit Account	17,563	17,563	17,563	-	-	-	-
Obligations of U.S. Government Agencies	7,059	9,101	-	-	2,540	-	6,561
Repurchase agreements/ Investment agreements	21,847	21,847	19,439	-	-	-	2,408
GNMA mortgage-backed securities	90,068	85,993	-	-	-	-	85,993
FNMA mortgage-backed securities	4,795	4,550	-	-	-	-	4,550
Total	<u>\$ 448,495</u>	<u>\$ 446,217</u>	<u>\$ 344,165</u>	<u>\$ -</u>	<u>\$ 2,540</u>	<u>\$ -</u>	<u>\$ 99,512</u>

As of June 30, 2012, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized Cost	Fair Value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	\$ 329,651	\$ 329,651	\$ 329,651	\$ -	\$ -	\$ -	\$ -
Obligations of U.S. Government Agencies	7,064	9,961	-	-	2,671	-	7,290
Repurchase agreements/ Investment agreements	19,632	19,632	-	-	-	-	19,632
GNMA mortgage-backed securities	16,179	17,452	-	-	-	-	17,452
Total	<u>\$ 372,526</u>	<u>\$ 376,696</u>	<u>\$ 329,651</u>	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ -</u>	<u>\$ 44,374</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2013 and 2012, the cost of the money market mutual fund approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2013, all counterparty ratings were at least equal to the ratings on the Fund's bonds, except for one counterparty whose credit rating of Aa3 has not affected the Aa2 rating on the Fund's bonds. As of June 30, 2012, all counterparty ratings were at least equal to the ratings on the Fund's bonds. The ratings on Residential Revenue Bonds as of June 30, 2013 and 2012 were Aa2 by Moody's Investors Service and AA by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with accounting guidance issued by GASB.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2013, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	\$ 307,163	68.84%	Aaa		Moody's
Demand Deposit Account: Counterparty rated Aa3 by Moody's	17,563	3.94%			
Government National Mortgage Association Mortgage-backed securities	85,993	19.27%		Direct U.S. Obligations	
Federal National Mortgage Association Mortgage-backed securities	4,550	1.02%		Aaa	Moody's
Obligations of U.S. Government Agencies	9,101	2.04%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
Counterparty rated Aaa by Moody's	21,847	4.89%		Aaa	Moody's
Total	<u>\$ 446,217</u>	<u>100.00%</u>			

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2012, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	\$ 329,651	87.51%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	17,452	4.63%		Direct U.S. Obligations	
Obligations of U.S. Government Agencies	9,961	2.65%		Aaa	Moody's
Collateralized repurchase agreements and investment agreements:				Underlying securities credit rating	
WestLB rated Aaa by Moody's*	19,632	5.21%		Aaa	Moody's
Total	<u>\$ 376,696</u>	<u>100.00%</u>			

* WestLB AG is formerly known as "Westdeutsche Landesbank Girozentrale." This investment agreement was entered into prior to July 19, 2001 and is therefore governed by guarantor liability in accordance with the agreement reached between the German Federal Government and the European Commission (Letter of Understanding I). The current rating of Aaa by Moody's for this investment agreement is based on such guarantor liability. As of July 19, 2005, all contracts entered into with West LB AG between July 19, 2001 and July 18, 2005 which mature after December 31, 2015, and contracts entered into after July 18, 2005 are not covered by the guarantor liability, and therefore carry WestLB's current Moody's rating of A3. Subsequent to June 30, 2012, WestLB AG has changed its name to Portigon AG effective July 2, 2012. All existing contractual agreements with WestLB AG will continue to exist unchanged.

The market value of the underlying collateralized securities in repurchase agreements and investment agreements is maintained at a minimum of 102 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

In order to facilitate a transaction with a liquidity provider, CDA has invested in a demand deposit account that is classified as cash and cash equivalents. This investment is backed by an Irrevocable Standby Letter of Credit dated July 26, 2012, that was established by the Federal Home Loan Bank of Pittsburgh, and is automatically extended each year until July 26, 2017. This date corresponds with the termination date of the standby purchase agreement.

A repurchase agreement dated August 21, 1997 and held by the trustee as an investment under the Residential Revenue Bond resolution was terminated per the terms of the repurchase agreement effective September 1, 2006 due to the redemption of the remaining outstanding Residential Revenue Bonds 1997 Series A and B bonds. CDA was made aware of the termination through an inquiry from the counterparty in June of 2013, and subsequent confirmation by the trustee. CDA had received payments of interest from the counterparty based on this agreement from the time the agreement was originally executed and delivered up to and including February 27, 2013. A refund of the interest was negotiated by both parties and an Agreement of Termination and Release was delivered evidencing the agreed upon amount of interest to be refunded and releasing all parties from any future liability with respect to the repurchase agreement. CDA received from the counterparty the principal amount of the repurchase agreement less the agreed upon interest refund on September 18, 2013. The amount of the negotiated interest refund was \$4,230. CDA has recorded the refund due as a liability on the Statements of Net Position for the current fiscal year. The interest attributable to the current and prior fiscal years has been recorded as an adjustment to revenue and the remainder as an expense on the Statements of Revenue, Expenses and Changes in Net Position for the current fiscal year.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

Mortgage-backed Securities and Certificates

All mortgage-backed securities and certificates held by CDA are guaranteed by the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (Fannie Mae).

GNMA mortgage-backed securities are instrumentalities of the United States Government and are “fully modified pass-through” mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the guaranteed security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Fannie Mae mortgage-backed certificates are “guaranteed mortgage pass-through certificates” which supplement amounts received by a trust created under a trust agreement as required permitting timely payments of principal and interest on the certificates to CDA. The certificates and payments of principal and interest on the certificates are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

As an investor of GNMA I mortgage-backed securities (MBS), CDA receives separate principal and interest payments on the 15th of each month; however, for GNMA II MBS, CDA receives the total principal and interest from a central paying agent on the 20th of each month. For all Fannie Mae certificates, CDA receives the total principal and interest from the trust on the 25th of each month. All mortgages backing a GNMA I MBS have the same mortgage rate equal to 50 basis points greater than the coupon, with 44 basis points of servicing fee and 6 basis points of guaranty fee. Similarly, GNMA II MBS also have 6 basis points of guaranty fee, but the mortgage rate for the loans backing the security can vary between 25 to 75 basis points greater than the coupon which may result in a variety of servicing fees. All Fannie Mae certificates have a guaranty fee of 47.5 basis points and a servicing fee of 25 basis points. CDA also participates from time to time in the Fannie Mae buy-up or buy-down of the guaranty fee created in the pooling process in order to maximize pooling of certificates for efficiency and effectiveness.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

In January 2012, CDA expanded the sources of financing for its mortgage-backed securities program through the ongoing sale of forward contracts of GNMA mortgage-backed securities and Fannie Mae certificates. These securities are comprised of single family mortgage loans originated by CDA's network of approved lender partners. As part of this program, CDA periodically enters into forward contracts to sell GNMA mortgage-backed securities and Fannie Mae certificates to investors before the securities are ready for delivery (referred to as "to-be-announced" or "TBA Mortgage-Backed Security Contract"). These forward contracts are settled monthly, using funds held in Residential Revenue Bonds' additional collateral account, prior to being sold into the secondary market. As of June 30, 2013, CDA entered into TBA Mortgage-Backed Security Contracts with a notional amount of \$33,683 outstanding. The increase/decrease in the fair value of GNMA mortgage-backed securities and Fannie Mae certificates that are part of the TBA program is classified as operating revenue on the Statements of Revenue, Expenses and Changes in Net Position.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2013 and 2012, the Fund's investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA's investments and collateralized securities are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 4 - MORTGAGE LOANS

Substantially all single family mortgage loans of the Fund are secured by first liens on the related property. Approximately 98% of all the single family mortgage loans are credit enhanced through the FHA mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, the Maryland Housing Fund (MHF) or by private mortgage insurers. As of June 30, 2013 and 2012, interest rates on such loans ranged from 1.0% to 11.5% and 1.0% to 13.9%, respectively, and remaining loan terms ranged from approximately 1 to 39 years and 1 to 40 years, respectively.

All of the Fund's multi-family mortgage loans are credit-enhanced through FHA, Federal Home Loan Mortgage Corporation (FHLMC) or MHF. Interest rates on such loans range from 5.25% to 12.0%. As of June 30, 2013 and 2012, remaining loan terms ranged from approximately 3 months to 20 years and 1 to 21 years, respectively.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 4 - MORTGAGE LOANS (Continued)

For the years ended June 30, 2013 and 2012, the single family mortgage loan and claims receivable balances and changes in the allowance for loan losses on the uninsured portions of single family loans with private mortgage insurance, including loans in foreclosure and other loans with pending insurance claims, were as follows:

	2013	2012
Single family mortgage loans	\$ 1,665,495	\$ 1,901,229
Allowance for loan losses		
Beginning balance	13,563	9,627
Provision for loan losses	5,178	3,936
Ending balance	18,741	13,563
Single family mortgage loans, net	<u>\$ 1,646,754</u>	<u>\$ 1,887,666</u>
Claims receivable on foreclosed and other loans	\$ 121,816	\$ 105,150
Allowance for loan losses		
Beginning balance	18,122	13,163
Provision for loan losses	24,237	13,029
Charge offs	(11,976)	(8,070)
Ending balance	30,383	18,122
Claims receivable on foreclosed and other loans, net	<u>\$ 91,433</u>	<u>\$ 87,028</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 5 - ACCRUED INTEREST AND OTHER RECEIVABLES

Accrued interest and other receivables as of June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Accrued mortgage loan interest	\$ 20,013	\$ 19,946
Accrued mortgage-backed securities interest	213	50
Accrued investment interest	207	587
Funds due from mortgage insurers for loan modifications	599	82
Reimbursement due for state-funded loans	2,525	498
Miscellaneous billings	<u>78</u>	<u>259</u>
	<u>\$ 23,635</u>	<u>\$ 21,422</u>

NOTE 6 - SHORT-TERM DEBT

CDA issues short-term debt to preserve volume cap when prepayments and payments from mortgages exceed the demand for new mortgages. Proceeds of the short-term debt are used to refund and to pay at maturity prior series of bonds. At the time of the refunding, prepayments and repayments of mortgage loans financed by these prior bonds are transferred to accounts in the short-term series. CDA expects to make these funds available to purchase mortgage loans upon the maturity or earlier redemption of the short-term bonds with proceeds of additional long-term bonds. By issuing the short-term debt, CDA more closely matches the rates on the short-term debt with the rates on short-term investments. When there is sufficient mortgage demand, CDA issues long-term refunding bonds to redeem the short-term debt and the prepayments and repayments are used to fund new mortgages. For the years ended June 30, 2013 and 2012, CDA did not issue any short-term debt.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - BONDS PAYABLE

The bonds and notes issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds and notes do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed.

The following lists those bonds which are at variable rates and the terms by which the variable rates change. All other bonds have fixed interest rates.

2003 Series C; 2004 Series F and I; 2006 Series G and J; 2007 Series F, J and M;
2008 Series D; and 2012 Series B

The rate is set weekly by a remarketing agent so that the market value of the bonds is as close as possible to 100% of the principal amount of the bonds. In no event will the bonds bear interest at a rate in excess of 12%.

2011 Series B

The rate is set weekly at an index rate equal to a SIFMA index, plus 0.95%. (SIFMA stands for the Securities Industry and Financial Markets Association). In no event will the bonds bear interest at a rate in excess of 12%.

The following bonds are taxable. All other bonds are tax-exempt.

2006 Series S; 2007 Series B, E and I; and 2012 Series A and B

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2013, and the debt outstanding and bonds payable as of June 30, 2013:

	Issue dated	Range of interest rates	Range of maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2012	New bonds issued	Scheduled maturity payments	Bonds redeemed	Outstanding at June 30, 2013	premiums /discounts deferred	payable at June 30, 2013
Residential Revenue Bonds										
1998 Series D	12/01/98	5.15% - 5.25%	2018 - 2029	\$ 23,750	\$ -	\$ (865)	\$ (22,885)	\$ -	\$ -	\$ -
1999 Series C	05/01/99	4.80% - 4.95%	2012 - 2015	2,020	-	(270)	(1,750)	-	-	-
1999 Series D	05/01/99	5.00% - 5.40%	2012 - 2031	24,075	-	(1,050)	(23,025)	-	-	-
2001 Series A	03/01/01	4.65% - 5.00%	2012 - 2017	7,365	-	(1,145)	(6,220)	-	-	-
2001 Series B	03/01/01	4.80% - 5.375%	2012 - 2022	6,135	-	(415)	(5,720)	-	-	-
2001 Series H	08/15/01	4.55% - 5.35%	2012 - 2033	30,750	-	(900)	(29,850)	-	-	-
2003 Series A	11/01/03	3.75% - 4.05%	2012 - 2015	3,865	-	(910)	-	2,955	-	2,955
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	2,500	-	-	(1,885)	615	-	615
2003 Series C	12/09/03	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.75% - 4.20%	2012 - 2016	5,510	-	(1,020)	-	4,490	-	4,490
2004 Series B	05/13/04	5.00%	2023 - 2028	3,570	-	-	(430)	3,140	64	3,204
2004 Series D	08/12/04	3.85% - 4.40%	2012 - 2016	6,505	-	(1,200)	-	5,305	-	5,305
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	9,395	-	-	(430)	8,965	87	9,052
2004 Series F	08/12/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	3.125% - 3.65%	2012 - 2016	6,630	-	(1,240)	-	5,390	-	5,390
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	9,775	-	-	(400)	9,375	200	9,575
2004 Series I	11/10/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	3.40% - 3.90%	2012 - 2016	6,835	-	(1,270)	-	5,565	-	5,565
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	15,060	-	-	(575)	14,485	179	14,664
2005 Series D	11/10/05	3.625% - 4.05%	2012 - 2017	7,990	-	(1,215)	-	6,775	-	6,775
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	34,950	-	-	(1,050)	33,900	256	34,156
2006 Series A	02/23/06	3.70% - 4.10%	2012 - 2017	7,705	-	(1,170)	-	6,535	-	6,535
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	36,625	-	-	(1,280)	35,345	202	35,547
2006 Series E	05/24/06	3.90% - 4.35%	2012 - 2017	15,155	-	(2,290)	-	12,865	-	12,865
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	34,980	-	-	(2,030)	32,950	695	33,645
2006 Series G	05/24/06	Variable rate	9/1/2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.85% - 4.15%	2012 - 2017	11,400	-	(1,715)	-	9,685	-	9,685
2006 Series I	07/13/06	4.10% - 6.00%	2012 - 2041	98,435	-	(1,720)	(3,790)	92,925	1,315	94,240
2006 Series J	07/13/06	Variable rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.85% - 4.15%	2012 - 2017	9,710	-	(1,455)	-	8,255	-	8,255
2006 Series L	09/14/06	4.20% - 5.75%	2012 - 2041	131,400	-	(1,545)	(3,185)	126,670	906	127,576
2006 Series O	12/13/06	3.60% - 3.85%	2012 - 2017	6,440	-	(970)	-	5,470	-	5,470
2006 Series P	12/13/06	4.05% - 5.75%	2012 - 2037	64,910	-	(1,620)	(1,695)	61,595	597	62,192
2006 Series S	12/13/06	6.07%	9/1/2037	19,825	-	-	(1,705)	18,120	-	18,120

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2012	New bonds issued	Scheduled maturity payments	Bonds redeemed	Outstanding at June 30, 2013	premiums /discounts deferred	payable at June 30, 2013
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	4.00% - 5.75%	2012 - 2047	\$ 212,800	\$ -	\$ (2,080)	\$ (6,575)	\$ 204,145	\$ 4,605	\$ 208,750
2007 Series B	03/28/07	6.00%	9/1/2037	23,615	-	-	(990)	22,625	-	22,625
2007 Series C	06/20/07	3.70% - 3.95%	2012 - 2017	31,840	-	(4,735)	-	27,105	-	27,105
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	143,090	-	-	(4,015)	139,075	1,447	140,522
2007 Series E	06/20/07	5.27% - 6.11%	2015 - 2042	44,165	-	(1,620)	-	42,545	-	42,545
2007 Series F	06/20/07	Variable rate	9/1/2031	42,020	-	-	(4,670)	37,350	-	37,350
2007 Series G	08/09/07	3.95% - 4.30%	2012 - 2017	39,890	-	(5,975)	-	33,915	-	33,915
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	59,380	-	-	(30)	59,350	-	59,350
2007 Series I	08/09/07	5.56% - 6.56%	2012 - 2043	57,130	-	(1,840)	-	55,290	-	55,290
2007 Series J	08/09/07	Variable rate	9/1/2031	53,495	-	-	(7,395)	46,100	-	46,100
2007 Series K	12/12/07	3.40% - 3.85%	2012 - 2017	19,485	-	(3,200)	-	16,285	-	16,285
2007 Series M	12/12/07	Variable rate	9/1/2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	3.20% - 4.00%	2012 - 2017	48,850	-	(5,000)	-	43,850	-	43,850
2008 Series B	09/04/08	3.30% - 4.20%	2012 - 2017	13,825	-	(2,100)	-	11,725	-	11,725
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	64,970	-	-	(22,605)	42,365	-	42,365
2008 Series D	09/04/08	Variable rate	9/1/2038	49,890	-	-	-	49,890	-	49,890
2008 Series E	12/17/08	3.60% - 4.55%	2012 - 2017	18,000	-	(3,000)	-	15,000	-	15,000
2008 Series F	12/17/08	4.75% - 5.40%	2018 - 2023	7,590	-	-	(1,590)	6,000	-	6,000
2009 Series A	09/24/09	1.50% - 5.05%	2012 - 2039	38,460	-	(785)	-	37,675	-	37,675
2009 Series B	10/08/09	1.55% - 4.75%	2012 - 2039	43,195	-	(915)	-	42,280	-	42,280
2009 Series C	10/27/09	1.35% - 4.55%	2012 - 2039	15,340	-	(325)	-	15,015	-	15,015
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	26,640	-	-	(560)	26,080	-	26,080
2010 Series B	12/16/10	5.125% - 5.25%	2030 - 2035	39,520	-	-	(315)	39,205	-	39,205
2011 Series A	05/05/11	0.60% - 5.375%	2012 - 2041	69,700	-	(2,125)	-	67,575	1,312	68,887
2011 Series B	05/05/11	Indexed Rate	3/1/2036	20,000	-	-	-	20,000	(92)	19,908
2012 Series A	08/23/12	0.337% - 4.00%	2013 - 2025	-	44,450	(1,500)	-	42,950	654	43,604
2012 Series B	08/23/12	Variable rate	9/1/2033	-	45,000	-	-	45,000	-	45,000
Total				\$ 2,015,205	\$ 89,450	\$ (59,185)	\$ (156,650)	\$ 1,888,820	\$ 12,427	\$ 1,901,247

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2012, and the debt outstanding and bonds payable as of June 30, 2012:

	Issue dated	Range of interest rates	Range of maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2011	New bonds issued	Scheduled maturity payments	Bonds redeemed	Outstanding at June 30, 2012	premiums /discounts deferred	payable at June 30, 2012
Residential Revenue Bonds										
1998 Series A	01/01/98	4.80% - 4.90%	2011 - 2012	\$ 485	\$ -	\$ (350)	\$ (135)	\$ -	\$ -	\$ -
1998 Series D	12/01/98	5.15% - 5.25%	2018 - 2029	25,765	-	(1,670)	(345)	23,750	-	23,750
1999 Series C	05/01/99	4.70% - 4.95%	2011 - 2015	2,665	-	(645)	-	2,020	-	2,020
1999 Series D	05/01/99	4.90% - 5.40%	2011 - 2031	24,900	-	(630)	(195)	24,075	(2)	24,073
2001 Series A	03/01/01	4.50% - 5.00%	2011 - 2017	8,825	-	(1,460)	-	7,365	-	7,365
2001 Series B	03/01/01	4.65% - 5.375%	2011 - 2022	7,095	-	(30)	(930)	6,135	-	6,135
2001 Series E	06/01/01	4.55%	9/1/2011	130	-	(130)	-	-	-	-
2001 Series G	08/15/01	4.20%	9/1/2011	1,435	-	(1,435)	-	-	-	-
2001 Series H	08/15/01	4.40% - 5.35%	2011 - 2033	31,500	-	(310)	(440)	30,750	-	30,750
2003 Series A	11/01/03	3.55% - 4.05%	2011 - 2015	4,745	-	(880)	-	3,865	-	3,865
2003 Series B	11/01/03	4.75% - 5.00%	2019 - 2026	3,440	-	-	(940)	2,500	90	2,590
2003 Series C	12/09/03	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2004 Series A	05/13/04	3.45% - 4.20%	2011 - 2016	6,500	-	(990)	-	5,510	-	5,510
2004 Series B	05/13/04	5.00%	2023 - 2028	4,800	-	-	(1,230)	3,570	84	3,654
2004 Series D	08/12/04	3.65% - 4.40%	2011 - 2016	7,665	-	(1,160)	-	6,505	-	6,505
2004 Series E	08/12/04	5.15% - 5.25%	2023 - 2030	10,960	-	-	(1,565)	9,395	106	9,501
2004 Series F	08/12/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2004 Series G	11/10/04	3.00% - 3.65%	2011 - 2016	7,835	-	(1,205)	-	6,630	-	6,630
2004 Series H	11/10/04	4.55% - 5.00%	2023 - 2029	10,920	-	-	(1,145)	9,775	228	10,003
2004 Series I	11/10/04	Variable rate	9/1/2035	20,000	-	-	-	20,000	-	20,000
2005 Series A	03/30/05	3.25% - 3.90%	2011 - 2016	8,065	-	(1,230)	-	6,835	-	6,835
2005 Series B	03/30/05	4.55% - 5.25%	2023 - 2029	17,255	-	-	(2,195)	15,060	214	15,274
2005 Series D	11/10/05	3.50% - 4.05%	2011 - 2017	9,160	-	(1,170)	-	7,990	-	7,990
2005 Series E	11/10/05	4.75% - 5.50%	2025 - 2036	37,615	-	-	(2,665)	34,950	322	35,272
2006 Series A	02/23/06	3.60% - 4.10%	2011 - 2017	8,835	-	(1,130)	-	7,705	-	7,705
2006 Series B	02/23/06	4.75% - 5.50%	2025 - 2037	40,900	-	-	(4,275)	36,625	275	36,900
2006 Series E	05/24/06	3.80% - 4.35%	2011 - 2017	17,365	-	(2,210)	-	15,155	-	15,155
2006 Series F	05/24/06	4.80% - 6.00%	2021 - 2039	43,130	-	-	(8,150)	34,980	855	35,835
2006 Series G	05/24/06	Variable rate	9/1/2040	40,000	-	-	-	40,000	-	40,000
2006 Series H	07/13/06	3.80% - 4.15%	2011 - 2017	13,055	-	(1,655)	-	11,400	-	11,400
2006 Series I	07/13/06	4.05% - 6.00%	2011 - 2041	113,990	-	(1,650)	(13,905)	98,435	1,617	100,052
2006 Series J	07/13/06	Variable rate	9/1/2040	60,000	-	-	-	60,000	-	60,000
2006 Series K	09/14/06	3.80% - 4.15%	2011 - 2017	11,110	-	(1,400)	-	9,710	-	9,710
2006 Series L	09/14/06	4.10% - 5.75%	2011 - 2041	144,400	-	(1,485)	(11,515)	131,400	1,122	132,522
2006 Series O	12/13/06	3.55% - 3.85%	2011 - 2017	7,380	-	(940)	-	6,440	-	6,440
2006 Series P	12/13/06	3.95% - 5.75%	2011 - 2037	73,995	-	(1,560)	(7,525)	64,910	728	65,638
2006 Series S	12/13/06	6.07%	9/1/2037	21,540	-	-	(1,715)	19,825	-	19,825

(continued)

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - BONDS PAYABLE (Continued)

	Issue dated	Range of interest rates	Range of maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2011	New bonds issued	Scheduled maturity payments	Bonds redeemed	Outstanding at June 30, 2012	premiums /discounts deferred	payable at June 30, 2012
Residential Revenue Bonds (continued)										
2007 Series A	03/28/07	3.90% - 5.75%	2012 - 2047	\$ 242,560	\$ -	\$ (1,730)	\$ (28,030)	\$ 212,800	\$ 5,189	\$ 217,989
2007 Series B	03/28/07	6.00%	9/1/2037	27,300	-	-	(3,685)	23,615	-	23,615
2007 Series C	06/20/07	3.70% - 3.95%	2011 - 2017	36,720	-	(4,880)	-	31,840	-	31,840
2007 Series D	06/20/07	4.65% - 5.50%	2022 - 2048	157,345	-	-	(14,255)	143,090	1,707	144,797
2007 Series E	06/20/07	5.04% - 6.11%	2011 - 2042	45,570	-	(1,405)	-	44,165	-	44,165
2007 Series F	06/20/07	Variable rate	9/1/2031	44,305	-	-	(2,285)	42,020	-	42,020
2007 Series G	08/09/07	3.90% - 4.30%	2011 - 2017	45,635	-	(5,745)	-	39,890	-	39,890
2007 Series H	08/09/07	4.95% - 5.20%	2022 - 2048	61,490	-	-	(2,110)	59,380	-	59,380
2007 Series I	08/09/07	5.51% - 6.56%	2011 - 2043	58,875	-	(1,745)	-	57,130	-	57,130
2007 Series J	08/09/07	Variable rate	9/1/2031	55,705	-	-	(2,210)	53,495	-	53,495
2007 Series K	12/12/07	3.35% - 3.85%	2011 - 2017	23,155	-	(3,085)	(585)	19,485	-	19,485
2007 Series M	12/12/07	Variable rate	9/1/2043	29,050	-	-	-	29,050	-	29,050
2008 Series A	06/19/08	2.95% - 4.00%	2011 - 2017	52,960	-	(4,000)	(110)	48,850	-	48,850
2008 Series B	09/04/08	2.95% - 4.20%	2011 - 2017	15,860	-	(2,035)	-	13,825	-	13,825
2008 Series C	09/04/08	4.45% - 5.65%	2019 - 2048	66,335	-	-	(1,365)	64,970	-	64,970
2008 Series D	09/04/08	Variable rate	9/1/2038	49,890	-	-	-	49,890	-	49,890
2008 Series E	12/17/08	3.35% - 4.55%	2011 - 2017	20,500	-	(2,500)	-	18,000	-	18,000
2008 Series F	12/17/08	4.75% - 5.40%	2018 - 2023	7,795	-	-	(205)	7,590	-	7,590
2009 Series A	09/24/09	1.10% - 5.05%	2011 - 2039	39,230	-	(770)	-	38,460	-	38,460
2009 Series B	10/08/09	1.00% - 4.75%	2011 - 2039	44,100	-	(905)	-	43,195	-	43,195
2009 Series C	10/27/09	0.90% - 4.55%	2011 - 2039	15,665	-	(325)	-	15,340	-	15,340
2010 Series A	06/09/10	3.95% - 4.45%	2018 - 2021	27,965	-	-	(1,325)	26,640	-	26,640
2010 Series B	12/16/10	5.125% - 5.25%	2030 - 2035	39,990	-	-	(470)	39,520	-	39,520
2011 Series A	05/05/11	0.375% - 5.375%	2012 - 2041	70,825	-	(1,050)	(75)	69,700	1,383	71,083
2011 Series B	05/05/11	Indexed Rate	3/1/2036	20,000	-	-	-	20,000	(96)	19,904
Total				\$ 2,186,285	\$ -	\$ (55,500)	\$ (115,580)	\$ 2,015,205	\$ 13,822	\$ 2,029,027

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 8 - DEBT SERVICE REQUIREMENTS

As of June 30, 2013, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2013 and excluding the effect of unamortized discounts/premiums as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Years ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 69,774	\$ 127,755
2015	65,755	64,695
2016	63,212	67,550
2017	60,576	69,560
2018	57,894	83,820
2019 - 2023	252,716	262,770
2024 - 2028	196,939	241,385
2029 - 2033	147,831	335,260
2034 - 2038	93,421	391,990
2039 - 2043	36,561	177,905
2044 - 2048	<u>2,922</u>	<u>66,130</u>
Totals	<u>\$ 1,047,601</u>	<u>\$ 1,888,820</u>

The interest calculations on outstanding variable rate bonds in the amount of \$387,390 are based on the variable rates in effect on June 30, 2013, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 8 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2012, the required principal payments for bonds (including mandatory sinking fund payments and special and option redemptions that occurred subsequent to June 30, 2012 and excluding the effect of unamortized discounts/premiums as shown in Note 7) and interest payments for each of the next five years and in 5-year increments thereafter were as follows:

<u>Years ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 80,697	\$ 66,795
2014	78,273	64,550
2015	75,677	68,165
2016	72,828	72,035
2017	69,865	73,105
2018 - 2022	306,347	314,790
2023 - 2027	243,757	252,685
2028 - 2032	185,752	351,815
2033 - 2037	121,826	389,630
2038 - 2042	48,885	240,755
2043 - 2047	8,449	118,145
2048 - 2052	98	2,735
Totals	<u>\$ 1,292,454</u>	<u>\$ 2,015,205</u>

The interest calculations on outstanding variable rate bonds in the amount of \$354,455 are based on the variable rates in effect on June 30, 2012, and are not indicative of the actual interest expense that will be incurred in future years. As rates vary, variable rate bond interest payments will vary. See Note 9 for additional information on interest rate exchange agreements (swaps) associated with the variable rate debt in the Fund.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

Objective of the Swaps

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against the potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements in connection with certain variable rate bond series. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA's swaps are intended to be cash flow hedges.

Terms and Fair Value

The terms, including the fair values of the outstanding swaps as of June 30, 2013 and 2012, are provided in the tables on the following pages. The counterparty credit ratings for all outstanding swaps as of June 30, 2013 and 2012 are listed under the Credit Risk section. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who used valuation methods and assumptions in accordance with accounting guidance issued by GASB.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2013, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	\$20,000	\$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	(\$915)	9/1/2035 (2)(7)
UBS AG	2006 Series G	\$40,000	\$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	(\$4,146)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	\$40,000	\$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	(\$4,137)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	\$20,000	\$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	(\$2,112)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	\$46,485 (amended)	\$31,805	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	(\$3,689)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	\$58,680 (amended)	\$40,855	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	(\$5,335)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	\$26,990 (amended)	\$13,335	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	(\$1,507)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	\$50,000	\$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	(\$5,224)	9/1/2038 (8)(9)

Notes to 2013 Table on next page

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to 2013 Table

- (1) "LIBOR" means the 1-month London Interbank Offered Rate.
- (2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of \$2,060 effective September 1, 2009, \$1,515 effective March 1, 2010, \$1,735 effective September 1, 2010, \$1,700 effective March 1, 2011, \$1,425 effective September 1, 2011, \$1,185 effective March 1, 2012, \$975 effective September 1, 2012 and \$790 effective March 1, 2013. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2013.
- (7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.
- (8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.
- (10) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of \$58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.
- (11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of \$29,050, were remarketed and the related swap agreement with an outstanding balance of \$26,990 was amended effective October 8, 2009 (refer to note 5 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.
- (12) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of \$46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.
- (13) Subsequent to June 30, 2013, CDA exercised its option and partially terminated the interest rate swap in the amount of \$610 effective September 1, 2013.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2012, the terms, including fair values of the outstanding swaps, were:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	\$20,000	\$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	(\$1,345)	9/1/2035 (2)(7)
UBS AG	2006 Series G	\$40,000	\$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	(\$5,201)	9/1/2040 (3)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	\$40,000	\$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	(\$5,184)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	\$20,000	\$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	(\$2,925)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	\$46,485 (amended)	\$35,590	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	(\$4,986)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	\$58,680 (amended)	\$45,635	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	(\$7,174)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNYM)	2007 Series M	\$26,990 (amended)	\$16,115	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	(\$1,808)	9/1/2043 (5)(6)(11) (13)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	\$50,000	\$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	(\$7,239)	9/1/2038 (8)(9)

Notes to 2012 Table on next page

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Notes to 2012 Table

- (1) "LIBOR" means the 1-month London Interbank Offered Rate.
- (2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of \$2,060 effective September 1, 2009, \$1,515 effective March 1, 2010, \$1,735 effective September 1, 2010, \$1,700 effective March 1, 2011, \$1,425 effective September 1, 2011 and \$1,185 effective March 1, 2012. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2012.
- (7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.
- (8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.
- (10) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of \$58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.
- (11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of \$29,050, were remarketed and the related swap agreement with an outstanding balance of \$26,990 was amended effective October 8, 2009 (refer to note 5 above). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.
- (12) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of \$46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.
- (13) Subsequent to June 30, 2012, CDA exercised its option and partially terminated the interest rate swap in the amount of \$975 effective September 1, 2012.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Basis Risk

The swaps would expose CDA to basis risk should the relationship between the London Interbank Offered Rate and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving towards convergence, the expected cost savings may not be realized. In order to mitigate this risk, prior to the execution of the swap agreements, CDA and its independent financial advisor reviewed historical trading differentials between the Securities Industry and Financial Markets Association Rate and the London Interbank Offered Rate.

Credit Risk

Credit risk is the risk that a swap counterparty will not fulfill its obligations. The fair value of the swaps represented CDA's credit exposure to each counterparty as of June 30, 2013 and 2012. As of June 30, 2013, CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the fair value of each counterparty's swap portfolio was negative. However, should the valuation of any of the individual swaps change, and the fair values turn positive, CDA may become exposed to credit risk in the amount of the swaps' fair values. To mitigate the potential for credit risk, the fair value of the swaps will be fully collateralized by the counterparties if a counterparty's credit quality falls below the designated credit rating thresholds. At June 30, 2012, CDA was not exposed to credit risk under the swap agreements with JPM, UBS AG, MLDP or BNYM since the swaps had negative fair values.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2013 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	\$80,000	Aa3 from Moody's A+ from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	(\$7,165)
UBS AG	\$40,000	A2 from Moody's A from Standard and Poor's A from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$4,146)
Merrill Lynch Derivative Products AG (MLDP)	\$122,550	Aa3 from Moody's AAA from Standard and Poor's*	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$14,248)
The Bank of New York Mellon (BNYM)	\$13,335	Aa1 from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	(\$1,506)

*Subsequent to June 30, 2013, the rating on MLDP from Standard and Poor's was changed to A+ with a negative outlook, effective August 5, 2013.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The credit rating details for each swap counterparty, including credit rating thresholds, and the total fair value amounts as of June 30, 2012 are summarized below:

Swap Counterparty	Outstanding Notional Amount	Current Credit Rating	Collateral Posting Credit Rating Threshold	Fair Value
JPMorgan Chase Bank, N.A. (JPM)	\$80,000	Aa3 from Moody's A+ from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's	(\$9,454)
UBS AG	\$40,000	A2 from Moody's A from Standard and Poor's A from Fitch	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$5,201)
Merrill Lynch Derivative Products AG (MLDP)	\$131,115	Aa3 from Moody's AAA from Standard and Poor's	A1 or below from Moody's or A+ or below from Standard and Poor's or Fitch	(\$19,399)
The Bank of New York Mellon (BNYM)	\$16,115	Aa1 from Moody's AA- from Fitch	A1 or below from Moody's or A+ or below from Fitch	(\$1,808)

Termination Risk

Termination risk is the risk that, due to some event or exercise of a right, the swaps may terminate prior to the scheduled expiration which could result in a payment due from CDA. Furthermore, if a swap is terminated, the underlying variable rate bonds may be exposed to the rising variable interest rates.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

According to the termination provisions of the swap agreements, CDA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. In addition, CDA has an option to terminate the swaps in part or in whole without any payment except for accrued interest on the respective Optional Termination Dates. Regardless of the above, CDA has a unilateral right to terminate swaps at any time upon adequate notification to the counterparty. If at the time of such termination a swap has a negative fair value, CDA would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Rollover Risk

CDA is exposed to rollover risk on the swap agreements if the agreement terminates prior to the maturity of the associated debt. CDA evaluates the range of reasonably expected repayment patterns for the financed assets to best match the swap schedule. Terminating an existing swap may enable CDA to enter a new swap or other financing mechanism that may be better tailored to the actual financed assets and repayment experience. It is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds.

Amortization Risk

Amortization risk is the risk that the actual redemption pattern of the bonds may differ from the swap schedule, producing a mismatch between the principal amount of the bonds outstanding and the outstanding notional amount of the swap. To address this risk, CDA has structured all swap transactions to provide for optional termination on the respective Optional Termination Dates and automatic incremental amortization of the swap notional amounts. Mortgage loan prepayments can also be directed to the variable rate series to match the outstanding notional swap amount to the outstanding amount of the underlying bonds.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Tax Risk

Tax risk is the risk that the value of tax exemption may decline through tax law changes and that variable interest rates would then rise toward taxable levels and the expected cost savings of the swaps may not be realized.

Counterparty Risk

Counterparty risk is the risk that a counterparty will fail to make required payments. In order to limit this type of risk, CDA diversifies its exposure across several counterparties.

Swap Payments and Associated Debt

As of June 30, 2013, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2013, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2014	\$ 4,985	\$ 233	\$ 9,861	\$ 15,079
2015	-	168	9,501	9,669
2016	-	169	9,171	9,340
2017	-	168	8,724	8,892
2018	2,000	168	8,273	10,441
2019 - 2023	10,075	814	35,608	46,497
2024 - 2028	12,895	774	29,961	43,630
2029 - 2033	108,895	624	24,369	133,888
2034 - 2038	75,185	266	12,572	88,023
2039 - 2043	29,585	75	1,942	31,602
2044 - 2048	12,265	3	7	12,275
Totals	<u>\$ 255,885</u>	<u>\$ 3,462</u>	<u>\$ 149,989</u>	<u>\$ 409,336</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

As of June 30, 2012, the following table provides a summary of debt service requirements for hedged variable rate bonds and net swap payments for the next five years and in 5-year increments thereafter. The interest calculations are based on the variable rates in effect on June 30, 2012, and may not be indicative of the actual interest expense that will be incurred. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2013	\$ 7,000	\$ 687	\$ 10,251	\$ 17,938
2014	-	667	9,852	10,519
2015	-	667	9,495	10,162
2016	-	668	9,162	9,830
2017	-	666	8,713	9,379
2018 - 2022	10,065	3,291	37,244	50,600
2023 - 2027	10,950	3,203	30,745	44,898
2028 - 2032	108,790	2,893	25,862	137,545
2033 - 2037	72,605	1,190	14,945	88,740
2038 - 2042	41,705	589	3,465	45,759
2043 - 2047	16,115	133	25	16,273
Totals	<u>\$ 267,230</u>	<u>\$ 14,654</u>	<u>\$ 159,759</u>	<u>\$ 441,643</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

Fair Values

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2012 and June 30, 2013, and the changes in fair values for the period ended June 30, 2013.

	Total Fair Value at June 30, 2012	Total Fair Value at June 30, 2013	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	\$ (35,862)	\$ (27,065)	\$ 8,797
Investment Derivatives	-	-	-
Total	<u>\$ (35,862)</u>	<u>\$ (27,065)</u>	<u>\$ 8,797</u>

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ended June 30, 2013, are as follows:

	Change in Fair Value		Fair Value at June 30, 2013		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	\$ 8,797	Debt	\$ (27,065)	\$ 255,885
Investment Derivatives:					
Pay fixed interest rate swaps	Investment Revenue	\$ -	Investment	\$ -	\$ -

As of June 30, 2013, all of CDA's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The table below summarizes the total fair values for CDA's interest rate exchange agreements at June 30, 2011 and June 30, 2012, and the changes in fair values for the period ended June 30, 2012.

	Total Fair Value at June 30, 2011	Total Fair Value at June 30, 2012	Change in Fair Value for the Period
Interest Rate Exchange Agreements:			
Cash Flow Hedges	\$ (26,475)	\$ (35,862)	\$ (9,387)
Investment Derivatives	-	-	-
Total	<u>\$ (26,475)</u>	<u>\$ (35,862)</u>	<u>\$ (9,387)</u>

In accordance with accounting guidance issued by GASB, the fair value balances of derivative instruments (interest rate exchange agreements) outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ended June 30, 2012, are as follows:

		Change in Fair Value		Fair Value at June 30, 2012		Outstanding Notional Amounts
		Classification	Amount	Classification	Amount	
Cash Flow Hedges:						
Pay fixed interest rate swaps	Deferred Outflow	\$ (9,387)		Debt	\$ (35,862)	\$ 267,230
Investment Derivatives:						
Pay fixed interest rate swaps	Investment Revenue	\$ -		Investment	\$ -	\$ -

As of June 30, 2012, all of CDA's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTEREST RATE EXCHANGE AGREEMENTS (SWAPS) (Continued)

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

NOTE 10 - BOND REFUNDINGS

Certain refundings of debt are due to the prepayments of single family mortgage loans. In these cases, CDA transfers the proceeds of the refunding bonds to a redemption account to redeem previously issued bonds and, simultaneously, transfers the prepayments of single family mortgage loans financed by these prior bonds to the refunding bonds' accounts for the purpose of originating new loans. This recycling of prepayments enables CDA to originate new loans that are not subject to the limitations of the IRS volume cap. CDA does not pay call premiums on these special redemptions, and the refundings are not undertaken to reduce interest rates, revise payment schedules or modify restrictions. Prior to implementation of GASB Statement No. 65, any unamortized deferred issuance costs or original issue discounts, net of unamortized original issue premiums, were recorded as a loss. If unamortized original issue premiums exceeded unamortized deferred issuance costs and original issue discounts, CDA recorded a gain. With the implementation of GASB Statement No. 65, deferred bond issuance costs are expensed in the period incurred. Any unamortized original issue discounts are recorded net of original issue premiums as a gain or loss in the accompanying Statements of Revenue, Expenses and Changes in Net Position.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 10 - BOND REFUNDINGS (Continued)

For current refundings of debt in an optional redemption, CDA replaces previously issued bonds with lower cost debt. This type of transaction is commonly known as an economic refunding. For the year ended June 30, 2013, CDA issued \$89,450 of 2012 Series A and Series B bonds on August 23, 2012, and refunded 1998 Series D, 1999 Series C and D, 2001 Series A and B, and 2001 Series H on October 10, 2012. This refunding reduced total debt service payments for the remaining life of the bonds. The exact savings cannot be calculated at this time since 2012 Series B is variable rate.

In economic refundings, CDA defers the difference between the reacquisition price (i.e., the principal of the old debt, plus the call premium) and the net carrying amount of the old debt (i.e., the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt). With the implementation of GASB Statement No. 65, these deferrals, excluding unamortized issuance costs, are shown as a deferred outflow or deferred inflow of resources for the refunding of debt on the Statements of Net Position. This deferral is amortized, using the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter. As a result of the refunding described above, CDA did not have to defer any refunding debt costs associated with the refunded bonds. For the year ended June 30, 2012, CDA did not issue any refunding bonds for the purpose of lowering its cost of debt.

NOTE 11 - REBATE LIABILITY

In accordance with the Internal Revenue Service Code (the Code), the Fund has recorded a rebate liability for excess investment earnings in tax-exempt bond and note issues. The excess investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the Code. The Code requires 90% of such excess investment earnings to be remitted to the United States Treasury every five years and in full at the final redemption of the bonds. Interest income on the Statements of Revenue, Expenses and Changes in Net Position is reduced by the rebate liability due to excess investment earnings. The increase/decrease in fair value of investments on the Statements of Revenue, Expenses and Changes in Net Position is adjusted by the change in the estimated rebate liability due to change in fair value of investments. CDA has no rebate liability from interest income or from unrealized gains on mortgage-backed securities.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 11 - REBATE LIABILITY (Continued)

Rebate liability activity for the years ended June 30, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Beginning rebate liability	\$ 6,895	\$ 7,208
Change in estimated liability due to excess investment earnings	125	268
Change in estimated liability due to change in fair value of investments	117	65
Less - payments made	<u>(6,955)</u>	<u>(646)</u>
Ending rebate liability	<u>\$ 182</u>	<u>\$ 6,895</u>

Total rebate liability is allocated as follows:

	<u>2013</u>	<u>2012</u>
Estimated liability due to excess investment earnings	\$ -	\$ 6,830
Estimated liability due to change in fair value of investments	<u>182</u>	<u>65</u>
Ending rebate liability	<u>\$ 182</u>	<u>\$ 6,895</u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Rebate liability		
Beginning balance	\$ 6,895	\$ 7,208
Additions	242	333
Reductions	<u>(6,955)</u>	<u>(646)</u>
Ending balance	182	6,895
Less due within one year	<u>-</u>	<u>(59)</u>
Total long-term rebate liability	<u>182</u>	<u>6,836</u>
Bonds payable		
Beginning balance	2,029,027	2,207,056
Additions	90,143	-
Reductions	(215,835)	(171,080)
Change in deferred amounts for issuance discounts/premiums	<u>(2,088)</u>	<u>(6,949)</u>
Ending balance	1,901,247	2,029,027
Less due within one year	<u>(127,755)</u>	<u>(66,795)</u>
Total long-term bonds payable	<u>1,773,492</u>	<u>1,962,232</u>
Deposits by borrowers		
Beginning balance	4,534	4,253
Additions	1,896	1,999
Reductions	<u>(1,746)</u>	<u>(1,718)</u>
Ending balance	4,684	4,534
Less due within one year	<u>(2,239)</u>	<u>(2,138)</u>
Total long-term deposits by borrowers	<u>2,445</u>	<u>2,396</u>
Interest rate swap agreements		
Beginning balance	35,862	26,475
Additions	-	9,387
Reductions	<u>(8,797)</u>	<u>-</u>
Ending balance	<u>27,065</u>	<u>35,862</u>
Total long-term interest rate swap agreements	<u>27,065</u>	<u>35,862</u>
Total long-term liabilities	<u><u>\$ 1,803,184</u></u>	<u><u>\$ 2,007,326</u></u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 13 - INTERFUND ACTIVITY

In accordance with the Resolution, net position in Residential Revenue Bonds is restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

During the years ended June 30, 2013 and 2012, the Fund transferred the following amounts, as permitted, among Funds:

	<u>2013</u>	<u>2012</u>
Excess revenue transferred to the General Bond Reserve Fund	\$ (8,000)	\$ (6,875)
Cost of issuance on bonds and other expenses transferred to Single Family Housing Revenue Bonds	-	(3,346)
Transfer to separate account in accordance with HUD agreement	<u>(22)</u>	<u>(22)</u>
	<u><u>\$ (8,022)</u></u>	<u><u>\$ (10,243)</u></u>

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 14 - MORTGAGE INSURANCE

Substantially all mortgage loans in the Fund have mortgage insurance as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

For a single family loan insured by an agency of the U.S. Government the primary mortgage insurance covers an amount substantially equal to the unpaid principal amount of the loan. Almost all other loans have primary mortgage insurance in an amount that is at least 25% of the loan amount. Approximately 2% of all first lien loans either did not have primary mortgage insurance due to their original loan-to-value ratios of less than 80% or have cancelled primary mortgage insurance due to their outstanding balance falling below 80% of the original loan amount. About 42% of all loans are insured by agencies of the U.S. Government in an amount substantially equal to the unpaid principal amount of the loan. Approximately 56% of total loans are insured by private mortgage insurers or MHF. Approximately 81% of the total loans insured by private mortgage insurers or MHF are covered at 35% of the loan amount. The remaining 19% of this group of loans is insured by three different private mortgage insurers who, due to financial constraints or receivership, are currently paying to CDA half of the 35% or approximately 18% of the loan amount. An allowance for loan losses has been established for loans insured by private mortgage insurers. Premiums are paid by single family mortgagors.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 14 - MORTGAGE INSURANCE (Continued)

CDA has entered into an agreement (the Reinsurance Agreement) with MHF effective January 1, 2011, in order to provide supplemental insurance coverage in the Fund for all private mortgage insured loans and post-2005 MHF primary insured loans residing in the active portfolio as of December 31, 2010. Insured loans in the private mortgage insurance portfolio have 35% coverage from the private mortgage insurer. Upon receipt of the primary mortgage insurance claim, MHF will pay 100% of the remaining claim amount for all private mortgage insured loans and post-2005 MHF primary insured loans that have foreclosure dates occurring after December 31, 2010. Once the claim is paid by MHF, the property is transferred to MHF for disposal and is no longer an asset of CDA. Upon sale of the property and if the sale results in a loss, CDA and MHF will share equally in any such loss incurred. The Reinsurance Agreement shall terminate when the total amount of MHF net losses (the amount calculated after all claims are paid and expenses are realized) reaches \$12,500 or on December 31, 2020, whichever occurs first.

NOTE 15 - 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.

Community Development Administration
Residential Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 16 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position 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 position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of CDA through October 18, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2013.

Subsequent to the year ended June 30, 2013, the following bond activity took place:

On September 3, 2013, CDA redeemed the following bonds:

2004 Series B	\$1,050	2007 Series A	\$6,155
2004 Series E	\$1,530	2007 Series B	\$995
2004 Series H	\$1,870	2007 Series D	\$3,905
2005 Series B	\$1,250	2007 Series F	\$2,485
2005 Series E	\$2,040	2007 Series J	\$3,670
2006 Series B	\$990	2008 Series C	\$18,940
2006 Series F	\$1,970	2008 Series F	\$6,000
2006 Series I	\$3,675	2010 Series A	\$715
2006 Series L	\$3,090	2010 Series B	\$725
2006 Series P	\$1,645	2011 Series A	\$760
2006 Series S	\$995	2012 Series A	\$2,550

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES
(in thousands)
(unaudited)

June 30, 2013 and 2012

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Position.

For investments (obligations of U.S. Government Agencies) held by the Fund as of June 30, 2013, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

<u>Fiscal year ended June 30,</u>	<u>Annual increases /decreases</u>	<u>Cumulative total</u>
2000	\$ (227)	\$ (227)
2001	\$ 551	\$ 324
2002	\$ 97	\$ 421
2003	\$ 544	\$ 965
2004	\$ (674)	\$ 291
2005	\$ 403	\$ 694
2006	\$ (1,567)	\$ (873)
2007	\$ 1,062	\$ 189
2008	\$ 785	\$ 974
2009	\$ 46	\$ 1,020
2010	\$ 2,747	\$ 3,767
2011	\$ (2,244)	\$ 1,523
2012	\$ 1,374	\$ 2,897
2013	\$ (855)	\$ 2,042

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)
(unaudited)

June 30, 2013 and 2012

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2013:

Decrease in fair value of investments held at June 30, 2013	\$ (855)
Adjustment due to rebate liability (see Note 11)	<u>(117)</u>
Decrease in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2013	<u><u>\$ (972)</u></u>

Reconciliation to the Statements of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2012:

Increase in fair value of investments held at June 30, 2012	\$ 1,374
Adjustment due to rebate liability (see Note 11)	<u>(65)</u>
Increase in fair value of investments, net of rebate, as reported on the Statements of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2012	<u><u>\$ 1,309</u></u>

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)
(unaudited)

June 30, 2013 and 2012

For mortgage-backed securities held by the Fund as of June 30, 2013, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal year ended June 30,	Annual increases /decreases	Cumulative total
2011	\$ (585)	\$ (585)
2012	\$ 1,858	\$ 1,273
2013	\$ (5,593)	\$ (4,320)

Reconciliation to the annual increases/decreases in fair value for mortgage-backed securities for the fiscal year ended June 30, 2013:

Increases/decreases in fair value of mortgage-backed securities as shown on the Statements of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2013:	
Operating revenue	\$ 9,135
Nonoperating expenses	(4,708)
Realized gains on sale of mortgage-backed securities	<u>(10,020)</u>
Annual increases/decreases for the year ended June 30, 2013	<u><u>\$ (5,593)</u></u>

Community Development Administration
Residential Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)
(unaudited)

June 30, 2013 and 2012

Reconciliation to the annual increases/decreases in fair value for mortgage-backed securities for the fiscal year ended June 30, 2012:

Increases/decreases in fair value of mortgage-backed securities as shown on the Statements of Revenue, Expenses and Changes in Net Position for the year ended June 30, 2012:	
Operating revenue	\$ 3,980
Nonoperating revenue	512
Realized gains on sale of mortgage-backed securities	<u>(2,634)</u>
Annual increases/decreases for the year ended June 30, 2012	<u><u>\$ 1,858</u></u>

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**COMMUNITY DEVELOPMENT ADMINISTRATION
RESIDENTIAL REVENUE BONDS**

**Unaudited Interim Financial Statements
For the nine month period ended
March 31, 2014**

Community Development Administration
Residential Revenue Bonds
Statements of Net Position
(in thousands)

As of March 31, 2014 and June 30, 2013

	3/31/2014 (Unaudited)	6/30/2013 (Audited)
Restricted assets		
Restricted current assets		
Cash and cash equivalents on deposit	\$ 326,356	\$ 324,726
Investments	10,005	19,439
Mortgage-backed securities	23,498	3,014
Single family mortgage loans	37,626	34,119
Multi-family mortgage loans	1,485	1,658
Accrued interest and other receivables	19,817	23,635
Claims and other receivables on foreclosed and other loans, net of allowance	105,333	91,433
Real estate owned	6,082	10,648
Total restricted current assets	<u>530,202</u>	<u>508,672</u>
Restricted long-term assets		
Investments, net of current portion	21,501	11,509
Mortgage-backed securities, net of current portion	44,050	87,529
Single family mortgage loans, net of current portion and allowance	1,450,236	1,612,635
Multi-family mortgage loans, net of current portion	25,392	27,463
Total restricted long-term assets	<u>1,541,179</u>	<u>1,739,136</u>
Deferred outflows of resources		
Deferred outflow of fair value on interest rate swap agreements	19,541	27,065
Total deferred outflows of resources	<u>19,541</u>	<u>27,065</u>
Total restricted assets and deferred outflows of resources	<u>\$ 2,090,922</u>	<u>\$ 2,274,873</u>
Liabilities and net position		
Current liabilities		
Accrued interest payable	\$ 6,386	\$ 27,496
Accounts payable	777	5,782
Bonds payable	96,415	127,755
Deposits by borrowers	2,319	2,239
Total current liabilities	<u>105,897</u>	<u>163,272</u>
Long-term liabilities		
Rebate liability	190	182
Bonds payable, net of current portion	1,647,096	1,773,492
Deposits by borrowers, net of current portion	2,182	2,445
Interest rate swap agreements	19,541	27,065
Total long-term liabilities	<u>1,669,009</u>	<u>1,803,184</u>
Total liabilities	<u>1,774,906</u>	<u>1,966,456</u>
Net position		
Restricted	316,016	308,417
Total liabilities and net position	<u>\$ 2,090,922</u>	<u>\$ 2,274,873</u>

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

Statements of Revenue, Expenses and Changes in Net Position
(in thousands)

For the nine months ended March 31, 2014 and March 31, 2013

	3/31/2014 (Unaudited)	3/31/2013 (Unaudited)
Operating revenue		
Interest on mortgage loans	\$ 69,697	\$ 80,724
Interest on mortgage-backed securities	1,174	810
Increase in fair value of mortgage-backed securities	8,340	7,198
Interest income on investments, net of rebate	491	1,167
Increase (decrease) in fair value of investments, net of rebate	4	(124)
Gain on early retirement of debt	4,648	1,779
Other operating revenue	1,537	715
	<u>85,891</u>	<u>92,269</u>
Operating expenses		
Interest expense on bonds	57,939	64,943
Professional fees and other operating expenses	9,112	7,598
Increase in provision for loan losses	11,137	10,856
Losses and expenses on real estate owned, net	175	3,250
Loss on foreclosure claims and other loan losses, net	188	909
Bond issuance costs	834	596
	<u>79,385</u>	<u>88,152</u>
Operating income	<u>6,506</u>	<u>4,117</u>
Nonoperating revenue (expense)		
Increase (decrease) in fair value of mortgage-backed securities	1,621	(489)
Total nonoperating revenue (expense)	<u>1,621</u>	<u>(489)</u>
Transfers of funds as permitted by the various bond indentures	<u>(528)</u>	<u>(11)</u>
Change in net position	7,599	3,617
Net position - restricted at beginning of period, as previously stated	308,417	368,726
Cumulative effect of change in accounting principle	<u>-</u>	<u>(30,939)</u>
Net position - restricted at beginning of period, as restated	<u>308,417</u>	<u>337,787</u>
Net position - restricted at end of period	<u>\$ 316,016</u>	<u>\$ 341,404</u>

See accompanying notes.

Community Development Administration
Residential Revenue Bonds

Statements of Cash Flows
(in thousands)

For the nine months ended March 31, 2014 and March 31, 2013

	3/31/2014 (Unaudited)	3/31/2013 (Unaudited)
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 153,785	\$ 167,001
Principal and interest received on mortgage-backed securities	4,587	1,537
Escrow funds received on multi-family loans	1,613	1,409
Escrow funds paid on multi-family loans	(1,796)	(1,551)
Mortgage insurance claims and sales proceeds on foreclosed and other loans	76,308	62,283
Foreclosure expenses paid	(5,886)	(5,140)
Purchase of mortgage loans	(13,698)	(1,320)
Purchase of mortgage-backed securities	(221,788)	(196,586)
Transfer of mortgage-backed securities	70,744	-
Funds received from sale of mortgage-backed securities	180,633	147,566
Professional fees and other operating expenses	(9,362)	(7,445)
Refund related to investment agreement	(4,238)	-
Other income received	1,537	566
Other reimbursements	2,617	(1,321)
Net cash from operating activities	<u>235,056</u>	<u>166,999</u>
Cash flows from investing activities		
Proceeds from maturities or sales of investments	19,439	17,525
Purchases of investments	(19,987)	(19,515)
Arbitrage rebates paid	-	(6,955)
Interest received on investments	621	1,761
Net cash from investing activities	<u>73</u>	<u>(7,184)</u>
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	94,211	90,143
Payments on bond principal	(247,135)	(215,835)
Bond issuance costs	(834)	(596)
Interest on bonds	(79,213)	(88,901)
Transfers among Funds	(528)	(11)
Net cash from noncapital financing activities	<u>(233,499)</u>	<u>(215,200)</u>
Net increase (decrease) in cash and cash equivalents on deposit	1,630	(55,385)
Cash and cash equivalents on deposit at beginning of period	324,726	329,651
Cash and cash equivalents on deposit at end of period	<u>\$ 326,356</u>	<u>\$ 274,266</u>

(continued)

Community Development Administration
Residential Revenue Bonds

Statements of Cash Flows - continued
(in thousands)

For the nine months ended March 31, 2014 and March 31, 2013

	3/31/2014 (Unaudited)	3/31/2013 (Unaudited)
Reconciliation of operating income to net cash from operating activities		
Operating income	\$ 6,506	\$ 4,117
Adjustments to reconcile operating income to net cash from operating activities		
Decrease (increase) in assets		
Mortgage loans	160,020	165,962
Mortgage-backed securities	24,793	(55,825)
Accrued interest and other receivables	3,818	(3,288)
Claims and other receivables on foreclosed and other loans	(23,921)	(11,856)
Real estate owned	4,566	(5,145)
Due from other Funds	-	(149)
(Decrease) increase in liabilities		
Accrued interest payable	(21,110)	(23,729)
Accounts payable	(5,005)	(274)
Rebate liability	8	(6,809)
Deposits by borrowers	(183)	(142)
Amortizations		
Investment discounts and premiums	2	3
Bond original issue discounts and premiums	(164)	(229)
Increase in provision for loan losses	11,137	10,856
Increase in fair value of mortgage-backed securities	(8,340)	(7,198)
Realized gains on mortgage-backed securities sold	8,163	7,641
(Increase) decrease in fair value of investments	(12)	152
Arbitrage rebates paid	-	6,955
Gain on early retirement of debt	(4,648)	(1,779)
Bond issuance costs	834	596
Interest received on investments	(621)	(1,761)
Interest on bonds	79,213	88,901
Net cash from operating activities	<u>\$ 235,056</u>	<u>\$ 166,999</u>

See accompanying notes.

Community Development Administration
Residential Revenue Bonds
Notes to Unaudited Interim Financial Statements
(in thousands)
March 31, 2014

1. Basis of Presentation:

In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Residential Revenue Bonds present fairly the financial position at March 31, 2014 and the results of its operations for the nine months ended March 31, 2014 and March 31, 2013.

These interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations. The March 31, 2014 financial statements are unaudited, and certain information and footnote disclosures normally included in the annual financial statements have been omitted. Readers of these statements should refer to the financial statements and notes thereto as of June 30, 2013 and for the year then ended, which have been included elsewhere in this disclosure. The results of operations presented in the accompanying financial statements are not necessarily representative of operations for the entire year.

2. Investments and Mortgage-backed Securities:

In accordance with GASB 31, CDA reflects investments and mortgage-backed securities at fair value.

Investments

As of March 31, 2014, the fair value of the investments was \$31,506 of which \$29,452 was the cost of these investments and \$2,054 was the cumulative increase in fair value. The increase in fair value of investments, net of rebate, for the nine months ended March 31, 2014 was \$4 comprised of an increase in the investment fair value of \$12 offset by \$8 of increased estimated rebate liability.

Mortgage-backed Securities

As of March 31, 2014, the fair value of the mortgage-backed securities was \$67,548 of which \$70,070 was the cost of these mortgage-backed securities and \$2,522 was the cumulative decrease in fair value. The increase in fair value of mortgage-backed securities for the nine months ended March 31, 2014 was \$9,961. Realized gains from the sale of mortgage-backed securities for the nine months ended March 31, 2014 was \$8,163.

3. Mortgage Loans:

During the nine months ended March 31, 2014, CDA purchased single family loans in the amount of \$13,698 and mortgage-backed securities in the amount of \$221,788.

4. Bonds Payable:

On September 3, 2013, CDA redeemed, prior to maturity, \$67,005 of Residential Revenue Bonds and realized a gain of \$1,915.

On December 12, 2013, CDA redeemed, prior to maturity, \$45,155 of Residential Revenue Bonds and realized a gain of \$1,720.

On February 20, 2014, CDA issued \$93,080 of Residential Revenue Bonds 2014 Series A and Series B bonds. The interest rates on 2014 Series A bonds range from .30% to 4.30% with maturity dates from March 1, 2015 to September 1, 2032. The interest rates on 2014 Series B bonds range from .30% to 3.25% with maturity dates from September 1, 2014 to September 1, 2044.

On March 3, 2014, March 6, 2014 and March 24, 2014, CDA redeemed, prior to maturity, \$14,615, \$42,765 and \$16,845, respectively, of Residential Revenue Bonds. CDA realized a gain of \$1,013 on the March 24, 2014 redemption.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2014

5. Interest Rate Swap Agreements:

As a means to lower its borrowing costs, CDA issues variable rate bonds. In order to protect against potential increases in interest rates, CDA has entered into pay-fixed, receive-variable interest rate swap agreements. CDA anticipates that the net swap payments and interest payments on underlying bonds will be lower than what CDA would have paid if it had issued fixed rate debt at the time of the underlying bond issuances. All of CDA's swaps are intended to be cash flow hedges.

The terms, including the fair values of the outstanding swaps as of March 31, 2014, are provided in the table on the next page. For each of the outstanding swap agreements the variable rates are reset monthly, and it is the intent of CDA to match the maturity of the swaps with the maturity of the underlying bonds. The fair values are based on the market values and are affirmed by an independent advisor who uses valuation methods and assumptions in accordance with GASB Statement No. 53.

(See next page for table)

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2014

5. Interest Rate Swap Agreements continued:

Swap Counter-party	Associated Bond Issue	Original Notional Amount	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received (1)	Fair Value	Swap Final Termination Date
JPMorgan Chase Bank, N.A. (JPM)	2004 Series I	\$20,000	\$20,000	9/1/2005	3.8525%	64% of LIBOR plus .29%	(\$340)	9/1/2035 (2)(7)
UBS AG	2006 Series G	\$40,000	\$40,000	5/24/2006	4.4030%	64% of LIBOR plus .29%	(\$2,941)	9/1/2040 (3)(13)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	\$40,000	\$40,000	7/13/2006	4.4030%	64% of LIBOR plus .29%	(\$2,937)	9/1/2040 (3)(7)
JPMorgan Chase Bank, N.A. (JPM)	2006 Series J	\$20,000	\$20,000	7/13/2006	4.4550%	64% of LIBOR plus .29%	(\$1,496)	9/1/2040 (3)(7)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series F	\$46,485 (amended)	\$28,435	10/27/2009 (amended)	4.4300% (amended)	64% of LIBOR plus .22% (amended)	(\$2,608)	3/1/2026 (4)(6)(9)(12)
Merrill Lynch Derivative Products AG (MLDP)	2007 Series J	\$58,680 (amended)	\$36,600	9/1/2009 (amended)	4.8350% (amended)	64% of LIBOR plus .22% (amended)	(\$3,780)	9/1/2025 (4)(6)(9)(10)
The Bank of New York Mellon (BNY Mellon)	2007 Series M	\$26,990 (amended)	\$11,360	10/8/2009 (amended)	4.3350% (amended)	64% of LIBOR plus .22% (amended)	(\$1,153)	9/1/2043 (5)(6)(11)
Merrill Lynch Derivative Products AG (MLDP)	2008 Series D	\$50,000	\$49,890	9/4/2008	3.6880%	64% of LIBOR plus .31%	(\$4,286)	9/1/2038 (6)(8)(9)

Refer to next page for description of notes.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2014

5. Interest Rate Swap Agreements continued:

Notes to Table

- (1) "LIBOR" means the 1 month London Interbank Offered Rate.
- (2) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2014 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (3) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2016 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (4) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on March 1, 2017 and on each September 1 and March 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (5) CDA has the option to terminate a portion of this interest rate swap transaction without any termination payment up to the Maximum Optional Early Termination Amounts on each March 1 and September 1 until September 1, 2017. CDA has exercised its option to partially terminate the notional amount of this interest rate swap in the amount of \$2,060 effective September 1, 2009, \$1,515 effective March 1, 2010, \$1,735 effective September 1, 2010, \$1,700 effective March 1, 2011, \$1,425 effective September 1, 2011, \$1,185 effective March 1, 2012, \$975 effective September 1, 2012, \$790 effective March 1, 2013, \$610 effective September 1, 2013 and \$470 effective March 1, 2014. CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2017 and on each March 1 and September 1 thereafter (Optional Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (6) The outstanding notional amount reflects the amount that has been amortized as of March 1, 2014. On September 1, 2010, 2008 Series D had a scheduled amortization of the notional amount which corresponded to a scheduled mandatory sinking fund redemption of outstanding bonds on such date.
- (7) On May 14, 2009, all swap agreements with Bear Stearns Financial Products Inc. were assigned to JPMorgan Chase Bank, N.A. All terms and conditions of the contracts remain in force.
- (8) CDA has the option to terminate this interest rate swap transaction in whole or in part without any termination payment on September 1, 2018 and on each March 1 and September 1 thereafter (Optional Par Termination Dates). If the option is exercised in part, the applicable notional amounts shall be reduced pro rata.
- (9) On January 1, 2009, Bank of America Corporation acquired Merrill Lynch & Co., Inc. Notwithstanding this acquisition, Merrill Lynch Derivative Products AG remains in existence and continues as a swap provider on this swap agreement.
- (10) On September 24, 2009, 2007 Series J bonds, with an outstanding balance of \$58,680, were remarketed and the related swap agreement was amended effective September 1, 2009.
- (11) On October 8, 2009, 2007 Series M bonds, with an outstanding balance of \$29,050, were remarketed and the related swap agreement with an outstanding balance of \$26,990 was amended effective October 8, 2009 (refer to note 5). The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.
- (12) On October 27, 2009, 2007 Series F bonds, with an outstanding balance of \$46,485, were remarketed and the related swap agreement was amended effective October 27, 2009.
- (13) Subsequent to March 31, 2014, UBS AG and The Bank of New York Mellon entered into a Novation Transaction dated April 10, 2014 whereby The Bank of New York Mellon replaced UBS AG as counterparty to the agreement.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2014

5. Interest Rate Swap Agreements continued:

The table below summarizes the total fair values for CDA's interest rate swap agreements at June 30, 2013 and March 31, 2014, and the changes in fair values for the period ending March 31, 2014.

	Total Fair Value at <u>June 30, 2013</u>	Total Fair Value at <u>March 31, 2014</u>	Change in Fair Value <u>for the Period</u>
Interest Rate Swap Agreements:			
Cash Flow Hedges	\$ (27,065)	\$ (19,541)	\$ 7,524
Investment Derivatives	-	-	-
Total	<u>\$ (27,065)</u>	<u>\$ (19,541)</u>	<u>\$ 7,524</u>

In accordance with GASB 53, the fair value balances of derivative instruments (interest rate swap agreements) outstanding at March 31, 2014, classified by type, and the changes in fair value of such derivative instruments as presented on the financial statements for the period ending March 31, 2014, are as follows:

		Change in Fair Value		Fair Value at March 31, 2014		Outstanding Notional Amounts
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Amounts</u>
Cash Flow Hedges:						
Pay fixed interest rate swaps	Deferred Outflow	\$ 7,524		Debt	\$ (19,541)	\$ 246,285
Investment Derivatives:						
Pay fixed interest rate swaps	Investment Revenue	\$ -		Investment	\$ -	\$ -

As of March 31, 2014, all interest rate swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

Community Development Administration
Residential Revenue Bonds

Notes to Unaudited Interim Financial Statements - continued
(in thousands)

March 31, 2014

5. Interest Rate Swap Agreements continued:

CDA was not exposed to credit risk to any of the counterparties since the total fair value for each counterparty was negative as of March 31, 2014.

The credit ratings for the swap counterparties, as of March 31, 2014, are:

<u>Swap</u> <u>Counterparty</u>	<u>Moody's</u> <u>Investors Service</u>	<u>Standard</u> <u>and Poor's</u>	<u>Fitch</u> <u>Ratings</u>
JPMorgan Chase Bank, N.A.	Aa3	A+	A+
UBS AG	A2	A	A
Merrill Lynch Derivative Products AG	Aa3	A+ NEG	----
The Bank of New York Mellon	Aa2	AA-	AA-

For further description of risks and other information related to swaps, refer to the June 30, 2013 audited financial statements.

6. Implementation of GASB Statement No. 65:

During fiscal year 2013, CDA early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. The beginning net position for the March 31, 2013 Statement of Revenue, Expenses and Changes in Net Position was restated retroactively to reflect a reduction of \$30,939. This change reflects the retroactive restatement of deferred loan fees, deferred loan origination expenses, and deferred bond issuance and refunded bond issuance costs.

7. Subsequent Events:

On June 16, 2014, CDA redeemed, prior to maturity, \$32,395 of Residential Revenue Bonds.

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APPENDIX I

**FINANCIAL STATEMENTS OF
THE MARYLAND HOUSING FUNDS**

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MARYLAND HOUSING FUND

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2013 AND 2012

Maryland Housing Fund
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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MHF as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements present only the Maryland Housing Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2012, were audited by other auditors whose report dated October 10, 2012, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
October 16, 2013

Maryland Housing Fund
STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Unrestricted current assets		
Deposit with State Treasurer		
Operating account	\$ 803,461	\$ 2,588,198
Loans and interest receivable, net of allowance for loans and related losses	156,293	149,874
Acquired property	1,310,655	6,119,848
Due from DHCD	373,385	-
Other	1,451,525	961,493
Total unrestricted current assets	<u>4,095,319</u>	<u>9,819,413</u>
Restricted current assets		
Deposit with State Treasurer		
Reserve accounts	85,510,927	87,054,385
Reserve account - Reinsurance Pool Program	1,710,636	913,198
Total restricted current assets	<u>87,221,563</u>	<u>87,967,583</u>
Total current assets	<u>91,316,882</u>	<u>97,786,996</u>
Non-current assets		
Investment held for borrower	1,904,906	2,019,005
Loans and interest receivable, net of allowance for loans and related losses and current portion	221,685	267,004
Total non-current assets	<u>2,126,591</u>	<u>2,286,009</u>
Total assets	<u><u>\$ 93,443,473</u></u>	<u><u>\$ 100,073,005</u></u>

(continued)

Maryland Housing Fund

STATEMENTS OF NET POSITION - CONTINUED

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 1,798,520	\$ 661,670
Accrued compensated absences	144,869	94,614
Accrued workers' compensation	465	1,130
Mortgage escrow accounts	275,518	247,301
Unearned premiums	770,297	1,491,425
Allowance for unpaid insurance losses	1,607,843	1,584,200
	<u>4,597,512</u>	<u>4,080,340</u>
Total current liabilities		
Non-current liabilities		
Accrued compensated absences, net of current portion	192,496	190,215
Accrued workers' compensation, net of current portion	2,535	2,870
Investment held for borrower	1,904,906	2,019,005
Allowance for unpaid insurance losses, net of current portion	13,078,715	11,718,522
	<u>15,178,652</u>	<u>13,930,612</u>
Total non-current liabilities		
Total liabilities	<u>19,776,164</u>	<u>18,010,952</u>
Net position		
Restricted net position		
Multi-Family Reserve	44,698,739	44,698,739
Single Family Regular Reserve	19,250,357	19,816,789
Revitalization (Pilot) Reserve	2,198,502	2,216,821
General Reserve	8,593,422	9,253,385
Unallocated Reserve	10,769,907	11,068,651
	<u>85,510,927</u>	<u>87,054,385</u>
Total restricted net position		
Unrestricted accumulated deficit	<u>(11,843,618)</u>	<u>(4,992,332)</u>
Total net position	<u>73,667,309</u>	<u>82,062,053</u>
Total liabilities and net position	<u>\$ 93,443,473</u>	<u>\$ 100,073,005</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
Net premiums	\$ 3,897,832	\$ 3,952,362
Interest income on reserves	769,907	1,068,651
Interest income on loans	535,909	532,106
Other income	<u>34,574</u>	<u>37,354</u>
Total operating revenues	<u>5,238,222</u>	<u>5,590,473</u>
Operating expenses		
General and administrative	4,546,514	4,688,511
Acquired property	3,371,550	3,201,595
Net losses on sales of acquired property	2,970,487	3,860,784
Provision (benefit) for insurance and loan losses	<u>1,675,764</u>	<u>(10,492,428)</u>
Total operating expenses	<u>12,564,315</u>	<u>1,258,462</u>
Change in net position	<u><u>\$ (7,326,093)</u></u>	<u><u>\$ 4,332,011</u></u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET POSITION

Years ended June 30, 2013 and 2012

	Restricted Net Position					Unrestricted	
	Multi-Family Reserve	Single Family Regular Reserve	Revitalization (Pilot) Reserve	General Reserve	Unallocated Reserve	Accumulated Deficit	Total
Balance at June 30, 2011	\$ 44,698,739	\$ 20,650,923	\$ 2,216,821	\$ 9,796,640	\$ 12,050,896	\$ (9,633,081)	\$ 79,780,938
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	1,068,651	(1,068,651)	-
Transfers out	-	-	-	-	(2,050,896)	-	(2,050,896)
Change in net position	-	(834,134)	-	(543,255)	-	5,709,400	4,332,011
Balance at June 30, 2012	44,698,739	19,816,789	2,216,821	9,253,385	11,068,651	(4,992,332)	82,062,053
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	769,907	(769,907)	-
Transfers out	-	-	-	-	(1,068,651)	-	(1,068,651)
Change in net position	-	(566,432)	(18,319)	(659,963)	-	(6,081,379)	(7,326,093)
Balance at June 30, 2013	<u>\$ 44,698,739</u>	<u>\$ 19,250,357</u>	<u>\$ 2,198,502</u>	<u>\$ 8,593,422</u>	<u>\$ 10,769,907</u>	<u>\$ (11,843,618)</u>	<u>\$ 73,667,309</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from premiums, net	\$ 3,177,883	\$ 3,195,539
Receipts from loans	282,881	78,115
Receipts from mortgage escrows	101,219	139,313
Payments for mortgage escrows	(104,902)	(143,944)
Receipts from miscellaneous fees	54,188	36,320
Payments for general and administrative expenses	(5,821,412)	(4,581,353)
Sale proceeds from acquired property	16,053,174	1,785,344
Payments for acquired property	(15,975,044)	(15,276,555)
Receipts from interest earned on reserves	769,907	1,068,651
Transfer to state funded programs	<u>(1,068,651)</u>	<u>(2,050,896)</u>
Net cash used in operating activities	<u>(2,530,757)</u>	<u>(15,749,466)</u>
Net decrease in cash	(2,530,757)	(15,749,466)
Deposit with State Treasurer, balance - beginning of year	<u>90,555,781</u>	<u>106,305,247</u>
Deposit with State Treasurer, balance - end of year	<u><u>\$ 88,025,024</u></u>	<u><u>\$ 90,555,781</u></u>

(continued)

Maryland Housing Fund

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of change in net position to net cash used in operating activities:		
Change in net position	\$ (7,326,093)	\$ 4,332,011
Adjustments to reconcile change in net position to net cash used in operating activities		
Transfer to state funded programs	(1,068,651)	(2,050,896)
Decrease in loans and interest receivable	38,900	34,691
Decrease (increase) in acquired property	4,809,193	(6,047,213)
Increase in investments and other assets	(375,933)	(1,326,702)
Increase in due from DHCD	(373,385)	-
Increase in accounts payable and other accrued liabilities	1,102,504	1,045,822
Increase (decrease) in allowance for unpaid insurance losses	1,383,836	(10,981,112)
Decrease in unearned premiums	<u>(721,128)</u>	<u>(756,067)</u>
Net cash used in operating activities	<u>\$ (2,530,757)</u>	<u>\$ (15,749,466)</u>

See notes to financial statements

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION

The Maryland Housing Fund (MHF) was established in 1971 by Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, to encourage the flow of private investment capital into multiple-unit and Single Family housing by insuring qualified lending institutions against losses on mortgage loans. MHF is authorized to insure mortgage loans, including mortgage loans for Multi-Family developments financed by public agencies such as the Community Development Administration (CDA), and to provide primary insurance for Single Family mortgage loans. MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan, but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss. Legislation enacted in 1981 enables MHF to originate mortgage loans to assist in the disposal of property acquired through foreclosure or pursuant to any other payment in settlement of a claim or loss. MHF is a unit within the division of Housing Credit Assurance of the Department of Housing and Community Development (DHCD).

MHF maintains five restricted insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance; the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization (PILOT) Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of claims or for any other purpose consistent with the contractual obligations with the Administration's bondholders. In 2008, Legislation was passed under Senate Bill 983 requiring MHF to transfer from the Unallocated Account to DHCD's State Funded Revolving Housing Loan Programs all amounts in excess of \$10,000,000 at the end of each fiscal year. These transfers can be found on the Statements of Changes in Net Position as Transfers Out located on page 8 of this document.

The MHF statute provides that any moneys of MHF that DHCD creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION (Continued)

MHF's reserve funds are derived from the net proceeds of five issues of State of Maryland (State) general obligation bonds aggregating \$39,300,000 and \$7,500,000 in proceeds derived from State appropriations. In addition, the funds have earned investment income and paid claims. The unrestricted accumulated deficit reflects MHF's operations since inception less interest income. The reserves are held by the Office of the Treasurer of the State, which credits MHF with income on investment of reserves for the benefit of MHF.

A. The Multi-Family Reserve supports several programs. All existing Multi-Family insurance, other than the program from private lenders, is 100% insurance of projects financed by revenue bonds. These programs include:

- Regular Multi-Family Program fully insures permanent mortgages originated prior to 1997 funded by CDA and the Housing Opportunities Commission of Montgomery County.
- Risk-Share Program insures both construction and permanent mortgages financed with CDA bonds with credit enhancement under the Federal Housing Administration (FHA) Risk Sharing Program. Under the program, upon payment of a claim by FHA, CDA would be responsible for reimbursement to FHA of up to 50% of the claim. MHF would reimburse CDA for its share of such losses. This is an active multi-family program.
- Special Housing Opportunity Program (SHOP) insures mortgages financed or refinanced for the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population which are owned by and sponsored by nonprofit organizations. This is an active multi-family program.
- Single Family mortgages funded through private lenders and CDA for permanent mortgages in publicly designated renewal or redevelopment areas. Insurance offered provided 100% coverage and is backed by the Multi-Family Reserve Fund. MHF continues to manage the existing portfolio but ceased issuing new insurance in 1997.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION (Continued)

B. The Single Family Regular Reserve insures mortgages funded by private Maryland lending institutions and CDA. These programs include:

- Single Family Regular Program consists of mortgages originated prior to 1997. These mortgages may have had primary insurance (MHF is liable for the top 25% of the original mortgage) and/or pool insurance (MHF is liable for the bottom 75% of the original mortgage). Pool insurance coverage was limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). Effective August 1, 2010, MHF was released from any obligation to provide the pool insurance on these loans. MHF continues to provide primary insurance on these loans.
- Mortgage Protection Program consists of 30 and 40 year mortgages originated after 2005, funded through CDA bonds with primary coverage of only the top 35% of the original mortgage and up to six months of mortgage payments (limited to no more than \$2,000 per month). These mortgages maintain a fixed rate of interest for the full loan term and allow borrowers to finance a one-time mortgage insurance premium in the mortgage, which will require no additional outlay of cash for closing, while lowering the monthly mortgage payment. MHF no longer issues new insurance under this program.
- Reinsurance Program commenced in 2011 and consists of mortgages that CDA originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program, CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has reached \$12.5 million in net losses or December 31, 2020. All claims are paid from the Single Family Regular Reserve.

C. Revitalization (Pilot) Reserve insures mortgages funded through CDA and private Maryland lenders for 100% of the mortgage balance.

- Pilot Programs stimulates the flow of private mortgage capital into areas which have suffered decreasing home ownership and associated economic and social instability. These mortgages originated prior to 2005.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION (Continued)

- Healthy Neighborhood Program provides credit enhancement to a loan program sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas in the City of Baltimore. MHF guarantees less than 3% of the outstanding loan balance under this program.

D. General Reserve

- Small single family programs provide 35% insurance coverage on CDA single family mortgages as an incentive to refinance or restructure loans for Maryland borrowers with an existing loan. MHF continues to maintain active mortgages but no longer issues new commitments under these programs.
- E. Unallocated Reserve may be allocated and transferred by the Secretary into each of the reserves, restricted by the Secretary as a reserve for the payment of a claim as part of a work-out, applied by MHF as payment of a claim or retained in the Unallocated Reserve pending allocation, transfer or restriction. Investment earnings on each of the five Reserves are credited to the Unallocated Reserve. Legislation enacted in fiscal year 2008 requires MHF to transfer from the Unallocated Reserve, any funds in excess of \$10 million annually to the State Funded Housing Loan Programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Relationship with the State

MHF is one of many programs administered by DHCD and the State. Other State agencies, such as the Department of Budget and Management, support DHCD by providing services for DHCD and thus allocate a portion of their expenses to DHCD. MHF has no direct employees and is entirely supported by staff at DHCD to perform all necessary functions of MHF. Thus, MHF's accompanying financial statements are not indicative of MHF as if it were a stand-alone entity. MHF is included in the enterprise funds of the State.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Generally Accepted Accounting Principles

During fiscal year 2013, MHF implemented the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Prior to the adoption of this standard, MHF adopted all Financial Accounting Standards Board (FASB) statements issued, unless those pronouncements conflicted with or contradicted GASB standards. With the adoption of Statement No. 62, MHF no longer adopts or applies FASB statements.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

D. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

E. Investments

The investment is a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

F. Loans and Interest Receivable, Net of Allowance for Loans and Related Losses

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Acquired Property

Property acquired as a result of claims settled is carried at the principal claim cost, less management's estimate of expenses and losses related to the maintenance and sale of the property, which management believes approximates fair value less costs to sell. As of June 30, 2013 and 2012, acquired property consisted of Single Family property of \$1,310,656 and \$6,119,848, respectively.

H. Allowance for Unpaid Insurance Losses

MHF provides for estimated insurance losses under each insurance plan. The allowance for unpaid insurance losses is increased by provisions charged to current operating expenses and reduced by claim payments. The provision for possible insurance losses is based on management's review of insured properties, considering past loss experience and current economic conditions which may affect the frequency of claims and the recovery of claim costs. Actual results could differ from those estimates.

I. Restricted Net Position

In accordance with accounting guidance issued by the GASB, net position should be reported as restricted when constraints placed on net position use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all funds and accounts whose purpose is to pay possible future claims are restricted as to their use, as is interest earned on these restricted assets.

J. Revenues and Expenses

Operating revenues and expenses generally result from mortgage insurance activities in connection with MHF's ongoing operations. The principal operating revenue is mortgage insurance premiums. Operating expenses include expenses relating to claims from defaulted loans and general and administrative expenses. The interest earned on reserve accounts is restricted revenue.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Premium Income Recognition

Premium income on all loans are recognized on a straight-line basis over the benefit period covered by the premiums.

L. General and Administrative

MHF is subject to an allocation of intradepartmental support costs of the DHCD, which are included in general and administrative in the Statements of Revenues and Expenses. Such costs could affect MHF's financial position or operating results in a manner that differs from those that might have been obtained if MHF was autonomous. MHF records these costs as invoiced by DHCD for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year-end.

M. Recent Accounting Pronouncements

During fiscal year 2013, MHF implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The implementation of this standard did not have a material impact on MHF's financial statements other than changing the reporting title of net assets and replacing it with the title of net position. GASB has issued Statement no. 65 *Items Previously Reported as Assets and Liabilities*. While MHF is still in the process of determining the effect of implementing, it is not expected to have a material effect on the financial position of MHF.

NOTE 3 - CASH AND INVESTMENTS

A. Deposit with State Treasurer

MHF defines cash and cash equivalents as cash and short-term investments that are held on deposit with the State Treasurer. Cash receipts and disbursements of MHF are made through a cash pool maintained by the State Treasurer. None is uninsured and uncollateralized. MHF has on deposit with the State Treasurer both unrestricted and restricted cash and cash equivalents. MHF reports its operating account as unrestricted. MHF reserve accounts are reported as restricted

Additional information can be obtained from the State of Maryland Comprehensive Annual Financial Report.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MHF adheres to Maryland State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase.

C. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MHF's policy for reducing its exposure to credit risk is to comply with Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. MHF's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, MHF will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. Investments and collateralized securities are held in trust by the trustee or the trustee agent, kept separate from the assets of the bank and from other trust accounts and are held in MHF's name.

E. Investment Held for Borrower

The investment consists of a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

The following asset reported at fair market value and held by MHF at June 30, 2013 and 2012 is evaluated in accordance with accounting guidance issued by the GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk. This investment is held as collateral on a Multi-Family loan and matures on April 15, 2024.

	<u>2013</u>	<u>2012</u>
Investment held for borrower (Obligations of U.S. Government Agencies)	<u>\$ 1,904,906</u>	<u>\$ 2,019,005</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS
AND RELATED LOSSES

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Mortgage loans, notes receivable and interest receivable were as follows for the years ended June 30, 2013 and 2012:

	2013	2012
Multi-Family	\$ 7,675,939	\$ 7,698,975
Single Family	123,697	139,561
Interest receivable on loans	8,973,388	8,681,460
	<u>16,773,024</u>	<u>16,519,996</u>
Allowance for possible losses on Multi-Family loans	(7,299,721)	(7,299,721)
Allowance for possible losses on Single Family loans	(121,937)	(121,937)
Allowance for possible losses on interest receivable	<u>(8,973,388)</u>	<u>(8,681,460)</u>
Total allowance for possible losses	<u>(16,395,046)</u>	<u>(16,103,118)</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 377,978</u>	<u>\$ 416,878</u>
Current portion, net of allowance	\$ 156,293	\$ 149,874
Non-current portion, net of allowance	<u>221,685</u>	<u>267,004</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 377,978</u>	<u>\$ 416,878</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS
AND RELATED LOSSES (Continued)

Changes in the allowance for possible losses on loans and interest receivable were as follows
for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 16,103,118	\$ 15,614,434
Increase in provision	<u>291,928</u>	<u>488,684</u>
Balance, end of year	<u><u>\$ 16,395,046</u></u>	<u><u>\$ 16,103,118</u></u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 5 - UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2013 and 2012, and the changes for the years then ended were as follows:

	2013			Unearned premiums at end of year
	Unearned premiums at beginning of year	Premiums written	Premiums earned	
Multi-Family Programs				
Construction and Permanent				
Mortgages	\$ 763,516	\$ 899,540	\$ 1,075,450	\$ 587,607
SHOP Loans	49,814	54,874	75,203	29,485
Total Multi-Family Programs	813,330	954,414	1,150,653	617,091
Single Family Programs				
Single Family Regular				
Primary	614,711	222,780	685,895	151,596
Reinsurance Pool	-	1,998,240	1,998,240	-
Revitalization (Pilot)	1,051	581	1,547	85
Community Development				
Administration under				
Multi-Family Reserve	278	689	720	247
General	62,055	-	60,777	1,278
Total Single Family Programs	678,095	2,222,290	2,747,179	153,206
Total for the year ended June 30, 2013	\$ 1,491,425	\$ 3,176,704	\$ 3,897,832	\$ 770,297

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 5 - UNEARNED PREMIUMS (Continued)

	2012			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Multi-Family Programs				
Construction and Permanent				
Mortgages	\$ 978,757	\$ 863,962	\$ 1,079,203	\$ 763,516
SHOP Loans	42,069	85,505	77,760	49,814
Total Multi-Family Programs	1,020,826	949,467	1,156,963	813,330
Single Family Programs				
Single Family Regular				
Primary	1,094,408	245,543	725,240	614,711
Reinsurance Pool	-	1,998,240	1,998,240	-
Revitalization (Pilot)	1,876	2,268	3,093	1,051
Community Development				
Administration under				
Multi-Family Reserve	326	777	825	278
General	130,056	-	68,001	62,055
Total Single Family Programs	1,226,666	2,246,828	2,795,399	678,095
Total for the year ended June 30, 2012	\$ 2,247,492	\$ 3,196,295	\$ 3,952,362	\$ 1,491,425

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 6 - NON-CURRENT OBLIGATIONS

Changes in non-current obligations for the years ended June 30, 2013 and 2012 were as follows:

	2013				Amount Due
	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Compensated absences	\$ 284,829	\$ 197,405	\$ (144,869)	\$ 337,365	\$ 144,869
Workers' compensation	4,000	-	(1,000)	3,000	465
Investment held for borrower	2,019,005	-	(114,099)	1,904,906	-
Allowance for unpaid insurance losses	13,302,722	1,383,836	-	14,686,558	1,607,843
Total for the year ended June 30, 2013	<u>\$ 15,610,556</u>	<u>\$ 1,581,241</u>	<u>\$ (259,967)</u>	<u>\$ 16,931,830</u>	<u>\$ 1,753,177</u>
	2012				Amount Due
	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Compensated absences	\$ 243,322	\$ 41,507	\$ -	\$ 284,829	\$ 94,614
Workers' compensation	7,291	-	(3,291)	4,000	1,130
Investment held for borrower	1,555,114	463,891	-	2,019,005	-
Allowance for unpaid insurance losses	24,283,834	-	(10,981,112)	13,302,722	1,584,200
Total for the year ended June 30, 2012	<u>\$ 26,089,561</u>	<u>\$ 505,398</u>	<u>\$ (10,984,403)</u>	<u>\$ 15,610,556</u>	<u>\$ 1,679,944</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 7 - RELATED PARTY TRANSACTIONS

During 2013, MHF was over allocated general and administrative expenses by DHCD. MHF has recorded a receivable from DHCD which is unsecured, noninterest bearing and due on demand. As of June 30, 2013, the outstanding receivable was \$373,385.

NOTE 8 - ALLOWANCE FOR UNPAID INSURANCE LOSSES

The allowance for unpaid insurance losses is the estimated claims settlement on notices of default that has been received by MHF, as well as loan defaults that have been incurred but have not been reported by the lenders. FASB guidance specifically excludes mortgage guaranty insurance from its guidance relating to the reserves for losses.

For insured Multi-Family program properties, MHF establishes loss reserves on a case-by-case basis when insured loans are identified as currently in default based on MHF's expected claim payment, net of estimated recovery. At June 30, 2013, MHF had no Multi-Family loans in default. As a result, MHF provides only limited loss reserves on the Multi-Family portfolio.

For insured Single Family loans, MHF establishes its loss reserves based on past loss experiences and the current real estate market. MHF also reserves for defaults that have been incurred but have not been reported prior to the close of an accounting period, using estimated claim rates and claim sizes for the estimated number of defaults not reported. For Single Family program properties, insured loans which have gone through foreclosure and MHF has not paid a claim, MHF also reserves for losses based on past loss experiences and the current real estate market.

MHF's reserve process is based upon the assumptions of past experience, including the current real estate market and housing values in the locations where MHF has experienced high claim rates. Therefore, the reserves are necessarily based on estimates and the ultimate liability may vary from such estimates. Management regularly reviews the evaluation of the loss reserves utilizing current information and updates the assumptions in the estimation process accordingly. Any resulting adjustments are reflected in the current period's earnings as either a provision for losses or reduction in losses. Management believes that the allowance for unpaid insurance losses at June 30, 2013 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 8 - ALLOWANCE FOR UNPAID INSURANCE LOSSES (Continued)

Changes in allowance for unpaid insurance losses were as follows:

	<u>Multi-Family</u>	<u>Single Family</u>	<u>Total</u>
Balance at June 30, 2011	\$ 4,919,132	\$ 19,364,702	\$ 24,283,834
Increase (decrease) in provision	<u>695,868</u>	<u>(11,676,980)</u>	<u>(10,981,112)</u>
Balance at June 30, 2012	5,615,000	7,687,722	13,302,722
Increase in provision	<u>846,446</u>	<u>537,390</u>	<u>1,383,836</u>
Balance at June 30, 2013	<u><u>\$ 6,461,446</u></u>	<u><u>\$ 8,225,112</u></u>	<u><u>\$ 14,686,558</u></u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2013, net of partial claim payments, were as follows:

	<u>Number</u>	<u>Current Balances</u>
CDA Construction and Permanent Mortgages	53	\$ 120,481,625
Loans financed by the Housing Opportunities		
Commission of Montgomery County	3	5,473,145
CDA SHOP Loans	154	17,847,727
CDA Single Family Loans under		
Multi-Family Reserves	<u>11</u>	<u>112,222</u>
	<u><u>221</u></u>	<u><u>\$ 143,914,719</u></u>

As of June 30, 2013, MHF had commitments of \$9,386,669 which had not yet been drawn.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Single Family Mortgages

All loans insured by MHF are with approved lenders and are collateralized by a first or second lien against the improved property, which must be located in the State of Maryland. The details of insured loans and commitments to insure loans as of June 30, 2013, were as follows:

	Insured Mortgages			
	Original Commitments		Current Balances	
	Number	Amount	Amount	Contingent Liability
Primary insurance coverage				
Single Family Regular				
25% insured	1,741	\$ 91,199,355	\$ 47,041,505	\$ 11,760,376
35% insured	340	73,621,747	69,300,418	24,255,146
Revitalization (Pilot) Program				
100% insured	8	214,550	98,122	98,122
2.5% insured	184	33,765,126	31,264,457	781,611
General				
35% insured	41	8,782,439	9,785,264	3,424,842
Total	2,314	\$ 207,583,217	\$ 157,489,766	\$ 40,320,097
Single Family Regular Reinsurance Program	5,235	\$ 1,088,660,558	\$ 1,040,521,601	\$ 2,336,884

As of June 30, 2013, MHF had committed primary insurance coverage on 20 mortgages under the Revitalization Reserve, Healthy Neighborhood Program in the amount of \$2,106,701 and is liable for 2.5%.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originated prior to 2005.

Effective January 1, 2011, MHF and CDA entered into a Reinsurance Pool Program for loans that CDA had originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has reached \$12.5 million in net losses or December 31, 2020. As of June 30, 2013, MHF had paid \$34,804,095 in claims to CDA for this program and recovered \$22,897,120 and anticipates additional recovery in the amount of \$1,743,859 from inventories held, leaving \$2,336,884 available to pay additional claims in the pipeline.

NOTE 10 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. MHF's only liability for retirement and post-employment benefits is its required annual contribution, which was paid in full by MHF to the State of Maryland prior to year-end. The System is considered part of the State's financial reporting entity, and is not considered a part of MHF's reporting entity. The System prepares a separate Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

NOTE 11 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position 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 position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of MHF through (Date) (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements except for the following activity that occurred subsequent to June 30, 2013.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 12 - SUBSEQUENT EVENTS (Continued)

In September 2013, MHF transferred \$769,907 to the State Housing Loan Programs pursuant to 2008 Senate Bill 983 requiring MHF to transfer all amounts in excess of \$10,000,000 at the end of each fiscal year.

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MARYLAND HOUSING FUND
INTERIM FINANCIAL STATEMENTS
As of March 31, 2014
(UNAUDITED)

Maryland Housing Fund
STATEMENTS OF NET ASSETS
As of March 31, 2014 and June 30, 2013
(UNAUDITED)

	<u>3/31/2014</u>	<u>6/30/2013</u>
Assets		
Current assets		
Unrestricted current assets		
Deposit with State Treasurer		
Operating account	\$ 1,936,637	\$ 803,461
Loans and interest receivable, net of allowance for loans and related losses	181,421	156,293
Acquired property	346,847	1,310,655
Due from DHCD	373,385	373,385
Other	<u>303,585</u>	<u>1,451,525</u>
Total unrestricted current assets	<u>3,218,922</u>	<u>4,095,319</u>
Restricted current assets		
Deposit with State Treasurer		
Reserve accounts	84,793,211	85,510,927
Reserve account - Reinsurance Program	<u>47,076</u>	<u>1,710,636</u>
Total restricted current assets	<u>84,840,287</u>	<u>87,221,563</u>
Total current assets	<u>88,059,209</u>	<u>91,316,882</u>
Non-current assets		
Investment held for borrower	1,924,747	1,904,906
Loans and interest receivable, net of allowance for loans and related losses and current portion	<u>176,847</u>	<u>221,685</u>
Total non-current assets	<u>2,101,594</u>	<u>2,126,591</u>
Total assets	<u>\$ 90,160,803</u>	<u>\$ 93,443,473</u>

(continued)

Maryland Housing Fund
STATEMENTS OF NET ASSETS - CONTINUED
As of March 31, 2014 and June 30, 2013
(UNAUDITED)

	<u>3/31/2014</u>	<u>6/30/2013</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 975,154	\$ 1,798,520
Accrued compensated absences	144,869	144,869
Accrued workers' compensation	465	465
Mortgage escrow accounts	251,242	275,518
Unearned premiums	967,108	770,297
Allowance for unpaid insurance losses	<u>3,575,823</u>	<u>1,607,843</u>
Total current liabilities	<u>5,914,661</u>	<u>4,597,512</u>
Non-current liabilities		
Accrued compensated absences, net of current portion	192,497	192,497
Accrued workers' compensation, net of current portion	2,534	2,535
Investment held for borrower	1,924,747	1,904,906
Allowance for unpaid insurance losses, net of current portion	9,470,921	13,078,715
Total non-current liabilities	<u>11,590,699</u>	<u>15,178,653</u>
Total liabilities	<u>17,505,360</u>	<u>19,776,165</u>
Net position		
Restricted for:		
MultiFamily Reserve	44,698,739	44,698,739
Single Family Regular Reserve	18,656,812	19,250,357
Revitalization (Pilot) Reserve	2,188,709	2,198,502
General Reserve	8,593,422	8,593,422
Unallocated Reserve	<u>10,655,529</u>	<u>10,769,907</u>
Total restricted net position	84,793,211	85,510,927
Unrestricted deficit	<u>(12,137,768)</u>	<u>(11,843,619)</u>
Total net position	<u>72,655,443</u>	<u>73,667,308</u>
Total liabilities and net position	<u>\$ 90,160,803</u>	<u>\$ 93,443,473</u>

See notes to financial statements

Maryland Housing Fund
STATEMENTS OF REVENUES AND EXPENSES
As of March 31, 2014 and June 30, 2013
(UNAUDITED)

	<u>3/31/2014</u>	<u>6/30/2013</u>
Operating Revenues		
Net premiums	\$ 2,539,968	\$ 3,897,832
Interest income on reserves	655,529	769,907
Interest income on loans	391,025	535,909
Other income	41,442	34,574
Total operating revenues	<u>3,627,964</u>	<u>5,238,222</u>
 Operating Expenses		
General and administrative	3,159,614	4,546,514
Acquired property	1,020,668	3,371,550
Net loss on sales of acquired property	915,571	2,970,487
(Benefit) provision for insurance and loan losses	(1,225,929)	1,675,764
Total operating expenses	<u>3,869,924</u>	<u>12,564,315</u>
 Change in net position	<u>(241,960)</u>	<u>(7,326,093)</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET POSITION

For the three months ended March 31, 2014 and years ended June 30, 2013

(Unaudited)

	Restricted Net Assets						Unrestricted	
	Multi-Family Reserve	Regular Single Family Reserve	Revitalization (Pilot) Reserve	Home and Energy Loan (HELP) Reserve	General Reserve	Unallocated Reserve	Accumulated Deficit	Total
Balance at June 30, 2012	\$ 44,698,739	\$ 19,816,789	\$ 2,216,821		\$ 9,253,385	\$ 11,068,651	\$ (4,992,332)	\$ 82,062,053
Interest income allocated at the discretion of DHCD Secretary	-	-	-		-	769,907	(769,907)	-
Transfers out	-	-	-		-	(1,068,651)	-	(1,068,651)
Change in net Position	-	(566,432)	(18,319)		(659,963)	-	(6,081,380)	(7,326,092)
Balance at June 30, 2013	44,698,739	19,250,358	2,198,502		8,593,422	10,769,907	(11,843,619)	73,667,310
Interest income allocated at the discretion of DHCD Secretary						655,529	(655,529)	
Transfers out						(769,907)		(769,907)
Change in net Position		(593,546)	(9,792)	-	-		361,379	(241,959)

Maryland Housing Fund
STATEMENTS OF CASH FLOWS
As of March 31, 2014 and June 30, 2013
(UNAUDITED)

	3/31/2014	6/30/2013
Cash flows from operating activities		
Receipts from premiums, net	\$ 2,734,546	\$ 3,177,883
Receipts from loans	(3,150)	282,881
Receipts from mortgage escrows	109,532	101,219
Payments for mortgage escrows	(133,807)	(104,902)
Receipts from miscellaneous fees	(2,777)	54,188
Payments for general and administrative expenses	(2,213,250)	(5,821,412)
Sale proceeds from acquired property	7,041,602	16,053,174
Payments for acquired property	(8,589,370)	(15,975,044)
Receipts from interest earned on reserves	578,479	769,907
Transfer to state funded programs	(769,907)	(1,068,651)
Net cash (used in) provided by operating activities	<u>(1,248,102)</u>	<u>(2,530,757)</u>
Net (decrease) increase in cash	<u>(1,248,102)</u>	<u>(2,530,757)</u>
Deposit with State Treasurer, balance - beginning of period	<u>88,025,024</u>	<u>90,555,781</u>
Deposit with State Treasurer, balance - end of period	<u>\$ 86,776,922</u>	<u>\$ 88,025,024</u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ (241,960)	\$ (7,326,093)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Transfer to state funded programs	(769,907)	(1,068,651)
Decrease (Increase) in loans and interest receivable	19,707	38,900
Decrease (Increase) in acquired property	963,808	4,809,193
Decrease (Increase) in investments and other assets	1,491,266	(375,933)
Decrease (Increase) in due from DHCD	-	(373,385)
Increase (Decrease) in accounts payable and other accrued liabilities	(1,268,013)	1,102,504
Increase (Decrease) in allowance for unpaid insurance losses	(1,639,814)	1,383,836
Increase (Decrease) in unearned premiums	196,811	(721,128)
Net cash (used in) provided by operating activities	<u>\$ (1,248,103)</u>	<u>\$ (2,530,757)</u>

See notes to financial statements

Maryland Housing Fund
NOTES TO FINANCIAL STATEMENTS
As of March 31, 2014 and June 30, 2013
(Unaudited)

1. GENERAL DISCLOSURE

In the opinion of management, the accompanying financial statements of the Maryland Housing Fund present fairly the financial position at March 31, 2014 and the results of its operations for the nine months ended March 31, 2014. These statements are unaudited, and certain information and footnote disclosures normally included in the audited annual financial statements have been omitted.

2. CASH AND INVESTMENTS

Investment held for borrower	03/31/14	06/30/13
(Obligations of U.S. Government Agencies)	<u>1,924,747</u>	<u>1,904,906</u>

3. LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS AND RELATED LOSSES

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Mortgage loans, notes receivable and interest receivable were as follows for the periods ended March 31, 2014 and June 30, 2013.

	<u>3/31/2014</u>
MultiFamily	\$ 7,657,988
Single Family	156,534
Interest receivable on loans	<u>9,352,675</u>
	<u>17,167,197</u>
Allowance for possible losses on MultiFamily loans	(7,299,720)
Allowance for possible losses on Single-Family loans	(156,534)
Allowance for possible losses on interest receivable	<u>(9,352,675)</u>
Total allowance for possible losses	<u>(16,808,929)</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 358,268</u>
Current portion, net of allowance	\$ 181,421
Non-current portion, net of allowance	<u>176,847</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 358,268</u>

Maryland Housing Fund
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of March 31, 2014 and June 30, 2013
(Unaudited)

Changes in the allowance for possible losses on loans and interest receivable were as follows for the periods ended March 31, 2014 and June 30, 2013.

	<u>3/31/2014</u>
Balance, beginning of period	\$ 16,395,044
Increase (decrease) in provision	<u>413,885</u>
Balance, end of period	<u><u>\$ 16,808,929</u></u>

4. ALLOWANCE FOR UNPAID INSURANCE AND RELATED LOSSES

Changes in allowance for unpaid insurance losses were as follows:

	<u>MultiFamily</u>	<u>Single Family</u>
Balance at June 30, 2012	\$ 5,615	\$ 7,688
(Decrease) increase in provision	846	537
Charge-offs	<u>-</u>	<u>-</u>
Balance at June 30, 2012	6,461	8,225
Increase (decrease) in provision	<u>127</u>	<u>2,316</u>
Balance at March 31, 2014	<u><u>\$ 6,588</u></u>	<u><u>\$ 10,541</u></u>

APPENDIX J

INVESTMENTS HELD IN THE RESIDENTIAL REVENUE BOND FUNDS As of March 31, 2014

<u>Principal Balance</u>		<u>Guaranteed Investment Contract Provider and Other Investments</u>	<u>Rate of Earnings</u>	<u>Maturity</u>	
		<u>Program Fund</u>			<u>Program Fund Series</u>
\$2,056,235		Money Market Funds	Varies	On demand	2006 Series O and P
\$3,303,805		Money Market Funds	Varies	On demand	2007 Series A
\$2,402,227		Money Market Funds	Varies	On demand	2007 Series G and H
\$414,342		Money Market Funds	Varies	On demand	2007 Series K
\$2,111,032		Money Market Funds	Varies	On demand	2008 Series B, C and D
\$26,344,455		Money Market Funds	Varies	On demand	2014 Series A and B
		<u>Revenue Fund</u>			
\$78,519,563		Money Market Funds	Varies	On demand	
\$55,102,564	(1)	Government National Mortgage Association (GNMA)	0.5% to 3.75%	4/15/2041 to 1/20/2044	
\$11,391,705	(1)	Federal National Mortgage Association (FNMA)	2.15% to 3.525%	11/1/2042 to 10/1/2043	
		<u>Reserve Fund</u>			
\$42,126,119		Money Market Funds	Varies	On demand	
\$2,496,994	(1)	Federal Farm Credit Bonds	5.25%	8/13/2019	
\$1,231,569		Westdeutsche Landesbank Gironzentrale, New York Branch	5.22%	9/1/2029	
\$3,899,975	(1)	Federal Home Loan Mortgage Corp.	6.75%	9/15/2029	
\$1,176,471		Westdeutsche Landesbank Gironzentrale, New York Branch	5.82%	9/1/2031	
\$2,714,922	(1)	Federal Home Loan Mortgage Corp.	6.25%	7/15/2032	
		<u>Collateral Reserve Fund (2)</u>			
\$73,727,964		Money Market Funds	Varies	On demand	
\$17,589,590		TD Bank, N.A. Demand Deposit Acct.	Varies	On demand	
\$2,501,250	(1)	Federal National Mortgage Association	Discount Note	7/1/2014	
\$2,500,450	(1)	Federal Home Loan Bank	0.17%	12/11/2014	

<u>Principal Balance</u>		<u>Guaranteed Investment Contract Provider and Other Investments</u>	<u>Rate of Earnings</u>	<u>Maturity</u>
<u>Collateral Reserve Fund (2) continued</u>				
\$2,497,001	(1)	Federal Home Loan Bank	0.25%	5/29/2015
\$2,494,446	(1)	Federal National Mortgage Association	0.375%	12/21/2015
\$979,351	(1)	Government National Mortgage Association (GNMA)	4.00%	3/20/2044
\$74,455	(1)	Federal National Mortgage Association (FNMA)	4.00%	2/1/2044
<u>Warehouse Loan Fund (3)</u>				
\$70,909,990		Money Market Funds	Varies	On demand
\$2,501,250	(1)	Federal National Mortgage Association	Discount Note	7/1/2014
\$2,500,450	(1)	Federal Home Loan Bank	0.17%	12/11/2014
\$2,497,001	(1)	Federal Home Loan Bank	0.25%	5/29/2015
\$2,494,446	(1)	Federal National Mortgage Association	0.375%	12/21/2015
<u>Other Funds</u>				
\$6,850,490		Money Market Funds	Varies	On demand

(1) In keeping with the provisions of GASB Statement No. 31, these investments and mortgage-backed securities are reported at fair value. The total book value at March 31, 2014 for the investments referenced was \$27,044,388 and the cumulative increase in fair value of these investments was \$2,053,797. The total book value at March 31, 2014 for GNMA and FNMA mortgage-backed securities referenced was \$70,070,270 and the cumulative decrease in fair value of these GNMA and FNMA mortgage-backed securities was \$2,522,195.

(2) The Collateral Reserve Fund was established under the Bond Resolution at the time the 1997 Residential Revenue Bonds Series A and Series B were issued.

(3) The Warehouse Loan Fund was established by transferring \$45,000,000 in excess revenues from the 1980 General Certificate (Single Family Program Bonds). It provides an interim funding source for loans purchased between issuances of Residential Revenue Bonds.

APPENDIX K

RESIDENTIAL REVENUE BOND PROGRAM LOAN PORTFOLIO BY BOND SERIES AND INTEREST RATE as of March 31, 2014^{(1) (2)}

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
1997 Series A			198	16,992,005	37	1,850,155
	4.000%		41	3,633,437	13	610,686
	6.000%		2	173,590	1	30,072
	6.400%		154	13,140,565	22	1,174,453
	7.500%		1	44,413	1	34,944
1997 Series B			999	81,734,211	178	9,068,983
	4.000%		210	17,674,896	79	4,090,386
	5.500%	(4), (4.1)	48	3,998,716	8	408,036
	6.400%		732	59,127,375	90	4,494,650
	6.900%		9	933,224	1	75,911
1998 Series A			61	4,552,300	19	915,248
	5.000%		49	3,602,864	16	793,382
	6.100%		12	949,436	3	121,866
1998 Series B			899	76,127,569	148	7,441,408
	5.500%	(4), (4.2)	201	18,513,498	41	2,371,133
	6.100%		665	54,369,384	105	4,898,981
	6.250%		9	1,033,541	1	87,923
	6.500%		3	297,847	0	0
	6.750%		21	1,913,299	1	83,372
1998 Series D			706	67,196,187	122	7,049,208
	4.000%	(4), (4.3)	33	2,845,870	13	692,014
	5.500%	(4), (4.4)	647	61,743,859	109	6,357,194
	5.500%		11	982,596	0	0
	6.375%		15	1,623,862	0	0
1999 Series C			17	1,677,636	0	0
	5.000%		14	1,296,259	0	0
	6.125%		1	124,287	0	0
	6.900%		2	257,090	0	0
1999 Series D			510	49,300,428	0	0
	6.000%		130	12,322,544	0	0
	6.125%		305	29,849,673	0	0
	6.500%		75	7,128,211	0	0
1999 Series E			239	22,351,652	31	2,026,298
	4.750%	(5), (5.8)	4	394,307	2	132,295
	4.950%	(5), (5.7)	9	989,443	4	322,171
	5.750%	(5), (5.1)	38	3,771,241	8	557,818
	4.950%		3	290,716	1	106,618
	6.000%		1	161,100	0	0
	6.125%		5	565,650	1	86,195
	6.750%		73	6,559,151	7	373,419
	7.000%		106	9,620,044	8	447,782
1999 Series F			596	56,193,694	51	3,035,568
	6.125%		1	80,600	0	0
	6.500%		265	24,041,780	31	1,918,249
	6.750%		69	6,780,630	6	384,112
	6.900%		2	234,547	0	0
	7.000%		214	20,439,573	11	614,854
	7.250%		9	924,241	0	0
	7.500%		36	3,692,323	3	118,353

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
1999 Series H			614	58,868,174	60	3,967,651
	6.000%		158	16,020,135	33	2,211,616
	6.250%		1	64,450	0	0
	7.000%		254	23,728,090	19	1,221,646
	7.250%		142	13,335,578	6	405,708
	7.500%		59	5,719,921	2	128,682
2000 Series A			83	7,818,452	8	489,375
	6.900%		75	7,002,330	7	420,394
	7.000%		1	64,648	0	0
	7.500%		7	751,474	1	68,981
2000 Series B			673	68,248,331	88	5,982,268
	5.000%	(5), (5.3)	13	1,265,057	4	273,585
	5.000%		25	2,528,717	7	537,776
	5.050%	(5), (5.6)	4	375,455	2	103,008
	5.750%		98	11,039,408	21	1,548,756
	5.875%		123	11,767,170	28	2,016,513
	6.900%		157	15,753,125	8	443,195
	7.250%		253	25,519,399	18	1,059,436
2000 Series C			63	5,975,178	3	202,581
	7.125%		1	39,979	0	0
	7.250%		62	5,935,199	3	202,581
2000 Series D			716	72,613,685	70	4,754,181
	4.750%		3	291,990	0	0
	5.000%	(5), (5.3)	58	5,750,253	17	1,243,571
	5.750%		26	2,821,884	6	451,067
	5.875%		36	3,765,184	4	282,156
	6.000%		13	1,460,445	1	42,456
	6.250%		14	1,479,231	0	0
	6.900%		8	874,569	0	0
	7.000%		7	643,123	0	0
	7.125%		335	34,038,611	27	1,864,212
	7.250%		199	19,866,106	15	870,718
	7.500%		17	1,622,289	0	0
2000 Series F			162	14,922,531	16	1,068,349
	6.000%		1	147,300	0	0
	6.750%		143	13,074,753	13	868,390
	7.000%		12	1,167,793	0	0
	7.125%		6	532,685	3	199,959
2000 Series G			729	75,583,394	110	7,538,005
	5.000%	(4), (4.5)	347	38,917,567	47	3,521,148
	5.000%	(5), (5.4)	38	3,755,747	13	870,115
	5.500%		2	129,312	1	44,269
	5.875%		88	8,037,054	20	1,343,532
	6.900%		1	87,500	0	0
	6.750%		23	2,681,774	3	247,954
	7.000%		96	9,293,184	11	705,166
	7.125%		45	4,333,000	6	370,176
	7.250%		42	3,960,526	5	245,144
	7.500%		47	4,387,730	4	190,501

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2000 Series H			551	53,429,090	60	4,129,312
	4.750%	(5), (5.8)	18	1,636,729	8	549,152
	5.500%		28	2,353,445	14	962,446
	5.875%		29	3,461,107	5	454,318
	6.000%		27	2,552,760	4	247,349
	6.125%		1	148,100	0	0
	6.250%		17	1,979,952	0	0
	6.375%		94	8,970,879	8	589,081
	6.500%		2	181,700	1	68,367
	6.600%		3	273,077	0	0
	6.750%		21	2,103,350	4	325,980
	7.000%		82	7,663,564	11	670,760
	7.125%		2	182,379	0	0
	7.250%		49	5,175,460	1	38,888
	7.500%		178	16,746,588	4	222,971
2001 Series A			172	15,488,359	77	4,808,172
	4.000%	(5), (5.2)	160	14,406,838	72	4,506,387
	4.750%	(5), (5.5)	12	1,081,521	5	301,785
2001 Series B			387	38,632,750	95	6,625,646
	4.750%	(5), (5.8)	62	5,491,320	26	1,842,435
	5.875%	(4), (4.6)	117	12,261,228	19	1,302,751
	5.000%	(5), (5.4)	151	15,022,989	50	3,480,460
	5.875%		9	1,010,350	0	0
	6.125%		48	4,846,863	0	0
2001 Series E			141	13,490,845	38	2,629,364
	5.500%		18	1,544,567	4	259,932
	5.750%		44	4,470,263	10	707,291
	5.875%		79	7,476,015	24	1,662,141
2001 Series F			700	69,277,170	153	10,740,999
	4.000%	(4), (4.8)	104	9,392,606	46	2,985,784
	4.950%	(5), (5.7)	28	3,049,101	12	992,811
	5.050%	(5), (5.6)	13	1,256,956	5	344,854
	5.750%	(5), (5.1)	249	24,782,543	51	3,665,675
	5.250%		2	201,888	0	0
	5.750%		2	185,850	0	0
	5.875%		39	4,184,509	4	323,758
	6.000%	(4), (4.7)	58	6,282,739	8	554,400
	6.125%		2	201,633	0	0
	6.250%		136	13,362,933	19	1,292,963
	6.375%		42	3,830,881	3	207,683
	6.000%		2	197,476	1	36,833
	6.500%		1	94,242	1	69,120
	6.750%		4	409,076	2	186,434
	6.900%		2	180,206	0	0
	7.000%		4	351,960	0	0
	7.125%		8	917,816	0	0
	7.250%		4	394,755	1	80,684
2001 Series G			80	7,944,610	0	0
	5.000%		10	1,113,590	0	0
	5.750%		16	1,719,653	0	0
	5.875%		54	5,111,367	0	0

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2001 Series H			371	34,825,845	126	8,398,448
	4.000%	(5), (5.2)	232	20,955,436	104	6,554,758
	4.750%	(5), (5.5)	39	3,424,816	15	955,653
	5.000%		15	1,533,071	0	0
	5.250%		6	683,303	0	0
	5.500%		31	2,441,710	0	0
	5.500%	(5), (5.9)	10	1,593,518	7	888,037
	5.750%		33	3,717,856	0	0
	5.875%		5	476,135	0	0
2002 Series A			59	7,795,314	23	2,752,368
	4.950%		23	2,443,293	8	630,764
	5.000%		4	398,607	0	0
	5.050%		7	739,784	3	249,952
	5.500%		4	315,855	1	73,263
	5.750%		2	209,609	0	0
	5.875%		1	78,746	1	74,862
	6.000%	(5), (5.10)	18	3,609,420	10	1,723,527
2003 Series A			79	9,224,370	34	3,057,546
	4.000%		3	173,550	3	139,742
	4.950%		74	8,751,820	31	2,917,804
	5.050%		1	170,600	0	0
	5.750%		1	128,400	0	0
2003 Series B			142	15,582,439	68	5,418,007
	4.000%		14	767,050	13	548,064
	4.950%		122	14,177,671	53	4,756,742
	5.000%		2	156,400	1	56,639
	5.050%		3	409,918	0	0
	5.500%		1	71,400	1	56,562
2003 Series C			167	19,315,068	69	6,093,559
	4.000%		2	109,600	2	84,430
	4.950%		161	18,775,840	66	5,953,128
	5.050%		3	284,628	1	56,001
	5.250%		1	145,000	0	0
2004 Series A			90	10,360,109	37	3,253,154
	4.000%		1	54,800	0	0
	4.950%		89	10,305,309	37	3,253,154
2004 Series B			183	19,346,007	81	5,989,438
	4.000%		13	748,950	7	312,888
	4.750%		29	2,279,721	19	941,858
	4.950%		140	16,177,065	54	4,622,098
	5.050%		1	140,271	1	112,594
2004 Series C ⁽⁸⁾			89	9,940,644	0	0
	4.950%		89	9,940,644	0	0
2004 Series D			108	12,549,774	52	4,696,534
	4.875%		24	2,515,629	14	1,140,044
	4.950%		83	9,977,645	38	3,556,491
	5.000%		1	56,500	0	0
2004 Series E			233	26,846,480	110	9,772,522
	4.750%		20	1,582,179	11	722,742
	4.875%		21	2,051,624	12	983,476
	4.950%		156	18,716,672	70	6,488,681
	5.250%		35	4,391,866	16	1,498,438
	5.500%		1	104,139	1	79,184

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2004 Series F			158	19,324,293	77	7,205,459
	4.875%		12	1,215,300	7	495,961
	4.950%		59	6,876,147	33	3,126,438
	5.125%		19	2,626,708	7	774,927
	5.250%		19	2,666,673	8	775,274
	5.500%		49	5,939,465	22	2,032,859
2004 Series G			113	12,996,789	46	4,092,588
	5.000%		7	473,413	5	263,597
	5.500%		106	12,523,376	41	3,828,991
2004 Series H			219	26,715,004	98	9,505,726
	4.875%		62	6,900,204	36	3,318,409
	4.950%		34	4,406,672	12	1,331,595
	5.000%		1	77,100	1	63,374
	5.125%		13	1,586,951	6	597,356
	5.250%		17	2,429,990	4	400,736
	5.500%		70	8,495,723	31	2,896,674
	5.625%		22	2,818,364	8	897,582
2004 Series I			159	19,277,983	70	6,642,682
	5.125%		15	1,760,213	10	871,810
	5.500%		144	17,517,770	60	5,770,872
2005 Series A			113	12,313,633	60	4,783,295
	4.875%		73	7,239,216	44	3,268,414
	4.950%		2	264,864	1	92,634
	5.125%		2	315,300	0	0
	5.250%		6	755,648	3	251,441
	5.500%		1	248,035	0	0
	5.625%		29	3,490,570	12	1,170,806
2005 Series B			240	27,446,136	133	12,355,494
	4.875%		45	4,876,412	29	2,579,886
	5.000%		29	2,154,101	23	1,400,284
	5.250%		4	465,972	3	262,267
	5.500%		51	5,948,622	28	2,924,650
	5.625%		111	14,001,029	50	5,188,407
2005 Series C ⁽⁸⁾			46	5,396,946	0	0
	4.875%		11	1,453,855	0	0
	5.000%		7	578,936	0	0
	5.250%		4	572,650	0	0
	5.500%		10	1,137,233	0	0
	5.625%		14	1,654,272	0	0
2005 Series D			85	12,859,954	49	5,818,911
	4.875%		16	1,688,555	13	1,139,972
	5.000%		14	1,082,256	10	688,007
	5.125%		1	245,000	1	140,458
	5.250%		5	643,049	3	248,761
	5.375%		1	249,000	0	0
	5.625%		11	1,590,504	7	817,040
	5.875%		23	4,777,059	10	1,856,488
	5.950%		14	2,584,531	5	928,185

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2005 Series E			305	43,519,211	197	23,310,755
	4.875%		93	11,478,520	67	6,764,994
	5.000%		7	1,064,399	6	711,818
	5.250%		10	1,405,811	5	630,084
	5.375%		1	166,000	0	0
	5.500%		100	13,886,261	61	7,120,628
	5.500%	(5), (5.9)	75	11,531,901	50	6,426,510
	5.625%		5	758,386	1	237,129
	5.875%		14	3,227,933	7	1,419,592
2006 Series A			73	11,607,921	41	5,320,023
	4.625%		1	245,000	1	232,900
	4.875%		30	4,294,939	19	2,232,188
	5.000%		1	95,380	0	0
	5.250%		4	566,363	1	71,868
	5.375%		1	260,000	1	248,331
	5.500%		27	4,262,178	15	1,835,799
	5.875%		9	1,884,061	4	698,938
2006 Series B			279	47,295,765	169	25,042,204
	2.000%		1	128,750	1	121,603
	4.375%		1	189,900	1	180,924
	4.750%		1	153,500	1	144,072
	4.875%		98	15,674,699	68	9,750,298
	5.000%		4	979,614	3	664,262
	5.250%		12	2,296,906	8	1,442,190
	5.375%		3	574,900	3	537,107
	5.500%		128	20,685,094	66	8,603,781
	5.625%		1	97,500	0	0
	5.875%		29	6,296,607	17	3,392,946
	6.000%		1	218,295	1	205,021
2006 Series E			121	22,807,005	76	13,488,787
	3.875%		3	751,900	3	701,107
	4.250%		1	169,550	0	0
	4.500%		1	239,900	0	0
	4.750%		37	6,642,837	20	3,394,564
	4.875%		17	3,697,570	11	2,363,797
	5.250%		1	154,900	1	148,304
	5.500%		47	8,547,063	33	5,473,210
	5.750%		6	1,258,096	5	963,947
	5.875%		8	1,345,189	3	443,858
2006 Series F			310	57,464,822	190	30,975,970
	4.000%		1	158,900	1	143,799
	4.125%		1	199,000	0	0
	4.375%		3	706,200	3	673,504
	4.500%		1	329,900	1	306,937
	4.750%		6	1,320,900	6	1,255,720
	4.875%		104	17,805,451	65	9,777,285
	4.950%		19	3,151,881	13	1,901,597
	5.000%		8	1,686,550	5	1,034,446
	5.250%		29	5,808,094	17	3,122,528
	5.375%		5	902,800	5	848,039
	5.500%		87	16,461,812	46	7,401,706
	5.625%		5	973,173	3	375,446
	5.750%		24	4,128,077	16	2,263,464
	5.875%		9	2,001,150	5	1,091,709
	6.000%		6	1,392,284	2	400,488
	6.375%		2	438,650	2	379,301

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2006 Series G			195	38,789,329	120	20,924,613
	4.125%		1	359,900	0	0
	4.375%		2	402,400	2	383,616
	4.450%		2	577,754	1	297,403
	4.750%		1	68,100	1	64,716
	4.875%		20	2,930,053	6	624,356
	4.950%		25	4,476,764	21	2,828,755
	5.000%		1	222,000	1	210,589
	5.075%		1	127,500	0	
	5.125%		1	329,000	1	314,894
	5.250%		20	3,704,087	14	2,453,934
	5.375%		2	504,000	2	477,988
	5.500%		45	9,141,071	26	4,735,389
	5.625%		2	382,900	1	152,149
	5.750%		34	7,785,621	23	4,694,135
	5.875%		1	338,000	0	
	6.000%		22	4,403,429	12	2,156,755
	6.125%		2	331,000	2	312,514
	6.250%		2	290,750	2	266,273
	6.375%		5	896,000	1	188,339
	6.500%		2	536,000	2	427,148
	6.625%		2	346,000	2	335,659
	6.750%		1	337,000	0	0
	7.000%		1	300,000	0	0
2006 Series H			85	16,917,935	46	8,078,451
	6.000%	(5), (5.10)	85	16,917,935	46	8,078,451
2006 Series I			746	142,915,431	431	71,703,003
	4.375%		2	508,348	2	484,956.04
	4.450%		2	563,000	2	538,043.94
	4.500%		4	964,276	2	555,156.86
	4.750%		4	1,198,700	3	860,623.48
	4.875%		50	9,155,174	30	5,250,051.36
	4.950%		45	8,167,918	31	4,602,078.00
	5.000%		5	1,199,253	4	947,594.86
	5.075%		1	93,000	1	84,656.26
	5.125%		4	947,000	2	408,571.99
	5.250%		45	7,810,000	32	4,776,977.83
	5.375%		20	4,420,431	15	3,202,103.66
	5.500%		147	26,653,362	82	12,700,014.41
	5.625%		25	5,724,485	10	2,140,435.94
	5.750%		102	19,011,305	67	10,695,135.24
	5.875%		30	6,712,850	18	3,376,232.31
	6.000%		79	15,273,292	36	5,624,042.18
	6.125%	(5), (5.10)	10	2,076,304	6	991,452
	6.250%		24	5,341,750	13	2,692,271
	6.125%		122	21,994,712	59	8,662,728
	6.375%		8	1,520,001	5	865,600
	6.500%		4	851,000	2	483,788
	6.625%		11	2,203,270	8	1,545,241
	6.750%		2	526,000	1	215,249

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2006 Series J			300	58,250,788	173	29,910,069
	4.450%		1	148,131	1	140,977
	4.500%		1	169,000	1	152,845
	4.750%		1	202,500	0	0
	4.875%		7	1,101,235	4	576,438
	4.950%		7	1,510,050	2	387,122
	5.000%		4	951,750	3	659,428
	5.125%		1	154,172	1	150,411
	5.250%		7	1,290,587	3	406,909
	5.375%		6	1,387,400	3	583,496
	5.500%		54	8,988,955	32	4,375,628
	5.625%		8	1,659,092	5	1,033,900
	5.750%		38	7,313,288	26	4,380,410
	5.875%		13	2,196,162	12	1,878,428
	6.000%		37	7,568,834	18	3,583,435
	6.125%		13	3,126,340	3	691,939
	6.250%		65	12,336,334	34	5,865,648
	6.375%		9	2,151,070	6	1,325,622
	6.500%		3	422,931	2	350,763
	6.625%		5	1,244,600	1	335,243
	6.750%		3	694,939	2	356,236
	6.875%		1	307,000	1	302,542
	7.125%		13	2,644,418	11	2,001,419
	7.375%		1	250,000	1	249,232
	7.500%		1	310,000	0	0
	7.625%		1	122,000	1	122,000
2006 Series K			27	5,542,364	21	3,856,369
	5.250%		2	396,522	2	398,459
	5.625%		5	1,049,019	5	955,434
	5.750%		8	1,590,242	6	955,350
	5.875%		2	515,750	1	260,009
	6.000%		4	570,806	4	535,173
	6.125%		2	462,825	1	203,444
	6.375%		3	734,200	2	548,500
	7.125%		1	223,000	0	0
2006 Series L			830	163,506,274	488	86,507,860
	4.250%		1	314,900	0	0
	4.375%		2	522,000	0	0
	4.750%		5	1,276,854	5	1,221,394
	4.825%		1	274,500	1	258,012
	4.875%		5	791,636	5	740,459
	4.950%		13	2,397,636	9	1,626,566
	5.000%		26	4,601,195	15	3,129,846
	5.075%		1	197,500	1	216,258
	5.125%		3	935,500	3	864,219
	5.250%		74	13,765,953	52	9,111,326
	5.375%		10	2,201,684	9	1,874,062
	5.500%		163	29,509,669	113	17,259,229
	5.625%		23	4,950,736	10	1,910,430
	5.750%		146	28,926,400	78	13,619,914
	5.875%		9	2,029,994	7	1,613,325
	6.000%		91	18,736,004	57	10,633,482
	6.125%		23	5,060,941	15	2,975,411
	6.250%		179	34,490,275	91	15,674,055
	6.375%		16	3,916,352	6	1,446,057
	6.500%		10	2,190,466	2	379,740
	6.625%		22	4,950,533	5	1,101,410
	6.750%		7	1,465,546	4	852,666

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2006 Series O			49	9,707,644	38	7,005,346
	4.750%		1	239,900	1	235,066
	5.000%		2	474,000	2	450,201
	5.125%		1	273,581	1	253,502
	5.250%		5	816,949	3	348,854
	5.375%		2	265,182	2	247,199
	5.500%		8	1,683,810	7	1,461,316
	5.750%		12	2,130,840	10	1,680,454
	6.000%		7	1,544,282	5	936,439
	6.250%		5	949,650	5	912,755
	6.500%		2	310,400	1	167,178
	6.625%		2	685,150	1	312,382
	6.750%		2	333,900	0	0
2006 Series P			425	84,666,902	255	45,832,573
	4.500%		4	830,225	4	794,570
	4.750%		5	826,250	5	795,481
	4.950%		4	491,324	2	155,083
	5.000%		11	1,871,519	8	1,333,430
	5.250%		60	11,248,016	38	6,463,028
	5.375%		4	824,400	1	144,901
	5.500%		105	20,508,971	67	11,635,943
	5.625%		5	1,081,611	3	593,983
	5.750%		61	12,923,402	38	7,396,438
	5.875%		9	1,933,768	7	1,434,479
	6.000%		95	19,098,954	50	8,708,713
	6.125%		8	1,445,545	3	492,104
	6.250%		2	306,800	2	278,685
	6.250%	(5), (5.11)	18	3,366,396	10	1,817,593
	6.375%		12	2,877,128	8	1,822,830
	6.500%		11	2,489,683	5	1,014,872
	6.625%		8	1,865,110	3	760,553
	6.750%		3	677,800	1	189,886
2006 Series S			129	24,465,406	75	13,209,423
	6.250%	(5), (5.11)	129	24,465,406	75	13,209,423

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2007 Series A			1,279	268,525,836	805	157,066,030
	4.000%		1	321,750	0	0
	4.250%		1	181,900	1	177,272
	4.500%		1	305,000	1	295,906
	4.750%		11	2,497,588	9	1,990,231
	4.875%		2	305,000	2	274,164
	4.950%		1	210,491	0	0
	5.000%		35	7,221,461	32	6,227,603
	5.250%		52	11,543,516	38	8,199,613
	5.375%		7	1,310,720	7	1,254,750
	5.500%		254	49,579,242	158	29,057,922
	5.625%		25	4,402,522	20	3,108,211
	5.750%		237	51,484,479	150	30,533,489
	5.875%		26	5,591,564	19	3,819,491
	6.000%		211	43,409,268	135	25,633,255
	6.125%		26	5,198,776	13	2,588,260
	6.250%		140	29,319,013	82	15,374,143
	6.250%	(5), (5.12)	18	3,475,600	10	1,892,692
	6.325%		1	196,000	0	0
	6.375%		59	12,766,913	33	6,764,461
	6.500%		75	17,190,034	44	9,177,302
	6.625%		39	8,841,368	23	4,853,217
	6.750%		47	10,677,887	23	4,587,776
	6.875%		4	885,744	3	626,253
	7.000%		4	1,160,600	2	630,015
	7.125%		1	199,900	0	0
	7.250%		1	249,500	0	0
2007 Series B			148	29,434,166	87	16,028,833
	6.250%	(5), (5.12)	148	29,434,166	87	16,028,833
2007 Series C			215	43,558,065	135	24,842,445
	5.000%		2	609,481	2	597,204
	5.500%		22	3,196,058	20	2,641,327
	5.625%		3	725,928	2	441,054
	5.750%		22	4,289,050	14	2,579,268
	5.875%		3	502,160	2	234,998
	6.000%	(5), (5.17)	3	495,363	2	343,932
	6.000%		16	3,937,892	10	2,268,085
	6.125%	(5), (5.22)	10	2,186,557	8	1,651,642
	6.250%		9	1,864,444	4	919,635
	6.250%	(5), (5.21)	26	4,951,091	18	3,035,721
	6.375%		15	3,393,115	6	1,389,169
	6.500%		19	3,741,803	12	2,205,158
	6.500%	(5), (5.18)	15	3,151,385	10	1,862,360
	6.625%		9	1,839,321	2	371,198
	6.750%		8	1,621,186	4	790,869
	6.750%	(5), (5.20)	10	1,790,590	7	1,036,733
	6.875%		3	687,334.00	2	439,278.89
	7.000%		4	1,195,383.00	1	330,165.85
	7.000%	(5), (5.19)	7	1,470,143	4	703,450
	7.125%		1	234,740.00	1	234,740.00
	7.250%		1	213,000.00	0	0
	7.250%	(5), (5.16)	7	1,462,041	4	766,457

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2007 Series D			831	171,409,954	508	97,877,782
	5.000%		2	349,500	1	217,488
	5.250%		3	469,050	3	458,778
	5.500%	(5), (5.14)	25	4,174,757	19	2,886,907
	5.500%		5	1,282,824	4	991,841
	5.625%		15	2,874,270	10	1,656,772
	5.750%		52	9,802,999	35	5,888,998
	5.875%		5	1,011,299	4	753,473
	6.000%		114	21,079,850	83	13,983,352
	6.125%		15	3,543,083	12	2,693,375
	6.250%		64	12,918,385	46	8,700,819
	6.250%	(5), (5.13)	20	3,651,140	11	1,849,127
	6.375%		53	11,205,728	33	6,331,301
	6.500%		115	23,231,231	61	11,843,261
	6.625%		38	9,052,465	21	4,834,874
	6.750%		116	24,368,121	62	12,731,069
	6.875%		37	8,288,008	23	5,106,484
	6.875%	(5), (5.15)	3	782,894	2	414,156
	7.000%		84	18,260,167	49	10,111,688
	7.125%		26	6,248,403	11	2,569,418
	7.250%		35	7,881,380	15	3,214,412
	7.375%		1	255,000	1	254,940
	7.625%		3	679,400	2	385,248
2007 Series E			237	47,977,342	136	25,825,658
	4.750%		1	241,150	1	235,747
	5.625%		6	1,329,942	4	918,947
	5.750%		7	1,370,743	6	1,059,239
	6.125%		9	2,022,144	7	1,525,022
	6.250%	(5), (5.13)	128	23,606,706	70	11,955,660
	6.625%		10	2,089,101	6	1,018,596
	6.875%	(5), (5.15)	31	7,117,227	18	3,765,055
	7.250%	(5), (5.16)	45	10,200,329	24	5,347,392
2007 Series F			279	50,393,138	203	33,662,608
	6.500%	(5), (5.14)	138	22,914,354	105	15,845,617
	5.500%	(5), (5.13)	52	9,621,985	29	4,873,072
	6.000%	(5), (5.17)	50	8,916,461	38	6,190,730
	6.125%	(5), (5.22)	39	8,940,338	31	6,753,189
2007 Series G			295	58,957,023	173	32,154,082
	2.000%		1	271,524	1	283,024
	4.875%		1	174,742	1	158,210
	5.250%		1	162,000	1	157,988
	5.500%		1	275,000	1	269,504
	5.750%		14	2,490,461	11	1,963,256
	5.875%		3	555,934	3	523,453
	6.000%		26	4,049,080	19	2,583,898
	6.125%		1	174,900	1	164,911
	6.250%		32	6,083,979	21	3,760,597
	6.375%		2	333,900	2	311,808
	6.500%		34	6,512,276	25	4,965,200
	6.625%		9	2,223,598	5	1,179,266
	6.750%		41	8,622,095	29	5,711,985
	6.875%		19	4,353,102	8	1,569,915
	7.000%		44	8,772,925	16	2,822,536
	7.125%		23	5,046,489	11	2,162,171
	7.250%		41	8,478,018	17	3,317,882
	7.375%		1	252,000	1	248,478
	7.625%		1	125,000	0	0

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2007 Series H			306	60,893,787	173	30,889,803
	3.625%		1	195,000	1	176,331
	5.000%		1	274,300	1	268,651
	5.350%		1	122,194	1	124,702
	5.500%		11	1,833,541	9	1,271,314
	5.750%		15	2,768,782	8	1,397,991
	5.875%	(5), (5.23)	33	6,257,948	23	4,024,806
	5.875%		4	546,327	3	341,937
	6.000%		20	3,192,362	13	2,034,683
	6.125%		11	2,468,072	10	2,107,057
	6.250%		41	8,182,696	24	4,138,465
	6.375%		3	692,748	2	524,682
	6.500%		24	4,956,965	16	3,132,135
	6.625%		10	2,020,830	2	417,206
	6.750%		41	7,786,318	25	4,377,879
	6.875%		16	3,549,520	6	1,117,000
	7.000%		49	10,055,137	22	3,847,601
	7.125%		5	1,216,445	0	0
	7.250%		18	4,379,602	7	1,587,363
	7.500%		1	252,500	0	0
	7.750%		1	142,500	0	0
2007 Series I			295	61,300,580	196	37,388,635
	5.250%		3	524,550	3	506,167
	5.625%		11	1,749,717	7	1,037,788
	5.750%		38	7,294,954	32	5,506,434
	5.875%		30	6,277,392	20	3,800,470
	6.000%		6	1,166,659	6	1,114,037
	6.125%		25	6,128,968	19	4,373,642
	6.250%		1	61,931	1	56,778
	6.375%		8	1,914,810	6	1,301,754
	6.500%	(5), (5.18)	88	18,537,582	56	10,955,070
	6.625%		3	452,926	3	391,956
	6.750%		1	228,000	1	227,848
	7.000%	(5), (5.19)	81	16,963,091	42	8,116,690
2007 Series J			326	60,890,080	227	38,209,841
	5.375%		3	419,183	2	243,056
	5.500%		1	210,842	1	205,413
	5.625%		1	262,000	1	255,777
	6.375%		6	1,407,608	6	1,348,365
	6.625%		1	230,834	1	222,864
	6.750%		3	662,394	2	398,352
	6.750%	(5), (5.20)	80	13,813,132	54	7,997,662
	6.250%	(5), (5.21)	121	22,851,219	83	14,011,039
	5.875%	(5), (5.23)	110	21,032,868	77	13,527,313
2007 Series K			154	26,948,323	96	15,032,947
	3.625%		1	181,800.00	1	172,369.91
	5.500%		6	969,173.00	3	281,891.29
	5.625%		17	2,613,845.00	13	1,691,327.04
	5.750%		9	1,711,090.00	9	1,589,577.68
	5.875%	(5), (5.24)	29	5,568,953	18	3,103,150
	5.875%		7	1,077,370	5	741,769
	6.000%		33	4,871,290	19	2,657,303
	6.125%		13	2,596,787	9	1,562,349
	6.250%		7	1,193,239	4	716,509
	6.375%		7	1,518,049	5	1,077,650
	6.500%		2	568,103	0	0
	6.625%		13	2,194,456	5	704,369
	6.750%		9	1,769,801	4	631,356
	7.000%		1	114,367	1	103,326

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2007 Series M			151	29,359,952	98	16,405,216
	5.500%		1	121,642	1	112,951
	5.875%	(5), (5.24)	150	29,238,310	97	16,292,265
2008 Series A			253	46,137,376	147	24,574,416
	5.500%		4	598,287	4	535,387
	5.625%		1	137,740	1	123,314
	5.750%		3	802,692	2	454,264
	5.875%		50	9,186,172	34	5,917,432
	6.000%		6	893,788	5	737,921
	6.125%		26	4,739,102	14	2,279,774
	6.250%		114	19,182,458	59	8,890,495
	6.375%		12	2,609,492	9	1,865,091
	6.500%		13	2,624,889	11	2,150,288
	6.625%		1	325,700	0	0
	6.750%		8	1,902,275	3	635,730
	7.000%		12	2,418,530	3	553,592
	7.250%		2	445,185	2	431,128
	7.500%		1	271,066	0	0
2008 Series B			101	19,088,644	60	9,779,684
	3.510%		1	212,755	1	172,692
	5.375%		2	256,695	2	235,538
	5.500%		12	2,076,892	9	1,287,534
	5.750%		15	2,829,320	11	1,848,040
	6.000%		6	981,867	3	356,187
	6.125%		18	3,652,498	12	1,973,827
	6.250%		32	5,847,807	14	2,340,294
	6.375%		12	2,567,374	5	918,305
	6.875%		3	663,436	3	647,266
2008 Series C			413	77,360,548	261	43,175,912
	4.800%		1	360,000	1	274,888
	5.250%		1	202,750	0	0
	5.500%		8	903,576	8	821,586
	5.625%		7	1,206,885	5	733,875
	5.750%		7	1,663,460	3	641,182
	5.875%		167	30,582,341	111	17,736,025
	6.000%		8	1,166,422	7	845,486
	6.125%		21	4,106,054	17	3,098,603
	6.250%		122	22,965,889	69	11,710,745
	6.375%		11	2,463,088	5	1,028,564
	6.500%		16	4,087,427	14	3,486,667
	6.625%		14	2,624,415	6	998,101
	6.750%		20	3,300,012	13	1,607,543
	7.000%		10	1,728,229	2	192,646
2008 Series D			228	40,133,201	145	22,844,010
	2.000%		1	224,729	1	208,612
	5.750%		7	1,452,845	4	711,460
	5.875%		25	4,245,349	18	2,642,719
	6.000%		21	3,434,122	14	1,957,085
	6.125%		10	1,939,537	6	986,833
	6.250%		98	17,577,789	63	10,267,796
	6.375%		13	1,988,638	8	1,015,730
	6.500%		15	3,056,348	8	1,691,680
	6.625%		4	767,773	1	152,949
	6.750%		22	3,464,364	15	2,145,775
	6.875%		1	185,000	1	179,481
	7.000%		7	1,159,881	3	443,812
	7.250%		1	169,057	0	0
	7.500%		2	295,048	2	276,638
	7.750%		1	172,721	1	163,441

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2008 Series E			134	20,769,246	102	13,929,477
	5.375%		14	2,253,077	12	1,793,337
	5.500%		4	716,639	3	513,960
	5.625%		12	1,714,572	11	1,409,658
	5.750%		15	2,369,159	13	1,899,363
	5.875%		15	2,433,863	10	1,286,515
	6.000%		24	3,038,184	18	1,929,116
	6.125%		1	142,348	1	131,768
	6.250%		4	682,288	2	279,940
	6.375%		8	1,348,233	8	1,252,586
	6.500%		3	659,397	3	630,069
	6.625%		4	801,465	1	163,151
	6.750%		19	2,715,115	16	2,106,140
	7.000%		6	1,010,073	3	382,372
	7.500%		5	884,833	1	151,500
2008 Series F			110	18,038,489	87	12,443,068
	5.375%		17	2,912,486	15	2,218,873
	5.500%		12	1,866,417	10	1,434,254
	5.625%		12	2,694,011	9	1,705,415
	5.750%		62	9,625,152	50	6,792,215
	5.875%		2	432,018	0	0
	6.000%		5	508,405	3	292,310
2009 Series A			211	32,839,040	181	25,589,331
	3.500%		1	81,753	1	79,626
	3.750%		2	233,054	2	229,131
	3.875%		1	236,360	1	232,104
	4.000%		7	851,595	7	831,331
	4.125%		3	422,882	3	414,231
	4.500%		1	224,169	1	209,486
	4.750%		7	741,150	6	547,928
	4.875%		3	356,425	3	334,739
	5.375%		27	4,505,073	23	3,446,911
	5.500%		13	1,948,476	12	1,595,616
	5.625%		27	4,116,464	23	3,224,608
	5.750%		79	12,371,342	65	9,277,300
	5.875%		11	1,958,825	10	1,625,497
	6.000%		25	4,173,009	22	3,384,822
	6.500%		3	535,028	1	77,037
	6.750%		1	83,435	1	78,965
2009 Series B			246	34,306,291	213	27,127,203
	3.875%		3	434,864	3	417,702
	4.250%		10	1,017,722	10	981,482
	4.500%		1	62,814	1	58,043
	5.000%		2	341,696	1	92,077
	5.250%		3	344,755	3	332,881
	5.375%		15	1,977,535	14	1,619,501
	5.625%		56	7,924,526	46	6,050,876
	5.750%		50	6,678,164	46	5,683,110
	5.875%		20	3,284,857	18	2,616,769
	6.000%		85	12,082,256	70	9,125,634
	6.750%		1	157,102	1	149,127
2009 Series C			53	8,022,263	47	6,513,575
	3.625%		1	94,388	1	92,001
	3.750%		2	147,420	2	142,987
	4.875%		6	995,418	6	931,092
	5.125%		10	1,956,776	8	1,392,801
	5.250%		27	4,012,685	24	3,299,271
	5.750%		7	815,576	6	655,423

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
2010 Series A			303	18,947,015	257	9,857,044
	2.000%		1	76,915	1	39,100
	4.875%		7	920,020	7	860,252
	5.000%		66	3,588,442	65	2,112,584
	5.125%		23	4,417,760	22	3,945,944
	6.000%		1	60,000	1	30,627
	7.000%		12	739,300	9	189,868
	7.750%		54	2,418,996	42	674,481
	7.875%		31	1,468,240	26	487,218
	8.000%		36	1,519,434	29	426,376
	8.750%		43	2,171,527	34	663,555
	8.875%		7	334,411	3	47,894
	9.000%		21	1,170,770	17	353,351
	9.250%		1	61,200	1	25,794
2010 Series B ⁽⁸⁾			199	23,401,598	163	15,497,731
	4.875%		24	3,251,866	21	2,406,057
	4.950%		83	9,394,978	66	5,689,108
	5.000%		24	1,903,160	24	1,596,397
	5.250%		5	745,576	4	533,995
	5.500%		20	2,661,065	16	1,735,003
	5.625%		43	5,444,953	32	3,537,170
Collateral Reserve (A)			106	8,764,712	52	2,646,655
	4.000%	(3)	106	8,764,712	52	2,646,655
2011 Series AB			615	104,156,389	601	95,886,640
	3.375%		1	185,183	1	173,558
	3.500%		10	1,620,137	10	1,516,645
	3.625%		10	1,576,731	10	1,437,784
	3.750%		15	2,766,214	15	2,598,804
	3.875%		202	34,038,682	196	30,924,948
	4.000%		65	10,570,511	63	9,719,086
	4.125%		15	2,590,374	15	2,416,082
	4.250%		137	24,272,816	134	22,415,986
	4.375%		15	2,468,379	15	2,324,399
	4.500%		33	5,897,110	32	5,432,583
	4.625%		5	831,299	5	767,413
	4.750%		61	10,225,387	60	9,560,091
	4.875%		16	2,412,721	16	2,298,399
	5.250%		30	4,700,845	29	4,300,860
2012 Series AB			175	15,536,984	175	11,521,563
	5.000%		21	2,252,921	21	1,643,297
	5.500%		25	1,888,342	25	1,506,873
	5.750%		9	784,767	9	612,803
	5.875%		23	2,130,490	23	1,677,262
	6.000%		20	1,674,044	20	1,138,859
	6.125%		59	5,047,704	59	3,613,554
	6.375%		2	232,380	2	180,315
	6.500%		14	1,305,924	14	968,857
	6.900%		2	220,412	2	179,744

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
Collateral Reserve (C)			4,113	233,555,546	2,438	67,317,039
	0.000%		1	29,900	1	11,092
	1.000%		3	165,400	3	92,097
	2.000%		4	144,200	4	67,291
	3.000%		3	112,950	3	42,021
	3.250%		5	447,414	5	436,243
	3.375%		1	17,032	1	16,614
	3.500%		5	590,482	5	579,822
	3.750%		2	307,967	2	301,534
	4.000%		51	4,278,935	43	2,368,289
	4.375%		2	195,988	2	193,551
	4.500%		3	298,715	3	298,006
	4.625%		5	670,070	5	665,816
	4.750%		6	813,614	6	809,377
	4.875%		1	143,260	1	142,551
	5.000%		258	11,161,186	231	4,794,922
	5.500%		109	7,131,005	85	2,620,369
	5.750%		1	155,067	1	127,811
	5.950%		185	12,622,116	137	4,612,825
	6.000%		2	69,300	2	27,089
	6.250%		40	2,388,687	29	862,161
	6.375%		26	1,784,428	19	808,596
	6.750%		127	8,912,022	101	3,808,420
	6.850%		65	3,749,997	49	1,588,785
	6.875%		56	3,449,777	46	1,721,445
	6.900%		156	10,809,638	119	4,571,484
	7.000%		352	18,195,392	279	6,952,939
	7.125%		42	3,017,904	33	1,380,633
	7.250%		29	1,519,188	25	601,523
	7.350%		61	4,305,570	49	2,007,656
	7.375%		1	360,000	1	355,076
	7.500%		136	7,713,021	105	3,484,927
	7.750%		254	15,264,617	196	6,382,181
	7.875%		144	6,717,646	118	1,748,055
	7.950%		51	2,573,589	38	423,552
	7.992%	(7)	1145	66,923,130	162	3,160,033
	8.000%		73	4,684,076	65	2,315,547
	8.250%		71	3,098,307	52	769,596
	8.400%		18	816,212	11	149,709
	8.500%		79	4,011,759	69	1,207,474
	8.750%		27	1,494,185	19	496,374
	8.875%		102	5,767,445	84	2,103,091
	8.900%		28	1,438,937	24	382,197
	9.000%		16	648,830	9	129,434
	9.250%		62	3,154,473	42	748,274
	9.400%		7	393,300	5	73,184
	9.500%		50	2,034,040	28	266,527
	9.625%		24	799,800	16	69,085
	10.250%		13	501,500	11	106,981
	10.375%		27	1,084,750	21	119,222
	10.400%		68	2,418,475	33	191,274
	10.500%		10	316,500	0	0
	11.000%		51	1,822,150	15	67,481
	11.200%		33	1,278,000	14	27,510
	11.500%		16	540,100	11	29,291
	13.900%		6	213,500	0	0

Sources of Funds	Mortgage Loan Interest Rate	Footnote	Original Number of Loans	Original Amount of All Loans \$ ⁽²⁾	Number of Outstanding Loans	Outstanding Principal Balance \$ ⁽²⁾
CDA Assurance			6	851,578	6	822,857
	3.750%		1	158,800	1	156,374
	4.000%		4	566,074	4	544,237
	4.125%		1	126,704	1	122,246
CDA REFI ⁽⁶⁾			43	8,868,085	43	8,856,939
	4.875%		43	8,868,085	43	8,856,939
Refinance Loans ⁽⁶⁾			75	19,264,352	39	9,317,055
	4.875%	(6)	1	191,200	1	187,763
	6.250%	(6)	4	993,505	1	248,540
	6.500%	(6)	60	15,682,574	32	7,608,096
	6.625%	(6)	1	250,000	0	0
	6.750%	(6)	2	556,141	1	240,929
	7.000%	(6)	5	1,130,613	3	809,297
	7.250%	(6)	1	237,352	1	222,431
	7.375%	(6)	1	222,967	0	0
Total All Series ⁽²⁾			27,724	\$3,547,681,440	12,670	\$1,502,408,026

Notes:

- (1) For information on the status of remaining funds from prior Series of Bonds, see "Existing Portfolio and Available Funds Under the Bond Resolution - Status of Available Funds" above.
- (2) Individual amounts may not add up to the total amount because of rounding. The total number of loans for all series is adjusted to prevent double counting of participation loans financed from multiple bond series under the Bond Resolution. (For detail on participation loans see Footnote (5)).
- (3) The Collateral Reserve Fund is a fund established under the Bond Resolution at the time the 1997 Series A Bonds and the 1997 Series B Bonds were issued. Collateral Reserves (A), and (C) are additional accounts under the Collateral Reserve Fund.
- (4) See Page K-18 for more detail.
- (5) See Page K-19 through K-20 for more detail.
- (6) These loans are currently held in the warehouse loan fund and may be purchased into a taxable series of bonds.
- (7) These loans are melded loans from various rates of interest with a weighted average of 7.992%, which were transferred to the Residential Revenue Bond Program from the former Single Family Program Bonds.
- (8) One hundred and ninety-nine active loans from 2004-C and 2005-C were refunded into 2010-B on December 16, 2010. Original loan amounts shown in 2004-C and 2005-C were paid down previous to this refunding.

(4) The mortgage rate paid by the borrower is derived from a blend of proceeds from a series of Residential Revenue Bonds and proceeds from the 1999 First Series Bonds issued under the General Certificate and loaned at 0.00%.
(See the below table for detail)

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(4.1)	Residential Revenue Bond	1997 Series B	6.40%	5.50%	48	\$562,319	8	\$57,380
	Residential Revenue Bond	2010 Series A	0.00%			3,436,397		350,656
(4.2)	Residential Revenue Bond	1998 Series B	6.10%	5.50%	201	1,821,006	41	233,227
	Residential Revenue Bond	2010 Series A	0.00%			16,692,492		2,137,906
(4.3)	Residential Revenue Bond	1998 Series D	5.96%	4.00%	33	935,890	13	227,575
	Residential Revenue Bond	2010 Series A	0.00%			1,909,980		464,439
(4.4)	Residential Revenue Bond	1998 Series D	5.96%	5.50%	647	4,765,453	109	490,655
	Residential Revenue Bond	2010 Series A	0.00%			56,978,406		5,866,540
(4.5)	Residential Revenue Bond	2000 Series G	6.75%, 7.5%	5.00%	347	11,858,237	47	1,076,719
	Residential Revenue Bond	2010 Series A	0.00%			27,059,330		2,444,430
(4.6)	Residential Revenue Bond	2001 Series B	6.625%	5.875%	117	1,388,069	19	147,482
	Residential Revenue Bond	2010 Series A	0.00%			10,873,159		1,155,269
(4.7)	Residential Revenue Bond	2001 Series F	6.625%	6.00%	58	592,714	8	52,302
	Residential Revenue Bond	2010 Series A	0.00%			5,690,025		502,098
(4.8)	Residential Revenue Bond	2001 Series F	6.625%	4.00%	104	3,721,595	46	1,183,045
	Residential Revenue Bond	2010 Series A	0.00%			5,671,011		1,802,739

(5) The mortgage rate paid by the borrower is derived from a blend of proceeds from different series of Residential Revenue Bonds. (See the below table for detail) Total number of loans is adjusted to avoid a double count of the number of loans financed with proceeds of different series issued under the Residential Revenue Bond Resolution.

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(5.1)	Residential Revenue Bond	2001 Series F	6.625%	5.75%	287	\$28,553,784	59	\$4,223,493
	Residential Revenue Bond	1999 Series E	0.00%			3,771,241		557,818
(5.2)	Residential Revenue Bond	2001 Series H	6.750%	4.00%	392	35,362,274	176	11,061,146
	Residential Revenue Bond	2001 Series A	0.00%			14,406,838		4,506,388
(5.3)	Residential Revenue Bond	2000 Series D	6.100%	5.00%	71	7,015,310	21	1,517,156
	Residential Revenue Bond	2000 Series B	0.00%			1,265,057		273,586
(5.4)	Residential Revenue Bond	2001 Series B	6.250%	5.00%	189	18,778,736	63	4,350,575
	Residential Revenue Bond	2000 Series G	0.00%			3,755,747		870,115
(5.5)	Residential Revenue Bond	2001 Series H	6.250%	4.75%	51	4,506,337	20	1,257,438
	Residential Revenue Bond	2001 Series A	0.00%			1,081,521		301,785
(5.6)	Residential Revenue Bond	2001 Series F	6.560%	5.05%	17	1,632,411	7	447,863
	Residential Revenue Bond	2000 Series B	0.00%			375,455		103,008
(5.7)	Residential Revenue Bond	2001 Series F	6.560%	4.95%	37	4,038,544	16	1,314,982
	Residential Revenue Bond	1999 Series E	0.00%			989,443		322,171
(5.8)	Residential Revenue Bond	2001 Series B	6.500%	4.75%	85	7,522,356	36	2,523,883
	Residential Revenue Bond	2000 Series H	0.00%			1,636,729		549,152
	Residential Revenue Bond	1999 Series E	0.00%			394,307		132,297
(5.9)	Residential Revenue Bond	2005 Series E	6.260%	5.50%	85	13,125,419	57	7,314,547
	Residential Revenue Bond	2001 Series H	0.00%			1,593,518		888,037
(5.10)	Residential Revenue Bond	2006 Series H	7.110%	6.00%	113	16,917,935	62	8,078,451
	Residential Revenue Bond	2006 Series I	7.110%			22,603,660		10,793,430
	Residential Revenue Bond	2002 Series A	0.00%			3,609,420		1,723,527
(5.11)	Residential Revenue Bond	2006 Series P	0.000%	6.25%	147	3,366,396	85	1,817,593
	Residential Revenue Bond	2006 Series S	7.11%			27,831,802		15,027,016

(5) The mortgage rate paid by the borrower is derived from a blend of proceeds from different series of Residential Revenue Bonds. (See the below table for detail) Total number of loans is adjusted to avoid a double count of the number of loans financed with proceeds of different series issued under the Residential Revenue Bond Resolution.

Footnote #	Indenture	Blended Series	Interest Rate by Series	Interest Rate to Borrower	Original Number of Loans	Original Amount of All Loans	Number of Current Loans	Outstanding Principal Amount
(5.12)	Residential Revenue Bond	2007 Series A	0.000%	6.25%	166	\$3,475,600	96	\$1,892,692
	Residential Revenue Bond	2007 Series B	6.988%			32,909,766		17,921,525
(5.13)	Residential Revenue Bond	2007 Series D	0.000%	6.25%	200	3,651,140	110	1,849,127
	Residential Revenue Bond	2007 Series E	0.00%			23,606,706		11,955,660
	Residential Revenue Bond	2007 Series F	6.97%			36,879,831		18,677,859
(5.14)	Residential Revenue Bond	2007 Series D	0.000%	5.50%	163	4,174,757	124	2,886,907
	Residential Revenue Bond	2007 Series F	6.97%			27,089,111		18,732,524
(5.15)	Residential Revenue Bond	2007 Series D	0.000%	6.88%	34	782,894	34	414,156
	Residential Revenue Bond	2007 Series E	7.623%			7,900,121		4,179,210
(5.16)	Residential Revenue Bond	2007 Series C	0.000%	7.25%	52	1,462,041	52	766,457
	Residential Revenue Bond	2007 Series E	7.62%			11,662,370		6,113,849
(5.17)	Residential Revenue Bond	2007 Series C	0.000%	6.00%	53	495,363	53	343,932
	Residential Revenue Bond	2007 Series F	7.62%			9,411,824		6,534,662
(5.18)	Residential Revenue Bond	2007 Series C	0.000%	6.50%	103	18,537,582	103	10,955,070
	Residential Revenue Bond	2007 Series I	7.62%			21,688,967		12,817,429
(5.19)	Residential Revenue Bond	2007 Series C	0.000%	7.00%	88	16,963,091	88	8,116,690
	Residential Revenue Bond	2007 Series I	7.62%			18,433,234		8,820,141
(5.20)	Residential Revenue Bond	2007 Series C	0.000%	6.75%	90	13,813,132	90	7,997,662
	Residential Revenue Bond	2007 Series J	7.62%			15,603,722		9,034,395
(5.21)	Residential Revenue Bond	2007 Series C	0.000%	6.25%	147	22,851,219	147	14,011,039
	Residential Revenue Bond	2007 Series J	7.62%			27,802,310		17,046,760
(5.22)	Residential Revenue Bond	2007 Series C	0.000%	6.13%	49	8,940,338	49	6,753,189
	Residential Revenue Bond	2007 Series F	7.62%			11,126,895		8,404,831
(5.23)	Residential Revenue Bond	2007 Series H	0.000%	5.88%	143	21,032,868	143	13,527,313
	Residential Revenue Bond	2007 Series J	7.62%			27,290,816		17,552,119
(5.24)	Residential Revenue Bond	2007 Series M	0.000%	5.88%	179	29,238,310	179	16,292,265
	Residential Revenue Bond	2007 Series K	6.99%			34,807,263		19,395,414

APPENDIX L

RESIDENTIAL REVENUE BOND PROGRAM LOAN PORTFOLIO BY BOND SERIES AND LOAN TYPE March 31, 2014

Sources of Funds		Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
1997 Series A		198	16,992,005	37	1,850,155
	30 Year Amortization	198	16,992,005	37	1,850,155
1997 Series B ⁽¹⁾		999	81,734,211	178	9,068,983
	30 Year Amortization	999	81,734,211	178	9,068,983
1998 Series A		61	4,552,300	19	915,248
	30 Year Amortization	61	4,552,300	19	915,248
1998 Series B ⁽¹⁾		899	76,127,569	148	7,441,408
	30 Year Amortization	899	76,127,569	148	7,441,408
1998 Series D ⁽¹⁾		706	67,196,187	122	7,049,208
	30 Year Amortization	706	67,196,187	122	7,049,208
1999 Series C		17	1,677,636	0	0
	30 Year Amortization	17	1,677,636	0	0
1999 Series D		510	49,300,428	0	0
	30 Year Amortization	510	49,300,428	0	0
1999 Series E ⁽¹⁾		239	22,351,652	31	2,026,298
	30 Year Amortization	239	22,351,652	31	2,026,298
1999 Series F		596	56,193,694	51	3,035,568
	30 Year Amortization	596	56,193,694	51	3,035,568
1999 Series H		614	58,868,174	60	3,967,651
	30 Year Amortization	614	58,868,174	60	3,967,651
2000 Series A		83	7,818,452	8	489,375
	30 Year Amortization	83	7,818,452	8	489,375
2000 Series B ⁽¹⁾		673	68,248,331	88	5,982,268
	30 Year Amortization	673	68,248,331	88	5,982,268
2000 Series C		63	5,975,178	3	202,581
	30 Year Amortization	63	5,975,178	3	202,581
2000 Series D ⁽¹⁾		716	72,613,685	70	4,754,181
	30 Year Amortization	716	72,613,685	70	4,754,181
2000 Series F		162	14,922,531	16	1,068,349
	30 Year Amortization	162	14,922,531	16	1,068,349

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2000 Series G ⁽¹⁾	729	75,583,394	110	7,538,005
30 Year Amortization	729	75,583,394	110	7,538,005
2000 Series H	551	53,429,090	60	4,129,312
30 Year Amortization	551	53,429,090	60	4,129,312
2001 Series A ⁽¹⁾	172	15,488,359	77	4,808,172
30 Year Amortization	172	15,488,359	77	4,808,172
2001 Series B ⁽¹⁾	387	38,632,750	95	6,625,646
30 Year Amortization	387	38,632,750	95	6,625,646
2001 Series E	141	13,490,845	38	2,629,364
30 Year Amortization	141	13,490,845	38	2,629,364
2001 Series F ⁽¹⁾	700	69,277,170	153	10,740,999
30 Year Amortization	700	69,277,170	153	10,740,999
2001 Series G	80	7,944,610	0	0
30 Year Amortization	80	7,944,610	0	0
2001 Series H ⁽¹⁾	371	34,825,845	126	8,398,448
30 Year Amortization	371	34,721,767	125	8,330,374
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	0	104,078	1	68,074
2002 Series A ⁽¹⁾	59	7,795,314	23	2,752,368
30 Year Amortization	51	6,062,084	18	1,953,742
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	78,245	1	76,723
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	6	1,389,286	3	576,731
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	1	265,699	1	145,172
2003 Series A	79	9,224,370	34	3,057,546
30 Year Amortization	79	9,224,370	34	3,057,546
2003 Series B	142	15,582,439	68	5,418,007
30 Year Amortization	142	15,582,439	68	5,418,007
2003 Series C	167	19,315,068	69	6,093,559
30 Year Amortization	167	19,315,068	69	6,093,559
2004 Series A	90	10,360,109	37	3,253,154
30 Year Amortization	90	10,360,109	37	3,253,154
2004 Series B	183	19,346,007	81	5,989,438
30 Year Amortization	183	19,346,007	81	5,989,438

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2004 Series C ⁽⁵⁾	89	9,940,644	0	0
30 Year Amortization	89	9,940,644	0	0
2004 Series D	108	12,549,774	52	4,696,534
30 Year Amortization	108	12,549,774	52	4,696,534
2004 Series E	233	26,846,480	110	9,772,522
30 Year Amortization	233	26,846,480	110	9,772,522
2004 Series F	158	19,324,293	77	7,205,459
30 Year Amortization	158	19,324,293	77	7,205,459
2004 Series G	113	12,996,789	46	4,092,588
30 Year Amortization	113	12,996,789	46	4,092,588
2004 Series H	219	26,715,004	98	9,505,726
30 Year Amortization	219	26,715,004	98	9,505,726
2004 Series I	159	19,277,983	70	6,642,682
30 Year Amortization	159	19,277,983	70	6,642,682
2005 Series A	113	12,313,633	60	4,783,295
30 Year Amortization	113	12,313,633	60	4,783,295
2005 Series B	240	27,446,136	133	12,355,494
30 Year Amortization	240	27,446,136	133	12,355,494
2005 Series C ⁽⁵⁾	46	5,396,946	0	0
30 Year Amortization	45	5,161,946	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	235,000	0	0
2005 Series D	85	12,859,954	49	5,818,911
30 Year Amortization	62	7,987,588	39	3,835,630
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	23	4,872,366	10	1,983,281
2005 Series E ⁽¹⁾	305	43,519,211	197	23,310,755
30 Year Amortization	253	34,010,543	164	17,893,722
40 Year Amortization	3	725,877	2	423,931
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	49	8,782,791	31	4,993,102
2006 Series A	73	11,607,921	41	5,320,023
30 Year Amortization	55	7,982,051	29	3,085,576
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	18	3,625,870	12	2,234,447

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2006 Series B	279	47,295,765	169	25,042,204
30 Year Amortization	204	32,580,368	122	16,387,940
40 Year Amortization	3	625,545	2	489,663
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	72	14,089,852	45	8,164,601
2006 Series E	121	22,807,005	76	13,488,787
30 Year Amortization	73	12,449,955	45	7,015,044
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	48	10,357,050	31	6,473,743
2006 Series F	310	57,464,822	190	30,975,970
30 Year Amortization	208	35,734,145	124	17,414,041
40 Year Amortization	8	1,878,123	6	1,161,547
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	186,000	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	93	19,666,554	60	12,400,382
2006 Series G	195	38,789,329	120	20,924,613
30 Year Amortization	117	21,124,098	75	11,372,861
40 Year Amortization	6	1,472,512	3	653,128
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	70	15,648,965	42	8,898,624
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	543,754	0	0
2006 Series H ⁽¹⁾	85	16,917,935	46	8,078,451
30 Year Amortization	50	8,794,007	29	4,335,160
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	366,745	1	359,614
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	29	6,511,807	13	2,703,232
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	5	1,245,376	3	680,445
2006 Series I ⁽¹⁾	746	142,915,431	431	71,703,003
30 Year Amortization	469	81,910,826	271	39,064,328
40 Year Amortization	25	5,097,266	15	2,575,658
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	370,010	0	44,135
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	242	53,664,286	139	28,516,675
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	9	1,873,043	6	1,502,207
2006 Series J	300	58,250,788	173	29,910,069
30 Year Amortization	166	28,843,945	94	14,151,828
40 Year Amortization	19	3,873,357	14	2,567,211
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	239,900	1	234,899
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	103	22,603,694	57	11,389,325
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	11	2,689,892	7	1,566,805

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2006 Series K	27	5,542,364	21	3,856,369
30 Year Amortization	15	2,640,233	13	1,904,550
40 Year Amortization	2	309,880	2	297,024
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	8	2,160,826	6	1,654,795
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	431,425	0	0
2006 Series L	830	163,506,274	488	86,507,860
30 Year Amortization	394	66,181,880	226	31,459,011
40 Year Amortization	30	6,183,813	19	3,961,732
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	18	4,176,236	12	2,855,672
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	349	77,701,468	203	42,005,228
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	39	9,262,877	28	6,226,217
2006 Series O	49	9,707,644	38	7,005,346
30 Year Amortization	20	3,324,174	16	2,202,899
40 Year Amortization	1	113,700	1	103,167
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	2	404,900	2	412,125
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	24	5,246,273	18	4,031,065
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	618,597	1	256,090
2006 Series P ⁽¹⁾	425	84,666,902	255	45,832,573
30 Year Amortization	173	28,562,825	110	15,173,075
40 Year Amortization	25	4,931,957	14	2,546,141
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	10	2,230,882	7	1,489,956
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	181	40,293,567	106	22,270,536
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	36	8,647,671	18	4,352,865
2006 Series S ⁽¹⁾	129	24,465,406	75	13,209,423
30 Year Amortization	67	11,629,405	37	5,588,376
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	3	469,370	2	244,021
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	52	10,940,533	33	6,838,778
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	7	1,426,098	3	538,248

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2007 Series A ⁽¹⁾	1,279	268,525,836	805	157,066,030
30 Year Amortization	419	75,340,411	263	41,314,592
40 Year Amortization	85	16,594,794	53	9,382,255
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	61	14,118,147	28	5,936,622
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	553	123,789,714	365	78,256,388
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	161	38,682,770	96	22,176,173
2007 Series B ⁽¹⁾	148	29,434,166	87	16,028,833
30 Year Amortization	76	13,822,476	47	7,179,265
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	8	1,645,563	4	834,678
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	51	11,234,588	30	6,450,394
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	13	2,731,539	6	1,564,496
2007 Series C ⁽¹⁾	215	43,558,065	135	24,842,445
30 Year Amortization	102	17,991,830	70	10,449,141
40 Year Amortization	25	5,567,323	17	3,535,333
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	9	2,144,917	4	939,668
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	56	12,295,079	29	6,249,556
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	23	5,558,916	15	3,668,747
2007 Series D ⁽¹⁾	831	171,409,954	508	97,877,782
30 Year Amortization	385	71,166,310	235	38,253,995
40 Year Amortization	87	17,989,708	54	11,150,056
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	32	7,597,196	18	4,015,497
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	229	51,057,135	141	30,374,922
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	98	23,599,605	60	14,083,312
2007 Series E ⁽¹⁾	237	47,977,342	136	25,825,658
30 Year Amortization	129	24,538,405	73	12,277,817
40 Year Amortization	25	5,038,895	19	3,802,778
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	7	1,257,462	3	633,816
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	54	11,992,330	29	6,214,323
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	22	5,150,250	12	2,896,924

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2007 Series F ⁽¹⁾	279	50,393,138	203	33,662,608
30 Year Amortization	165	25,784,471	120	16,696,535
40 Year Amortization	19	4,336,168	16	3,338,252
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	5	1,307,084	4	941,425
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	65	13,496,240	45	9,119,555
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	25	5,469,175	18	3,566,841
2007 Series G	295	58,957,023	173	32,154,082
30 Year Amortization	112	20,220,650	61	9,656,654
40 Year Amortization	37	6,515,461	26	4,266,994
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	14	2,870,173	4	834,800
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	81	16,974,649	48	9,522,694
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	51	12,376,090	34	7,872,940
2007 Series H ⁽¹⁾	306	60,893,787	173	30,889,803
30 Year Amortization	200	37,618,993	117	19,242,373
40 Year Amortization	32	6,966,120	22	4,528,314
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	5	948,782	3	459,058
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	47	10,498,406	21	4,170,180
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	22	4,861,486	10	2,489,878
2007 Series I ⁽¹⁾	295	61,300,580	196	37,388,635
30 Year Amortization	173	34,234,376	113	20,421,325
40 Year Amortization	58	12,075,448	40	7,723,985
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	70,859	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	32	7,016,015	26	5,294,479
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	31	7,903,882	17	3,948,846
2007 Series J ⁽¹⁾	326	60,890,080	227	38,209,841
30 Year Amortization	242	43,647,795	172	27,781,675
40 Year Amortization	29	5,562,430	22	3,805,558
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	3	627,905	3	621,720
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	29	5,994,418	20	3,976,265
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	23	5,057,532	10	2,024,623

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2007 Series K ⁽¹⁾	154	26,948,323	96	15,032,947
30 Year Amortization	134	22,316,254	81	11,956,113
40 Year Amortization	18	4,132,069	14	2,863,617
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	500,000	1	213,217
2007 Series M ⁽¹⁾	151	29,359,952	98	16,405,216
30 Year Amortization	148	28,793,369	95	15,862,630
40 Year Amortization	3	566,583	3	542,586
2008 Series A	253	46,137,376	147	24,574,416
30 Year Amortization	226	40,088,797	125	19,776,442
40 Year Amortization	24	5,387,614	20	4,354,961
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	3	660,965	2	443,013
2008 Series B	101	19,088,644	60	9,779,684
30 Year Amortization	81	14,989,140	45	7,041,138
40 Year Amortization	19	3,850,093	14	2,489,135
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	1	249,411	1	249,411
2008 Series C	413	77,360,548	261	43,175,912
30 Year Amortization	373	68,165,747	228	35,898,943
40 Year Amortization	37	8,568,683	30	6,658,452
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	189,150	1	185,856
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	2	436,968	2	432,660
2008 Series D	228	40,133,201	145	22,844,010
30 Year Amortization	210	36,339,181	130	19,720,266
40 Year Amortization	17	3,527,310	14	2,857,798
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	266,710	1	265,947
2008 Series E	134	20,769,246	102	13,929,477
30 Year Amortization	127	19,331,984	96	12,756,280
40 Year Amortization	7	1,437,262	6	1,173,197
2008 Series F	110	18,038,489	87	12,443,068
30 Year Amortization	110	18,038,489	87	12,443,068
2009 Series A	211	32,839,040	181	25,589,331
30 Year Amortization	211	32,839,040	181	25,589,331
2009 Series B	246	34,306,291	213	27,127,203
30 Year Amortization	246	34,306,291	213	27,127,203

Sources of Funds	Original Number of Loans	Original Principal Amount \$ (2)	Number of Outstanding Loans	Outstanding Principal Balance \$ (2)
2009 Series C	53	8,022,263	47	6,513,575
30 Year Amortization	53	8,022,263	47	6,513,575
2010 Series A	303	18,947,015	257	9,857,044
30 Year Amortization	303	18,947,015	257	9,857,044
2010 Series B ⁽⁵⁾	199	23,401,598	163	15,497,731
30 Year Amortization	199	21,932,398	163	15,497,731
Collateral Reserve (A) ⁽³⁾	106	8,764,712	52	2,646,655
30 Year Amortization	106	8,764,712	52	2,646,655
2011 Series AB	615	104,156,389	601	95,886,640
30 Year Amortization	615	104,156,389	601	95,886,640
2012 Series AB	175	15,536,984	175	11,521,563
30 Year Amortization	175	15,536,984	175	11,521,563
Collateral Reserve (C) ⁽³⁾	4,113	233,555,546	2,438	67,317,039
30 Year Amortization	4,112	232,321,515	2,437	66,961,963
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	1	360,000	1	355,076
CDA Assurance	6	851,578	6	822,857
30 Year Amortization	6	851,578	6	822,857
Refinance Loans	43	8,868,085	43	8,856,939
30 Year Amortization	43	8,868,085	43	8,856,939
Refinance Loans ⁽⁴⁾	75	19,264,352	39	9,317,055
30 Year Amortization	20	4,102,184	13	2,459,737
40 Year Amortization	45	12,246,571	24	6,272,637
30 Year with First 7 Years Interest Only Followed by 23 Year Amortization	1	225,000	0	0
35 Year with First 5 Years Interest Only Followed by 30 Year Amortization	3	729,400	0	0
40 Year with First 7 Years Interest Only Followed by 33 Year Amortization	<u>6</u>	<u>1,961,197</u>	<u>2</u>	<u>584,682</u>
Total All Series ⁽²⁾	<u>27,724</u>	<u>3,547,681,440</u>	<u>12,670</u>	<u>1,502,408,026</u>

Notes:

- (1) Loans under this bond series include participation interests purchased with this series bond proceeds. For more information about participation loans see Participations in Mortgage Loans section on page B-1 and Residential Revenue Bond Program Loan by Bond Series and Interest Rate in Appendix K.
- (2) Individual amounts may not add up to the total amount because of rounding. The total number of loans for all series is adjusted to prevent double counting of participation loans financed from multiple bond series under the Bond Resolution. (For detail on participation loans see Footnote (5) of Appendix K).
- (3) The Collateral Reserve Fund is a fund established under the Bond Resolution at the time the 1997 Series A Bonds and the 1997 Series B Bonds were issued. Collateral Reserves (A) and (C) are additional accounts under the Collateral Reserve Fund.
- (4) These loans are currently held in the warehouse loan fund and may be purchased into a taxable series of bonds.
- (5) One hundred and ninety-nine active loans from 2004-C and 2005-C were refunded into 2010-B on December 16, 2010. Original loan amounts shown in 2004-C and 2005-C were paid down previous to this refunding.

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APPENDIX M

RESIDENTIAL REVENUE BOND PROGRAM PREPAYMENT SPEED OF MORTGAGE LOAN PORTFOLIO BY BOND ISSUANCE

Prepayments on mortgage loans are commonly measured relative to a prepayment standard model. The Securities Industry and Financial Markets Association (formerly the Public Securities Association) standard prepayment model (commonly referred to as 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 30th month. Beginning in the 30th 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 are 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 Average Prepayment Speed tables express the prepayment speed of mortgage loans of the Administration’s Residential Revenue Bonds as a percent of the SIFMA Model based on actual prepayments and assuming all mortgage loans were originated in the month when the greatest number of mortgage loans was originated.

The Average Prepayment Speed tables provide historic SIFMA Model prepayment speeds. The Administration makes no representation as to the percentage of the principal balance of the loans that will be prepaid as of any date or as to the overall rate of prepayment of such mortgage loans. The Administration makes no representation as to the speed with which any series of Bonds will be redeemed with prepayments.

For information on cross call practices, see “THE 2014 SERIES CDEF BONDS — Redemption Provisions — Cross Call Practices” in the Official Statement. For additional information please refer to the website, www.dhcd.state.md.us and click CDA Bonds – Investor Information. In the section labeled EMMA Filings, the Administration has provided additional information on its cross-calling practices and the sources for the redemption of bonds in “Other Informational Filings”. Furthermore, the recent and historical quarterly NRMSIR filings include a Ten Year Rule table, a schedule of debt outstanding with the effective yields of bonds, and the mortgage loan portfolio detail by bond series and interest rate.

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF SIFMA MODEL ⁽¹⁾

Bond Series	1997 A & B	1998 A & B	1998 D	1999 C & D	1999 E & F	1999 H	2000 A & B	2000 C & D	2000 F & G	2000 H	2001 A & B
Original WAC ⁽²⁾	5.85%	5.94%	5.48%	6.12%	6.72%	6.83%	6.59%	6.86%	6.10%	6.78%	5.02%
6-month period ending ⁽³⁾											
Dec-98	44%										
Jun-99	38%	18%									
Dec-99	14%	16%									
Jun-00	22%	49%	14%	10%	18%						
Dec-00	42%	19%	17%	20%	26%	37%					
Jun-01	69%	62%	42%	82%	35%	32%			26%	185%	
Dec-01	94%	100%	22%	50%	165%	266%	150%	260%	89%	338%	
Jun-02	135%	93%	70%	50%	106%	191%	158%	192%	54%	277%	48%
Dec-02	171%	192%	95%	126%	414%	535%	390%	548%	380%	379%	18%
Jun-03	312%	256%	239%	341%	640%	666%	509%	663%	443%	675%	101%
Dec-03	516%	436%	368%	719%	808%	806%	615%	759%	540%	783%	183%
Jun-04	422%	444%	335%	425%	579%	593%	508%	601%	430%	623%	235%
Dec-04	403%	472%	470%	503%	652%	638%	572%	682%	455%	715%	289%
Jun-05	514%	446%	543%	419%	521%	608%	550%	564%	472%	775%	273%
Dec-05	489%	577%	558%	542%	772%	907%	618%	643%	544%	627%	431%
Jun-06	376%	432%	341%	568%	474%	501%	752%	516%	337%	398%	244%
Dec-06	392%	344%	287%	377%	358%	395%	492%	510%	349%	501%	309%
Jun-07	201%	329%	284%	325%	256%	207%	350%	393%	318%	451%	205%
Dec-07	189%	186%	193%	310%	306%	208%	195%	235%	261%	239%	173%
Jun-08	189%	136%	135%	268%	170%	316%	108%	194%	309%	124%	240%
Dec-08	68%	72%	230%	203%	223%	112%	190%	118%	215%	160%	88%
Jun-09	112%	261%	158%	206%	192%	211%	333%	109%	149%	148%	158%
Dec-09	116%	181%	236%	165%	249%	293%	83%	240%	131%	182%	232%
Jun-10	120%	109%	233%	70%	107%	110%	59%	164%	133%	77%	110%
Dec-10	112%	120%	101%	95%	149%	110%	49%	87%	115%	99%	164%
Jun-11	143%	93%	131%	74%	165%	42%	137%	92%	171%	180%	62%
Dec-11	74%	195%	85%	0%	260%	0%	188%	309%	225%	181%	88%
Jun-12	104%	94%	32%	45%	151%	73%	113%	109%	75%	90%	27%
Dec-12	10%	62%	274%	53%	220%	0%	0%	39%	390%	147%	217%
Jun-13	66%	66%	222%	139%	59%	37%	215%	174%	107%	154%	121%
Dec-13	62%	130%	72%	180%	62%	69%	91%	181%	94%	0%	152%
WAC at 12/31/2013 ⁽⁴⁾	5.62%	5.83%	5.38%	6.09%	6.43%	6.49%	6.10%	6.42%	5.79%	6.08%	4.78%

- Notes:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the SIFMA standard model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase.
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period.
 - (4) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of December 31, 2013.

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF SIFMA MODEL⁽¹⁾

Bond Series	<u>2001 E & F</u>	<u>2001 G & H</u>	<u>2002 A</u>	<u>2003 A, B & C</u>	<u>2004 A, B & C</u>	<u>2004 D, E & F</u>	<u>2004 G, H & I</u>	<u>2005 A, B & C</u>	<u>2005 D & E</u>	<u>2006 A & B</u>	<u>2006 E, F & G</u>
Original WAC ⁽²⁾	5.74%	4.82%	5.06%	4.93%	4.93%	5.04%	5.36%	5.32%	5.41%	5.33%	5.37%
6-month period ending ⁽³⁾											
Dec-98											
Jun-99											
Dec-99											
Jun-00											
Dec-00											
Jun-01											
Dec-01											
Jun-02	18%										
Dec-02	35%										
Jun-03	199%	153%									
Dec-03	397%	200%									
Jun-04	346%	381%									
Dec-04	562%	243%	590%	304%	148%						
Jun-05	456%	251%	118%	314%	299%	375%	204%	293%			
Dec-05	531%	452%	448%	426%	301%	400%	484%	107%			
Jun-06	409%	198%	391%	153%	359%	221%	262%	271%	127%		
Dec-06	340%	232%	291%	351%	292%	314%	293%	293%	148%	354%	51%
Jun-07	350%	291%	445%	278%	220%	208%	318%	182%	80%	101%	57%
Dec-07	182%	171%	1024%	110%	158%	172%	274%	148%	106%	165%	144%
Jun-08	141%	179%	455%	173%	120%	111%	154%	53%	19%	70%	48%
Dec-08	155%	165%	505%	104%	134%	119%	141%	36%	28%	107%	55%
Jun-09	222%	80%	901%	136%	179%	129%	147%	93%	11%	57%	116%
Dec-09	137%	164%	1024%	101%	118%	81%	177%	61%	39%	138%	89%
Jun-10	129%	88%	918%	110%	172%	130%	64%	78%	74%	53%	109%
Dec-10	168%	96%	218%	64%	67%	96%	63%	78%	53%	88%	96%
Jun-11	193%	69%	357%	42%	150%	86%	84%	54%	76%	112%	10%
Dec-11	122%	44%	991%	158%	74%	92%	84%	57%	30%	47%	267%
Jun-12	88%	109%	161%	97%	228%	116%	32%	74%	71%	94%	200%
Dec-12	165%	210%	1529%	107%	80%	87%	115%	67%	170%	151%	364%
Jun-13	82%	60%	820%	116%	74%	196%	109%	58%	147%	297%	333%
Dec-13	104%	109%	1371%	143%	47%	129%	192%	41%	141%	140%	199%
WAC at 12/31/2013 ⁽⁴⁾	5.40%	4.69%	5.67%	4.90%	4.90%	5.03%	5.32%	5.28%	5.36%	5.19%	5.24%

- Notes:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the SIFMA standard model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase.
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period.
 - (4) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of December 31, 2013.

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF SIFMA MODEL ⁽¹⁾

Bond Series	<u>2006 H, I & J</u>	<u>2006 K & L</u>	<u>2006 O, & P</u>	<u>2006 S</u>	<u>2007 A</u>	<u>2007 C & D</u>	<u>2007 E & F</u>
Original WAC ⁽²⁾	5.23%	5.86%	5.72%	6.25%	5.99%	6.56%	6.36%
6-month period ending ⁽³⁾							
Dec-98							
Jun-99							
Dec-99							
Jun-00							
Dec-00							
Jun-01							
Dec-01							
Jun-02							
Dec-02							
Jun-03							
Dec-03							
Jun-04							
Dec-04							
Jun-05							
Dec-05							
Jun-06							
Dec-06	29%						
Jun-07	28%	95%	48%				
Dec-07	25%	84%	108%	154%	27%		101%
Jun-08	9%	77%	82%	249%	49%	6%	53%
Dec-08	11%	27%	38%	28%	43%	16%	6%
Jun-09	23%	90%	41%	121%	142%	30%	180%
Dec-09	24%	131%	150%	149%	132%	32%	95%
Jun-10	18%	144%	132%	141%	160%	25%	103%
Dec-10	6%	162%	105%	156%	98%	37%	116%
Jun-11	9%	148%	131%	105%	137%	33%	195%
Dec-11	87%	18%	351%	87%	10%	60%	77%
Jun-12	59%	92%	361%	99%	13%	67%	138%
Dec-12	73%	4%	668%	73%	10%	436%	95%
Jun-13	273%	252%	214%	153%	236%	54%	155%
Dec-13	274%	133%	182%	108%	190%	72%	252%
WAC at 12/31/2013 ⁽⁴⁾	5.73%	5.73%	5.68%	6.25%	5.78%	6.36%	6.30%

- Notes:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the SIFMA standard model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase.
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period.
 - (4) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of December 31, 2013.

AVERAGE PREPAYMENT SPEEDS AS PERCENTAGE OF SIFMA MODEL ⁽¹⁾

Bond Series	<u>2007 G & H</u>	<u>2007 I & J</u>	<u>2007 K & L</u>	<u>2007 M</u>	<u>2008 A</u>	<u>2008 B, C & D</u>	<u>2008 E & F</u>	<u>2009 A</u>	<u>2009 B</u>	<u>2009 C</u>	<u>2010 A & B</u>	<u>2011 A & B</u>
Original WAC ⁽²⁾	6.75%	6.32%	6.04%	5.88%	6.24%	6.16%	6.44%	5.73%	5.79%	5.22%	7.57%	4.33%
6-month period ending ⁽³⁾												
Dec-98												
Jun-99												
Dec-99												
Jun-00												
Dec-00												
Jun-01												
Dec-01												
Jun-02												
Dec-02												
Jun-03												
Dec-03												
Jun-04												
Dec-04												
Jun-05												
Dec-05												
Jun-06												
Dec-06												
Jun-07												
Dec-07												
Jun-08	10%											
Dec-08	15%	41%										
Jun-09	53%	167%	67%	444%	853%	1007%	306%					
Dec-09	71%	184%	139%	117%	468%	383%	92%	49%				
Jun-10	85%	130%	104%	139%	76%	145%	77%	45%				
Dec-10	74%	77%	89%	118%	249%	193%	69%	40%	96%		19%	
Jun-11	101%	65%	117%	163%	106%	142%	90%	37%	27%		12%	
Dec-11	13%	81%	201%	72%	22%	81%	72%	8%	0%	0%	41%	
Jun-12	12%	102%	212%	68%	64%	85%	91%	26%	5%	36%	60%	9%
Dec-12	19%	118%	468%	226%	54%	269%	112%	85%	0%	76%	78%	15%
Jun-13	57%	179%	225%	217%	261%	188%	154%	103%	94%	36%	67%	64%
Dec-13	70%	195%	305%	233%	194%	168%	227%	68%	91%	0%	42%	0%
WAC at 12/31/2013 ⁽⁴⁾	6.43%	6.26%	5.94%	5.87%	6.20%	6.13%	6.04%	5.71%	5.71%	5.04%	5.99%	4.13%

- Notes:**
- (1) The above table expresses the prepayment speed of mortgage loans of CDA's Residential Revenue Bonds assuming all mortgage loans were originated in the month when the greatest number of mortgage loans were originated. Prepayment speeds are expressed as percentages of the SIFMA standard model. The table only includes bond issues in which more than 90% of lendable proceeds have been used to originate mortgage loans.
 - (2) Weighted Average Coupon Rate (WAC) as stated is calculated based on the original mortgage loan interest rates at the time of loan purchase.
 - (3) Prepayment rates as listed are average prepayment rates over each 6-month period.
 - (4) Weighted Average Coupon Rate (WAC) as stated is calculated based on the outstanding principal balance of mortgage loans as of December 31, 2013.

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APPENDIX N

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL FOR 2014 SERIES C BONDS, 2014 SERIES D BONDS, 2014 SERIES E BONDS AND 2014 SERIES F BONDS

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

September __, 2014

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

**\$47,960,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2014 Series C (Non-AMT)**

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), in connection with its issuance and sale of \$47,960,000 aggregate principal amount of its Residential Revenue Bonds 2014 Series C (Non-AMT) (the “2014 Series C Bonds”). With the proceeds of the 2014 Series C Bonds, the Administration will (i) make a deposit into the 2014 Series C Redemption Account to be used to refund certain prior Series of Bonds, and (ii) make a deposit into the 2014 Series C Program Account to be used to make or purchase mortgage loans to finance the acquisition of single-family residences located in the State.

The 2014 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 Residential Revenue Bond Resolution (the “Bond Resolution”), originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005, 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 \$47,960,000 Principal Amount of Residential Revenue Bonds 2014 Series C (Non-AMT), adopted as of September 1, 2014 (the “Series Resolution”), pursuant to which the 2014 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 such terms in the Resolutions.

The 2014 Series C Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2014 Series C Bonds are issuable initially as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. Principal of, premium, if any, and interest on the 2014 Series C Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2014 Series C Bonds are registered on the registration books of the Administration maintained by the Trustee.

In connection with the issuance of the 2014 Series C Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2014 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 a unit of the Division of Development Finance of the Department with full power to issue the 2014 Series C Bonds for the purpose of financing the Mortgage Loans.

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 2014 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 2014 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 limitations on enforcement of judgments against public bodies. The 2014 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 2014 Series C Bond is consistent with the form of the 2014 Series C Bond provided in the authorizing Series Resolution.

5. The 2014 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 2014 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 (i) with respect to the 2014 Series C Bonds maturing on and prior to September 1, 2016, is included in adjusted current earnings for purposes of corporate alternative minimum tax, and (ii) with respect the 2014 Series C Bonds maturing on and after March 1, 2021, is not included in adjusted current earnings for purposes of corporate alternative minimum tax.

The 2014 Series C Bonds maturing September 1, 2044 are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holder's tax basis for the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

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 2014 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, including the Mortgage Loans pledged thereunder, 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 2014 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 2014 Series C Bonds or as to any other matter not set forth herein.

Very truly yours,

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

September __, 2014

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

\$23,885,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2014 Series D (AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), in connection with its issuance and sale of \$23,885,000 aggregate principal amount of its Residential Revenue Bonds 2014 Series D (AMT) (the “2014 Series D Bonds”). With the proceeds of the 2014 Series D Bonds, the Administration will (i) make a deposit into the 2014 Series D Redemption Account to be used to refund certain prior Series of Bonds, and (ii) make a deposit into the Costs of Issuance Account of the Program Fund to pay a portion of the costs of issuance related to the 2014 Series CDEF Bonds.

The 2014 Series D Bonds are being issued under and pursuant to (1) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), (2) the Residential Revenue Bond Resolution (the “Bond Resolution”), originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005, 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 \$23,885,000 Principal Amount of Residential Revenue Bonds 2014 Series D (AMT), adopted as of September 1, 2014 (the “Series Resolution”), pursuant to which the 2014 Series D 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 such terms in the Resolutions.

The 2014 Series D Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2014 Series D Bonds are issuable initially as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple in excess thereof. Principal of, premium, if any, and interest on the 2014 Series D Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2014 Series D Bonds are registered on the registration books of the Administration maintained by the Trustee.

In connection with the issuance of the 2014 Series D Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2014 Series D 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 a unit of the Division of Development Finance of the Department with full power to issue the 2014 Series D Bonds for the purpose of financing the Mortgage Loans.

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 2014 Series D 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 2014 Series D 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 limitations on enforcement of judgments against public bodies. The 2014 Series D Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2014 Series D Bond is consistent with the form of the 2014 Series D Bond provided in the authorizing Series Resolution.

5. The 2014 Series D 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 2014 Series D Bonds is excludable from the gross income of the holders thereof for federal income tax purposes. Interest on the 2014 Series D Bonds is not exempt from individual and corporate federal alternative minimum tax.

The 2014 Series D Bonds maturing September 1, 2036 are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holder's tax basis for the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

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 2014 Series D 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, including the Mortgage Loans pledged thereunder, 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 2014 Series D 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 2014 Series D Bonds or as to any other matter not set forth herein.

Very truly yours,

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

September __, 2014

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

\$53,205,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2014 Series E (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the State of Maryland (the "State"), in connection with its issuance and sale of \$53,205,000 aggregate principal amount of its Residential Revenue Bonds 2014 Series E (Federally Taxable) (the "2014 Series E Bonds"). With the proceeds of the 2014 Series E Bonds, the Administration will (i) make a deposit into the 2014 Series E Redemption Account to be used to refund certain prior Series of Bonds, and (ii) make a deposit into the 2014 Series E Program Account to be used to make or purchase mortgage loans to finance the acquisition of single-family residences located in the State.

The 2014 Series E 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 Residential Revenue Bond Resolution (the "Bond Resolution"), originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005, 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 \$53,205,000 Principal Amount of Residential Revenue Bonds 2014 Series E (Federally Taxable), adopted as of September 1, 2014 (the "Series Resolution"), pursuant to which the 2014 Series E 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 such terms in the Resolutions.

The 2014 Series E Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2014 Series E Bonds are issuable initially as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple in excess thereof. Principal of, premium, if any, and interest on the 2014 Series E Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2014 Series E Bonds are registered on the registration books of the Administration maintained by the Trustee.

In connection with the issuance of the 2014 Series E Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2014 Series E 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 a unit of the Division of Development Finance of the Department with full power to issue the 2014 Series E Bonds for the purpose of financing the Mortgage Loans.

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 2014 Series E 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 2014 Series E 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 limitations on enforcement of judgments against public bodies. The 2014 Series E Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2014 Series E Bond is consistent with the form of the 2014 Series E Bond provided in the authorizing Series Resolution.

5. The 2014 Series E 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. Interest on the 2014 Series E Bonds is taxable as ordinary income for purposes of federal income tax.

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 2014 Series E 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, including the Mortgage Loans pledged thereunder, 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 2014 Series E 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 2014 Series E Bonds or as to any other matter not set forth herein.

Very truly yours,

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

September __, 2014

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

\$25,000,000
Community Development Administration
Maryland Department of Housing and Community Development
Residential Revenue Bonds
2014 Series F (Federally Taxable) (Variable Rate)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), in connection with its issuance and sale of \$25,000,000 aggregate principal amount of its Residential Revenue Bonds 2014 Series F (Federally Taxable) (Variable Rate) (the “2014 Series F Bonds”). With the proceeds of the 2014 Series F Bonds, the Administration will make a deposit into the 2014 Series F Program Account to be used to make or purchase mortgage loans which were used to refinance loans used to finance the acquisition of single-family residences located in the State.

The 2014 Series F 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 Residential Revenue Bond Resolution (the “Bond Resolution”), originally adopted by the Administration as of August 1, 1997 and amended and restated as of July 15, 2005, 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 \$25,000,000 Principal Amount of Residential Revenue Bonds 2014 Series F (Federally Taxable) (Variable Rate), adopted as of September 1, 2014 (the “Series Resolution”), pursuant to which the 2014 Series F 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 such terms in the Resolutions.

The 2014 Series F Bonds mature, bear interest and are subject to redemption as provided therein and in the Resolutions. The 2014 Series F Bonds are issuable initially as fully registered bonds without coupons in the denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Principal of, premium, if any, and interest on the 2014 Series F Bonds will be paid as provided in the Resolutions by the Trustee to the persons in whose names the 2014 Series F Bonds are registered on the registration books of the Administration maintained by the Trustee.

In connection with the issuance of the 2014 Series F Bonds, we have examined and considered the Act, the Resolutions, the Code, a specimen of the 2014 Series F 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 a unit of the Division of Development Finance of the Department with full power to issue the 2014 Series F Bonds for the purpose of financing the Mortgage Loans.

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 2014 Series F 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 2014 Series F 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 limitations on enforcement of judgments against public bodies. The 2014 Series F Bonds are payable from the revenues and assets of the Administration pledged therefor pursuant to the Resolutions.

4. The form of the specimen 2014 Series F Bond is consistent with the form of the 2014 Series F Bond provided in the authorizing Series Resolution.

5. The 2014 Series F 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. Interest on the 2014 Series F Bonds is taxable as ordinary income for purposes of federal income tax.

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 2014 Series F 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, including the Mortgage Loans pledged thereunder, 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 2014 Series F 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 2014 Series F Bonds or as to any other matter not set forth herein.

Very truly yours,

APPENDIX O

CERTAIN INFORMATION CONCERNING STATE STREET BANK AND TRUST COMPANY

State Street Bank and Trust Company (the “Bank”) is a wholly-owned subsidiary of State Street Corporation (the “Corporation”). The Corporation (NYSE: STT) provides financial services to institutional investors, including investment servicing, investment management and investment research and trading. With \$27.43 trillion in assets under custody and administration and \$2.35 trillion in assets under management as of December 31, 2013, the Corporation operates in more than 100 geographic markets worldwide. The consolidated total assets of the Bank as of December 31, 2013 accounted for approximately 98% of the consolidated total assets of the Corporation as of the same date. As of December 31, 2013, the Corporation had consolidated total assets of \$243.29 billion, total deposits (including deposits in non-U.S. offices) of \$182.27 billion, total investment securities of \$116.91 billion, total loans and leases, net of unearned income and allowance for loan losses, of \$13.46 billion and total shareholders’ equity of \$20.38 billion.

The Bank’s *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only -- FFIEC 031* (the “Call Reports”) through December 31, 2013 have been submitted through the Federal Financial Institutions Examination Council and provided to the Board of Governors of the Federal Reserve System, the primary U.S. federal banking agency responsible for regulating the Corporation and the Bank. Publicly available portions of those Call Reports, and future Call Reports so submitted by the Bank, are available on the Federal Deposit Insurance Corporation’s website at www.fdic.gov. The Call Reports are prepared in conformity with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles.

Additional financial and other information related to the Corporation and the Bank, including the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2013 and additional annual, quarterly and current reports subsequently filed or furnished by the Corporation with the U.S. Securities and Exchange Commission (the “SEC”), can be accessed free of charge on the SEC’s website at www.sec.gov.

Any statement contained in any document referred to above shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently submitted, filed or furnished document that also is referred to above modifies or supersedes such statement. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank or the Corporation since the date hereof, or that information contained or referred to in this Appendix is correct as of any time subsequent to this date.

A copy of any or all of the publicly available portions of the documents referred to above, other than exhibits to such documents, may be obtained without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

The Standby Bond Purchase Agreement is an obligation solely of the Bank and is not an obligation of, or otherwise guaranteed by, the Corporation or any of its affiliates (other than the Bank). Neither the Corporation nor any of its affiliates (other than the Bank) is required to make payments under the Standby Bond Purchase Agreement. None of the Bank, the Corporation or any of their respective affiliates makes any representation as to, or is responsible for the suitability of the 2014 Series F Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations. The 2014 Series F Bonds are not direct obligations of, or guaranteed by, the Bank, the Corporation or any of their respective affiliates, except to the extent provided by in, and subject to the terms of, the Standby Bond Purchase Agreement.

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APPENDIX P

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 2014 Series CDEF Bonds. The 2014 Series CDEF 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 2014 Series CDEF Bond certificate will be issued for each separately stated maturity of the 2014 Series CDEF 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.

Purchases of 2014 Series CDEF Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Series CDEF Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF Bonds, except in the event that use of the book-entry system for the 2014 Series CDEF Bonds is discontinued.

To facilitate subsequent transfers, all 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF 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 Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, 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 2014 Series CDEF 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 2014 Series CDEF Bonds, as nominee of DTC, references in this Official Statement to the owners of the 2014 Series CDEF Bonds except under "TAX

STATUS AND RELATED CONSIDERATIONS” shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of 2014 Series CDEF 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 2014 Series CDEF Bonds without the consent of Beneficial Owners or Bondholders.

DTC may discontinue providing its services as a depository with respect to the 2014 Series CDEF 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 2014 Series CDEF 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, 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF 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 2014 Series CDEF Bonds on or after the date of maturity or redemption. Each exchange or transfer of the 2014 Series CDEF 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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APPENDIX Q

THE GNMA MORTGAGE-BACKED SECURITIES PROGRAM

This summary does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage Backed Securities Guide and to the documents referred to herein for full and complete statements of their provisions. Additional information is available at www.ginniemae.gov. None of the Underwriters, the Administration, their respective counsel, or Bond Counsel makes any representation with respect to the accuracy or completeness of this summary.

The Government National Mortgage Association is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office in Washington, D.C.

Each GNMA Certificate is to be issued under either the GNMA I Program or the GNMA II Program. Although there are a number of differences between GNMA I Securities and GNMA II Custom Pool Securities, those differences do not adversely affect the availability of Revenues with which to pay principal of and interest on the Bonds. Each GNMA Certificate is to be backed by a pool of Mortgage Loans in a minimum aggregate amount of \$25,000 and multiples of \$1 in excess of \$25,000. The Servicer shall be required to pay to the Trustee (in the case of a GNMA I Security) or to the Central Paying and Transfer Agent (in the case of a GNMA II Custom Pool Security), and such Central Paying and Transfer Agent shall be required to pay to the Trustee, as the owner of the GNMA Certificate, the regular monthly installments of principal and interest on the Mortgage Loans backing the GNMA Certificate (less such Servicer's servicing fee, which includes the GNMA guaranty fee), whether or not the Servicer receives such installments, plus any Mortgage Prepayments received by the Servicer in the previous month. The Government National Mortgage Association guarantees the timely payment of the principal of and interest on the GNMA Certificate.

In order to issue the GNMA Certificates, the Servicer must first apply to and receive from the Government National Mortgage Association a commitment to guarantee securities. Such a commitment authorizes the Servicer to issue GNMA Certificates up to a stated amount during a one year period following the date of the commitment. The Servicer is required to pay the application fee to the Government National Mortgage Association for such commitments. The amount of commitments to guarantee GNMA Certificates that the Government National Mortgage Association can approve in any federal fiscal year is limited by statute and administrative procedures. The total annual amount of available commitments is established in appropriation acts and related administrative procedures.

The issuance of each GNMA Certificate by the Servicer is subject to the following conditions, among others: (i) the purchase by the Servicer of Mortgage Loans in a minimum aggregate principal amount at least equal to the minimum size permitted by the Government National Mortgage Association for each GNMA Certificate (such origination being subject, among other conditions, to the availability of FHA mortgage insurance and VA guarantees), (ii) the submission by the Servicer to the Government National Mortgage Association of certain documents required by the Government National Mortgage Association in form and substance satisfactory to the Government National Mortgage Association, (iii) the Servicer's continued compliance, on the date of issuance of the GNMA Certificate, with all of the Government National Mortgage Association's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (iv) the Servicer's continued approval by the Government National Mortgage Association to issue GNMA Certificates, and (v) the Servicer's continued ability to issue, execute and deliver the GNMA Certificate, as such ability may be affected by such Servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Certificate by the Servicer is subject to the condition that the Government National Mortgage Association must have entered into a guaranty agreement with the Servicer. The conditions to the Government National Mortgage Association entering into such an agreement may change from time to time, and there can be no assurance that the Servicer will be able to satisfy all such requirements in effect at

the time a GNMA Certificate is to be issued. Moreover, there can be no assurance that all of the above conditions will be satisfied at the time a GNMA Certificate is to be issued by the Servicer for purchase by the Trustee.

GNMA Certificate

The Government National Mortgage Association is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act") to guarantee the timely payment of the principal of, and interest on, securities which are based on and backed by a pool composed of, among other things, mortgage loans insured by FHA under the Housing Act or guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended. Said Section 306(g) further provides that "[T]he 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 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under said Section 306(g) of mortgage backed securities of the type to be delivered to the Trustee by the Lenders are authorized to be made by the Government National Mortgage Association and "would constitute general obligations of the United States backed by its full faith and credit."

Government National Mortgage Association Borrowing Authority

To meet its obligations under such guaranty, the Government National Mortgage Association, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury (the "Treasury") in an amount outstanding at any one time sufficient to enable the Government National Mortgage Association, 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 the Government National Mortgage Association and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of Housing and Urban Development ("HUD") that the Treasury will make loans to the Government National Mortgage Association, if needed, to implement the aforementioned guaranty.

The Government National Mortgage Association is to warrant to the Trustee, as the owner of the GNMA Certificates, that, in the event it is called upon at any time to honor its guaranty of the payment of principal and interest on any GNMA Certificate, it shall, if necessary, in accordance with the aforesaid Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payment.

Servicing of the Mortgage Loans

Under contractual arrangements that will be entered into by and between the Servicer and the Government National Mortgage Association, and pursuant to the Program Documents, the Servicer is responsible for servicing and otherwise administering the Mortgage Loans in accordance with generally accepted practices of the mortgage lending industry and the Government National Mortgage Association Servicer's Guide.

The monthly remuneration of the Servicer, for its servicing and administrative functions, and the guaranty fee charged by the Government National Mortgage Association, are based on the unpaid principal amount of the GNMA Certificates outstanding. In compliance with the Government National Mortgage Association regulations and policies, the total of these servicing and guaranty fees may range from 0.25% to 0.625%, calculated on the principal balance of each GNMA Certificate outstanding on the last day of the month preceding such calculation. Each GNMA Certificate carries an interest rate that is fixed below the interest rate on the underlying Mortgage Loans because the afore-mentioned servicing and guaranty fees are deducted from payments on the Mortgage Loans before such payments are forwarded to the Trustee. It is expected that interest and principal payments on the Mortgage Loans received by the Servicer will be the

source of money for payments on the GNMA Certificates. If such payments are less than the amount then due, the Servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments of principal and interest due on the GNMA Certificates. The Government National Mortgage Association guarantees such timely payment in the event of the failure of the Servicer to pass through an amount equal to such scheduled payments (whether or not made by the Mortgagors). The Servicer is required to advise the Government National Mortgage Association in advance of any impending default on scheduled payments so that the Government National Mortgage Association, as guarantor, will be able to continue such payments as scheduled on the third business day after the twentieth day of each month. However, if such payments are not received as scheduled, the Trustee has recourse directly to the Government National Mortgage Association.

Guaranty Agreement

The Government National Mortgage Association guaranty agreement to be entered into by the Government National Mortgage Association and the Servicer upon issuance of a GNMA Certificate, pursuant to which the Government National Mortgage Association guarantees the payment of principal and interest on such GNMA Certificate (the “GNMA Guaranty Agreement”), provides that, in the event of a default by the Servicer, including (i) a failure to make any payment due under the GNMA Certificate, (ii) a request to the Government National Mortgage Association to make a payment of principal or interest on a GNMA Certificate and the utilization thereof by the Servicer, (iii) insolvency of the Servicer or (iv) default by the Servicer under any other terms of the GNMA Guaranty Agreement, the Government National Mortgage Association has the right, by letter to the Servicer, to effect and complete the extinguishment of the Servicer’s interest in the Mortgage Loans, and the Mortgage Loans shall thereupon become the absolute property of the Government National Mortgage Association, subject only to the unsatisfied rights of the owner of the GNMA Certificate. In such event, the GNMA Guaranty Agreement provides that on and after the time the Government National Mortgage Association directs such a letter of extinguishment to the Servicer, the Government National Mortgage Association shall be the successor in all respects to the Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Servicer’s indemnification of the Government National Mortgage Association), theretofore placed on the Servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time the Government National Mortgage Association may enter into an agreement with any other eligible issuer of GNMA Certificates under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities theretofore placed on the Servicer, and provided that no such agreement shall detract from or diminish the responsibilities, duties or liabilities of the Government National Mortgage Association in its capacity as guarantor of the GNMA Certificate, or otherwise adversely affect the rights of the owner thereof.

Payment of Principal of and Interest on the GNMA Certificates

Regular monthly installment payments on each GNMA Certificate are required to begin on the fifteenth day (in the case of a GNMA I Security) and in the case of payments required to be made to holders of certificated securities, on the nineteenth day, or the twentieth day if the nineteenth day is not a business day, and in the case of payments required to be made to securities in book entry form, the twentieth calendar day of the month or the next business day if the twentieth calendar day is not a business day (in the case of a GNMA II Custom Pool Security) of the first month following the date of issuance of such GNMA Certificate and will be equal to the aggregate amount of the scheduled monthly principal and interest payments on each Mortgage Loan in the mortgage pool backing the GNMA Certificate, less the monthly servicing and guaranty fees of one twelfth of 0.50% of the outstanding principal balance. In addition, each payment is required to include any Mortgage Prepayments on Mortgage Loans underlying the GNMA Certificate.

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APPENDIX R

THE FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM

General

The following summary of the Fannie Mae MBS Program (as defined below), the Fannie Mae Certificates, Fannie Mae's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Fannie Mae's Prospectus, as defined below, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein. None of the Underwriters, the Administration, their respective counsel, or Bond Counsel makes any representation with respect to the accuracy or completeness of this summary.

Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency ("FHFA") to the extent provided in the Housing and Economic Recovery Act of 2008 ("HERA"). The FHFA placed Fannie Mae into conservatorship in 2008. The Administration cannot predict the long term consequences of the conservatorship of this entity and the corresponding impact on the participants and the Program.

Information on Fannie Mae and its financial condition is contained in Fannie Mae'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 Securities and Exchange Commission. Fannie Mae files reports, proxy statements and other information with the Securities and Exchange Commission. Materials that it files with the Securities and Exchange Commission are also available from the Securities and Exchange Commission's Web site, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1 800 SEC 0330. Investors may also request copies of any filing from Fannie Mae, at no cost, by telephone at (202) 752 7000 or by mail at 3900 Wisconsin Avenue, NW, Washington, DC 20016. The Administration takes no responsibility for information contained on the Web site.

Fannie Mae

Fannie Mae is a publicly held government sponsored enterprise organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market, and was transformed into a stockholder owned and privately managed corporation by legislation enacted in 1968. Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage backed securities primarily in exchange for pools of mortgage loans from lenders.

Mortgage Backed Securities Program

Fannie Mae has implemented a mortgage backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "MBS Program"). **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.**

The terms of the MBS Program are governed by the Fannie Mae Single Family Selling and Servicing Guides published by Fannie Mae, as modified by the Pool Contract (defined below), and, in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the “Trust Indenture”), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the “Fannie Mae Prospectus”). The Fannie Mae Prospectus is updated from time to time. A Fannie Mae Prospectus Supplement may not be available as to the Fannie Mae Certificates.

Copies of the Fannie Mae Prospectus are available without charge from Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (800) 237 8627). Additional information and copies of the prospectus are available by accessing Fannie Mae’s Web site.

Pool Purchase Contract

Fannie Mae and the Servicer will enter into a Pool Purchase Contract (the “Pool Contract”), pursuant to which the Servicer is permitted to deliver, and Fannie Mae agrees to purchase, Mortgage Loans in exchange for Fannie Mae Certificates. The purpose of the Pool Contract is to provide for certain additions, deletions and changes to the Fannie Mae Single Family Selling and Servicing Guides relating to the purchase of Mortgage Loans. In the event of a conflict between the Pool Contract and the Fannie Mae Single Family Selling and Servicing Guides, the Pool Contract is to control. The description set forth below assumes that the Pool Contract will be executed substantially in the form presented by Fannie Mae to the Servicer at the time the Series Bonds are initially delivered.

The Pool Contract obligates the Servicer to service the Mortgage Loans in accordance with the requirements of the Fannie Mae Single Family Selling and Servicing Guides and the Pool Contract.

Fannie Mae Certificates

Each Fannie Mae Certificate is to represent the entire interest in a specified pool of Mortgage Loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Certificate be in a minimum amount of \$250,000 (or, in each case, such lesser amounts as may be approved by Fannie Mae). The Mortgage Loans backing each Fannie Mae Certificate are to bear interest at a rate higher than each Fannie Mae Certificate (the “pass through rate”). The difference between the interest rate on the Mortgage Loans and the pass through rate on the Fannie Mae Certificate is to be collected by the Servicer and used to pay the Servicer’s servicing fee and Fannie Mae’s guaranty fee.

Fannie Mae is to guarantee to the registered holder of the Fannie Mae Certificates that it shall distribute amounts representing scheduled principal and interest at the applicable “pass through rate” on the Mortgage Loans in the pools represented by such Fannie Mae Certificates, whether or not received, and the full principal balance of any foreclosed or other finally liquidated Mortgage Loan, whether or not such principal balance is actually received. The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the holder of Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the registered holder of Fannie Mae Certificates, would be affected by delinquent payments and defaults on such Mortgage Loans.

Payments on Mortgage Loans; Distributions on Fannie Mae Certificates

Payments on a Fannie Mae Certificate are to be made to the Trustee 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 is to distribute to the Trustee an amount equal to the total of (i) 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 prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any Mortgage Loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae's election any 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 Trust Indenture), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass through rate on the principal balance of the Fannie Mae Certificate as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Certificate on its issue date). For purposes of distributions, a Mortgage Loan is to be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

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