

In the opinions of Foley & Lardner LLP and of Burke, Burns & Pinelli, Ltd., Bond Counsel, if there is continuing compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (A) interest on the 2005 Subseries A-1 Bonds (non-AMT) is excludable from gross income of their owners for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, and (B) interest on the 2005 Subseries A-2 Bonds (AMT) and the 2005 Subseries A-3 Bonds (AMT) is excludable from gross income of their owners for federal income tax purposes, but is a specific preference item for purposes of the federal alternative minimum tax. Under the Illinois Housing Development Act (the "Act"), in its present form, interest on the Offered Bonds is exempt from Illinois income taxes. See "TAX MATTERS" for a fuller discussion of tax considerations and Appendix D for the proposed form of Bond Counsel opinion.

NEW ISSUE – BOOK-ENTRY ONLY

Dated: Date of Delivery

Due: See inside cover

\$75,000,000

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

**Homeowner Mortgage Revenue Bonds, 2005 Series A
consisting of**

\$19,200,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-1 (non-AMT)

\$35,800,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-2 (AMT)

\$20,000,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-3 (AMT) (Variable Rate)

The 2005 Series A Bonds (also sometimes referred to as the "Offered Bonds") are issuable only in registered form. The Depository Trust Company ("DTC" or the "Depository"), New York, New York, will act as securities depository of the Offered Bonds and its nominee will be the registered owner of the Offered Bonds. Individual purchases of interests in the Offered Bonds must be in authorized denominations and will be recorded on a book-entry only system operated by DTC. For further details on ownership, payments, notices and other matters under the book-entry only system, see "THE OFFERED BONDS – Book-Entry Only System." Principal of and premium, if any, and interest on the Offered Bonds will be paid by J.P. Morgan Trust Company, N.A., Chicago, Illinois, as Fiscal Agent and Trustee.

The 2005 Subseries A-1 Bonds and the 2005 Subseries A-2 Bonds will bear interest from their respective dates at the respective rates set forth on the inside cover pages, payable semiannually on each February 1 and August 1, with the first interest payment date being August 1, 2005. See "THE OFFERED BONDS – The 2005 Series A Fixed Rate Bonds – General."

The 2005 Subseries A-3 Bonds (also sometimes referred to as the "Variable Rate Bonds") initially bear interest for a Weekly Interest Rate Period. The Variable Rate Bonds may be adjusted to bear interest for a Daily Interest Rate Period, a Short-Term Interest Rate Period or a Long-Term Interest Rate Period. For Variable Rate Bonds bearing interest at a Weekly Interest Rate, interest will be payable semiannually on each February 1 and August 1, with the first interest payment date being August 1, 2005, and for all other Variable Rate Bonds, interest will be payable on the first Business Day of each month. During a Weekly Interest Rate Period, the Variable Rate Bonds are subject to tender for purchase on any Business Day at the option of the registered owners thereof upon seven days' prior notice given by such registered owners to J.P. Morgan Trust Company, N.A., Chicago, Illinois, as Tender Agent (the "Tender Agent"). The Variable Rate Bonds are subject to mandatory tender for purchase (i) on the first day of each Interest Rate Period, (ii) upon the termination, expiration, reduction, modification or replacement of the Liquidity Facility or any Alternate Liquidity Facility, and (iii) in certain circumstances following an event of default under the Liquidity Facility. See "THE OFFERED BONDS – The Variable Rate Bonds" and Appendix F.

The purchase of the Variable Rate Bonds may be made with the proceeds of the remarketing of such Bonds by UBS Financial Services Inc., as Remarketing Agent for the Variable Rate Bonds. Funds for the timely payment of the purchase price of Variable Rate Bonds tendered for purchase and not remarketed will be provided pursuant to a Standby Bond Purchase Agreement (the "Initial Liquidity Facility") among the Authority, the Trustee and State Street Bank and Trust Company (the "Initial Liquidity Provider"). The Initial Liquidity Facility expires on March 10, 2010, subject to earlier termination as provided therein and subject to extension or renewal. The Variable Rate Bonds will be subject to mandatory tender for purchase upon the expiration of the Initial Liquidity Facility in the event that the Initial Liquidity Facility is not renewed or an Alternate Liquidity Facility is not substituted therefor. *The obligations of the Initial Liquidity Provider to purchase Variable Rate Bonds under the Initial Liquidity Facility may be terminated, in some circumstances, without notice to the Trustee, as described herein.*



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This Official Statement is not intended to describe the terms of any Variable Rate Bond after its conversion to a Long-Term Interest Rate Period.

The Offered Bonds are subject to redemption, including redemption at par without premium, as described herein under the caption "THE OFFERED BONDS – The Offered Bonds – Redemption," and "– The Variable Rate Bonds – Optional Redemption."

The Offered Bonds are special limited obligations of the Authority. Together with the Prior Bonds and Additional Bonds, the Offered Bonds have a claim for payment solely from Pledged Property as described in the General Resolution, including Revenues derived from Mortgage Loans, Transfer Amounts and other Funds and Accounts held by the Trustee. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Offered Bonds are not general obligations of the Authority and are not a debt of or guaranteed by the State or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that Section 26.1 of the Act, which requires the Governor to submit to the General Assembly the amount certified by the Authority as being required to pay debt service on its bonds because of insufficient moneys available for such payments, shall not apply to the Offered Bonds.

The Offered Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification without notice, and to the approval of legality by Foley & Lardner LLP and Burke, Burns & Pinelli, Ltd., Chicago, Illinois, Bond Counsel. Certain legal matters in connection with the issuance of the Offered Bonds will be passed upon for the Authority by its General Counsel, Mary R. Kenney, Esq., and by its counsel, DLA Piper Rudnick Gray Cary US LLP, Chicago, Illinois, for the Underwriters by their counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Initial Liquidity Provider by its counsel, Winston & Strawn LLP, Chicago, Illinois. See "LEGAL MATTERS." It is expected that the Offered Bonds will be available for delivery to DTC in New York, New York, on or about March 10, 2005.

UBS Financial Services Inc. †

JPMorgan

Goldman, Sachs & Co.

This Official Statement is dated February 3, 2005.

† Sole Underwriter for the 2005 Subseries A-3 Bonds

\$75,000,000

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Homeowner Mortgage Revenue Bonds, 2005 Series A
consisting of

\$19,200,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-1 (non-AMT)

\$35,800,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-2 (AMT)

\$20,000,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-3 (AMT) (Variable Rate)

MATURITY SCHEDULES

Dated: Date of Delivery

2005 Subseries A-1 Bonds (non-AMT)

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
February 1, 2006	\$670,000	2.25 %	February 1, 2011	\$765,000	3.30 %
August 1, 2006	675,000	2.375	August 1, 2011	780,000	3.35
February 1, 2007	690,000	2.60	February 1, 2012	795,000	3.50
August 1, 2007	695,000	2.65	August 1, 2012	805,000	3.55
February 1, 2008	700,000	2.75	February 1, 2013	820,000	3.65
August 1, 2008	715,000	2.80	August 1, 2013	840,000	3.70
February 1, 2009	720,000	2.90	February 1, 2014	850,000	3.80
August 1, 2009	730,000	3.00	August 1, 2014	870,000	3.80
February 1, 2010	745,000	3.10	February 1, 2015	880,000	3.90
August 1, 2010	755,000	3.20	August 1, 2015	905,000	3.90

\$3,795,000 4.10% Term Bonds due August 1, 2017

2005 Subseries A-2 Bonds (AMT)

\$17,725,000 4.60% Term Bonds due August 1, 2025

\$3,980,000 5.00% Term Bonds due August 1, 2028 Price: 105.6425%

\$14,095,000 4.80% Term Bonds due August 1, 2035

2005 Subseries A-3 Bonds (AMT)

\$20,000,000 Variable Rate Demand Bonds due August 1, 2035

Price of all Offered Bonds Except Term Bonds due August 1, 2028

100%

No person has been authorized by the Authority 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 the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date as of which information is given in this Official Statement.

TABLE OF CONTENTS

Introduction	1	Trustee Payment of Expenses.....	66
Powers and Duties.....	1	Security for Deposits; Investment of Moneys.....	67
The Authority	5	Compliance Certificates and Cash Flow Certificates.....	68
Powers and Duties.....	5	Tax Covenants	69
Membership.....	6	Books and Records	69
Management	7	Annual Audit and Report.....	70
The Offered Bonds	8	Program Covenants.....	70
The 2005 Series A Fixed Rate Bonds – General	8	Events of Default	70
The Offered Bonds – Redemption	9	Acceleration of Maturity.....	71
The Variable Rate Bonds	16	Enforcement of Remedies.....	71
General Redemption Provisions.....	23	Pro Rata Application of Funds	72
Book-Entry Only System	24	Restrictions Upon Actions by Individual Bondowner	74
Fiscal Agent and Trustee.....	27	Trustee Entitled to Indemnity	75
Assumptions Regarding Revenues, Debt Service Requirements		Limitation of Obligations and Responsibilities of Trustee	75
and Program Expenses	28	Compensation and Indemnification of Trustee	76
General	28	Resignation and Removal of Trustee	76
Mortgage Loans.....	29	Appointment of Successor Trustee.....	76
Certain Investments.....	29	Successor Fiscal Agent.....	77
Expenses	30	Supplemental Resolutions	77
Competing Mortgage Products	30	Defeasance	79
Sources and Uses of Funds.....	31	Tax Matters	79
Security and Sources of Payment for the Bonds.....	31	Summary of Bond Counsel Opinions.....	79
General	31	Continuing Legal Requirements	80
Mortgage Loans.....	32	Covenants	80
Proceeds of Convertible Option Bonds.....	36	Risk of Non-Compliance with Covenants.....	80
Proceeds of Notes.....	36	Other Federal Income Tax Consequences.....	80
Reserve Fund.....	36	Internal Revenue Service Examination Program	81
Transfer Amounts.....	37	Federal Tax Legislation	81
Authority Contribution.....	39	Legal Matters	81
Cash Flow Certificates and Rating Certificates.....	39	Litigation	81
Additional Bonds.....	41	Legality For Investment.....	82
Interest Rate Protection Agreements	41	Ratings	82
The Program	41	Underwriting	82
General	41	Financial Statements	83
Program Eligibility	43	Investment Policy.....	83
Origination and Purchase	44	Continuing Disclosure	84
Loan Servicing	46	Miscellaneous.....	84
Eligibility Requirements of the Code	47	Appendix A	Authority Annual Financial Statements
Other Programs.....	48	Appendix B	Certain Program Information
Other Single-Family Mortgage Purchase Programs	48	Appendix C	Summary of Certain Mortgage Insurance and Illinois Foreclosure Procedures
Multi-Family Mortgage Loan Programs.....	48	Appendix D	Form of Opinion of Bond Counsel
Other Authorized Activities	51	Appendix E	Summary of the Continuing Disclosure Undertaking of the Authority
Summary of Certain Provisions of the General Resolution.....	52	Appendix F	The Variable Rate Bonds
Certain Definitions	52	Appendix G	Initial Liquidity Facility for the Variable Rate Bonds
General Resolution to Constitute Contract	61		
Issuance of Bonds.....	61		
Funds and Accounts	62		
Program Fund - Series Program Accounts	62		
Debt Service Account	64		
Purchase of Bonds from Revenue Fund.....	64		
Subordinate Bond Accounts.....	65		
Use of Amounts in Redemption Account for Purchase			
or Redemption.....	65		
Reserve Fund.....	65		
Deficiencies in Debt Service Account	66		

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS RELATING TO THE OFFERED BONDS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE OFFERED BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE OFFERED BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR 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. THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE OFFERED BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THOSE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

THE UNDERWRITERS INTEND TO ENGAGE IN SECONDARY MARKET TRADING IN THE OFFERED BONDS, SUBJECT TO APPLICABLE SECURITY LAWS. THE UNDERWRITERS, HOWEVER, ARE NOT OBLIGATED TO REPURCHASE ANY OF THOSE BONDS AT THE REQUEST OF ANY OWNER THEREOF. FOR INFORMATION WITH RESPECT TO THE UNDERWRITERS, SEE "UNDERWRITING."

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OFFICIAL STATEMENT
of
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Relating to

\$75,000,000

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Homeowner Mortgage Revenue Bonds, 2005 Series A
consisting of

\$19,200,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-1 (non-AMT)

\$35,800,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-2 (AMT)

\$20,000,000 Homeowner Mortgage Revenue Bonds, 2005 Subseries A-3 (AMT) (Variable Rate)

INTRODUCTION

Powers and Duties

This Official Statement (including the cover page and the appendices) is being distributed by the Illinois Housing Development Authority (the “Authority”) in order to furnish information in connection with the issuance of (i) \$75,000,000 Homeowner Mortgage Revenue Bonds, 2005 Series A, to be issued in three Subseries, consisting of the \$19,200,000 2005 Subseries A-1 Bonds (non-AMT) (the “2005 Subseries A-1 Bonds”), the \$35,800,000 2005 Subseries A-2 Bonds (AMT) (the “2005 Subseries A-2 Bonds”), and the \$20,000,000 2005 Subseries A-3 Bonds (AMT) (Variable Rate) (the “2005 Subseries A-3 Bonds,” and, together with the 2005 Subseries A-1 Bonds and the 2005 Subseries A-2 Bonds, the “2005 Series A Bonds” or the “Offered Bonds”).

The Offered Bonds are being issued by the Authority pursuant to the Illinois Housing Development Act, as amended (the “Act”), in furtherance of its single-family housing mortgage loan program, and pursuant to the Authority’s Homeowner Mortgage Revenue Bonds General Resolution, adopted on July 15, 1994, as supplemented and amended from time to time (the “General Resolution”). The issuance of the Offered Bonds is authorized by the General Resolution and the 2005 Series A Resolution adopted by the Authority on November 19, 2004, as supplemented and amended from time to time (together with the determination of the Authority with respect to the Offered Bonds, the “2005 Series A Resolution”). The General Resolution, and the 2005 Series A Resolution are collectively called the “Resolution.”

In 1994, the Authority established the Homeowner Mortgage Revenue Bonds Program (the “Program”) to provide funds to purchase from lending institutions to be selected by the Authority (“Mortgage Lenders”) mortgage loans (“Mortgage Loans”) made to eligible borrowers (“Eligible Borrowers”) for owner-occupied, one- to four-unit dwellings (“Qualified Dwellings”) throughout the State of Illinois (the “State”) in accordance with the requirements of State and federal law and the General Resolution. The Authority has been involved in the financing of low and moderate income housing in the State for more than 30 years. The Authority has operated bond financed single-family mortgage purchase programs since 1982. See “THE AUTHORITY,” “THE PROGRAM” and “OTHER PROGRAMS.” The Authority has issued \$2,081,930,000 aggregate

original principal amount of bonds (collectively, the “Prior Bonds”) under the Program and General Resolution. As of December 31, 2004, \$795,915,000 aggregate principal amount of Prior Bonds were Outstanding under the General Resolution.

The Offered Bonds, the Prior Bonds and all other bonds subsequently issued under the General Resolution are referred to herein as the “Bonds.” Additional Bonds (“Additional Bonds”) may be issued by the Authority for purposes, upon the terms and subject to the conditions provided in the General Resolution. The Prior Bonds are, and each Series of Additional Bonds (other than Subordinate Bonds) will be, on a parity with the Offered Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds.”

Proceeds of the Offered Bonds, together with other available funds, will be used to (a) purchase Mortgage Loans made to Eligible Borrowers for Qualified Dwellings in the State of Illinois (the “State”), (b) refund outstanding Homeowner Mortgage Revenue Bonds of one or more series, (c) replace amounts derived from previously issued Homeowner Mortgage Revenue Bonds of the Authority issued to acquire qualified mortgage loans, which amounts may include principal payments and prepayments, excess reserves and other surplus funds (the replaced amounts will be used to redeem such prior bonds), (d) fund capitalized interest, if required, (e) make a deposit to the Reserve Fund, if required, and/or (f) pay or reimburse the Authority for certain costs incurred in connection with the issuance of the Offered Bonds and certain Prior Bonds. See “SOURCES AND USES OF FUNDS” and “THE PROGRAM.”

The Authority also anticipates issuing, simultaneously with the issuance of the Offered Bonds, a Series of Additional Bonds, consisting of approximately \$40,000,000 aggregate principal amount of its Homeowner Mortgage Revenue Bond, 2005 Series B (the “2005 Series B Bonds”). The 2005 Series B Bonds will be subject to mandatory tender for purchase prior to their maturity, with a tender date of not later than July 1, 2008, and may be converted to bear interest at a Fixed Rate on or before their tender date. Proceeds of the 2005 Series B Bonds will not be used to purchase Mortgage Loans prior to their tender date. Rather, such moneys will be held in Investment Obligations and are expected to be available for application, subject to the requirements of the General Resolution and the applicable Series Resolution, to scheduled interest payments on the 2005 Series B Bonds and the payment of the purchase price on their Tender Date or to the payment of their redemption price to the extent they are redeemed prior to their maturity. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Convertible Option Bonds.”

The General Resolution provides that the details of the Mortgage Loans to be purchased with the proceeds of a Series of Bonds are to be determined by Series Program Determinations set forth in the related Series Resolution. These details include the types of security, payment provisions, maximum term, nature of residences, primary mortgage insurance requirements, Supplemental Mortgage Coverage and other credit support and loan-to-value ratios. The details concerning Mortgage Loans to be purchased with proceeds of the Offered Bonds were determined by the Series Program Determinations set forth in the Series Resolution for those Bonds, and, except as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans,” are substantially the same as those for the Prior Bonds. The Authority may from time to time adjust the interest rates at which it will purchase Mortgage

Loans with amounts on deposit in the various Series Program Accounts. See “THE PROGRAM – General.”

The Program Determinations for the Prior Bonds and the Offered Bonds authorize the purchase of Mortgage Loans that are secured by mortgages constituting valid first mortgage liens on Qualified Dwellings (“First Mortgage Loans”). Except as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans,” the First Mortgage Loans to be purchased must be 30-year maximum term, level payment Mortgage Loans. The original principal amount of each such First Mortgage Loan, together with the principal amount of any Second Mortgage Loan (as defined herein), may not exceed 110 percent of the lesser of the purchase price (including financed improvements) or the appraised value (including financed improvements) of the Qualified Dwelling at the time of the origination of the Mortgage Loan(s) (“Property Value”). Each such First Mortgage Loan that has a loan-to-Property Value ratio in excess of 80 percent at the time of origination must (a) in the case of conventional Mortgage Loans, be insured by private mortgage insurance so that the uninsured portion of such Mortgage Loan will not exceed 68 percent (72 percent in the case of Transferred Mortgage Loans, as defined herein) of the Property Value, or (b) be subject to insurance or guarantee by the United States Federal Housing Administration (“FHA”), the Department Veterans Affairs (“VA”), the United States Department of Agriculture under its Rural Development Service Guaranteed Rural Housing Loan Program (“USDA”) or any other agency or instrumentality of the United States of America having similar powers to insure or guarantee mortgage loans. Private mortgage insurance must be provided by a mortgage insurer that is (i) qualified to do business in the State, approved by Fannie Mae and the Federal Home Loan Mortgage Corporation (“FHLMC”) and rated as to its claims paying ability in the two highest whole rating categories by each Rating Agency, or (ii) accepted in writing by the Authority subject to the filing by the Authority of a Rating Certificate with the Trustee, advising that the use of such insurer will not result in a reduction of the Ratings of the Bonds. In the case of Mortgage Loans insured by FHA or guaranteed by the VA or USDA, the Authority must file with the Trustee a Cash Flow Certificate and a Rating Certificate, advising that the purchase of such Mortgage Loans will not result in a reduction of the Ratings of the Bonds. In addition, the Program Determinations for the Offered Bonds and certain Series of Prior Bonds provide for the sale of First Mortgage Loans or Second Mortgage Loans in exchange for Mortgage Certificates (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans” and “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” attached as Appendix C.

In addition, with respect to conventional First Mortgage Loans purchased with proceeds of the Offered Bonds, the Authority will provide Supplemental Mortgage Coverage by obtaining from one or more qualified mortgage pool insurers (each, a “Mortgage Pool Insurer”) a mortgage pool insurance policy or policies (each, a “Pool Policy”) that will pay claims against losses arising from an event of default under any Mortgage Loans covered by such policy, up to an aggregate limit equal to 3.5 percent of the aggregate original principal amount of Mortgage Loans so covered with no Deductible (as defined herein), if any, greater than one percent. The Supplemental Mortgage Coverage applicable to Mortgage Loans purchased with proceeds of Prior Bonds is also in the form of Pool Policies. These Pool Policies generally provide an aggregate loss coverage limit of 3.5 percent of the aggregate original principal amount of the covered Mortgage Loans. Some (but not all) of these Pool Policies also require that the first one percent of losses be absorbed under the Program as a deductible (a “Deductible”), so that only

the remaining 2.5 percent of losses are covered by those Pool Policies. See “CERTAIN PROGRAM INFORMATION – Mortgage Pool Insurers” attached as Appendix B for certain information with respect to the Pool Policies. For additional information regarding the Supplemental Mortgage Coverage, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans” and “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” attached as Appendix C.

The Program Determinations for the Offered Bonds and certain Prior Bonds authorize the purchase of Mortgage Loans that are secured by mortgages constituting valid second mortgage liens on Qualified Dwellings (“Second Mortgage Loans”). A Second Mortgage Loan is made only in connection with a First Mortgage Loan made with respect to the same Qualified Dwelling. A Second Mortgage Loan must have a 10-year maximum term, may be non-interest bearing, and may or may not be fully amortizing. The original principal amount of each Second Mortgage Loan, together with the First Mortgage Loan, may not exceed 110 percent of the Property Value (including financed improvements), and no Second Mortgage Loan may have a loan-to-Property Value ratio in excess of the lesser of (i) four percent or (ii) the difference between 110 percent and the actual loan-to-Property Value of the First Mortgage Loan. Second Mortgage Loans will not be covered by private mortgage insurance or Pool Policies. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans” and “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” attached as Appendix C.

From time to time proceeds of Bonds are used to reimburse the Authority for the purchase price of Mortgage Loans (which meet the requirements of the Program and the applicable Series Program Determinations) purchased by the Authority from its Administrative Fund. Upon such reimbursement, those Mortgage Loans are transferred to the General Resolution as Pledged Property.

From time to time the Authority has used proceeds of Bonds issued under the Program to redeem or refund Residential Mortgage Revenue Bonds issued under the Authority’s Residential Mortgage Revenue Bond General Resolution, adopted August 19, 1983 (as amended and supplemented, the “1983 Resolution”), which is the Authority’s prior single family mortgage loan purchase program. In connection with such redemptions and refundings, certain of the mortgage loans originally purchased with the proceeds of the refunded bonds were transferred from the 1983 Resolution to the General Resolution. Those mortgage loans (referred to as “Transferred Mortgage Loans”) are included as Pledged Property under the General Resolution. As further described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans,” the details concerning Transferred Mortgage Loans when they were originated, *i.e.*, the types of security, payment provisions, maximum term, nature of residences, primary mortgage insurance requirements, credit support and loan-to-value ratios, are similar to those set forth in the Series Program Determinations for the Prior Bonds and the Offered Bonds.

The details concerning Mortgage Loans purchased with proceeds of Additional Bonds may differ from those concerning the Mortgage Loans purchased with the proceeds of the Prior Bonds and the Offered Bonds. In addition, the Authority may amend or supplement Series Program Determinations upon filing a Cash Flow Certificate and Rating Certificate with the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Cash Flow Certificates and Rating Certificates.”

The Offered Bonds are special limited obligations of the Authority. Together with the Prior Bonds and Additional Bonds, the Offered Bonds have a claim for payment solely from Pledged Property as described in the General Resolution, including Revenues derived from Mortgage Loans, Transfer Amounts and other Funds and Accounts held by the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Offered Bonds are not general obligations of the Authority and are not a debt of or guaranteed by the State or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that Section 26.1 of the Act, which requires the Governor to submit to the General Assembly the amount certified by the Authority as being required to pay debt service on its bonds because of insufficient moneys available for such payments, shall not apply to the Offered Bonds.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Certain Definitions” and Appendices F and G for definitions of certain capitalized words and terms used herein.

THE AUTHORITY

Powers and Duties

The Authority is a body politic and corporate of the State created by the Act for the purposes of assisting in the financing of decent, safe and sanitary housing for persons and families of low and moderate income in the State and assisting in the financing of residential mortgages in the State. To accomplish its purposes, the Authority is authorized by the Act to make mortgage or other loans to nonprofit corporations and limited-profit entities for the acquisition, construction or rehabilitation of dwelling accommodations, to make loans for housing related commercial facilities, to issue or provide for the issuance of obligations secured by or representing an ownership interest in residential mortgages, to acquire, and to contract and enter into advance commitments to acquire residential mortgage loans from lending institutions, and to develop and own rental housing developments. The Act also authorizes the Authority to issue its bonds and notes to fulfill its corporate purposes, including the financing of mortgage and construction loans, the acquisition of residential mortgage loans, the making of loans for housing related commercial facilities and the refunding of bonds and notes previously issued to finance mortgage and construction loans. The Authority has issued various bonds and notes to finance mortgage loans and construction loans, to purchase residential mortgage loans from

lending institutions and to make loans to private lending institutions for making new residential mortgage loans. See “OTHER PROGRAMS.”

The Authority has the power under the Act to have up to \$3,600,000,000 of bonds and notes outstanding, excluding those issued to refund its outstanding bonds and notes. As of December 31, 2004, the Authority has debt outstanding in the amount of \$1,793,220,200, which consists of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for \$305,528,900 of that total.

Membership

The Authority consists of nine Members appointed by the Governor of the State (the “Governor”) with the advice and consent of the State Senate. The Act provides that not more than three Members shall be from any one county in the State, not more than five shall be of any one political party, and at least one shall be a person of age 60 or older. Members hold office from the second Monday in January of the year of their respective appointments for a term of four years and until their successors are appointed and qualified. The concurrence of five Members is required for action by the Authority. The Governor designates a Chairman from among the Members, and the Chairman is considered to be a Member for purposes of concurrence. The Chairman is the Authority’s chief executive officer. The Members of the Authority serve without compensation. The Authority has determined by resolution to indemnify its Members and officers for any actions taken or omitted to be taken in performing their duties, except actions or omissions which constitute gross negligence or malfeasance. The Members of the Authority are:

TERRY E. NEWMAN, Chairman – Partner, Katten Muchin Zavis & Rosenman

GERALD SINCLAIR, Vice Chairman – Owner, Sinclair Investment Co.

ROBERT BARKER, Treasurer – President, Barker Brothers, Inc.

VELMA BUTLER, Secretary – Managing Partner, Velma Butler & Company, Ltd.

JUDITH ANN DEANGELO, Member – President, JADE Carpentry Contractors, Inc.

RONALD J. GROTOVSKY, Member – Director, Will County Land Use Department

RICHARD KORDESH, Member – President, The Nucleus Community Institute

A.D. VAN METER, JR., Member – Chairman Emeritus, National City Bank-Michigan/Illinois

There is currently one vacancy.

Management

The Authority employs a staff of approximately 200 persons, including persons who have experience and responsibilities in the areas of finance, accounting, law, mortgage loan underwriting, loan servicing, housing development, market analysis, construction, housing marketing and housing management. Certain members of the senior staff of the Authority are listed below.

KELLY KING DIBBLE, Executive Director, has extensive public and private real estate experience. As a deputy commissioner for the Chicago Department of Planning and Development, Ms. Dibble created initiatives to stimulate the residential and commercial development on the city's near west and south sides. In the private sector, Ms. Dibble was a director of Chicago's Hyatt Development Corp. from 1995 to 2000, providing analysis and project leadership. For the next two years, she was vice president of business development for Rezmar Corp. of Chicago, specializing in hotel and commercial project development. Before graduating in 1985 from Harvard Law School, Ms. Dibble launched her long-standing interest in affordable housing and community development as president of the Harvard Real Estate and Urban Development Forum. Earlier, she earned a B.A. in economics from Wellesley College in 1982.

LAURA GERARD HASSAN, Deputy Executive Director, has significant private and public real estate experience. She practiced real estate law at Rudnick & Wolfe (now DLA Piper Rudnick Gray Cary US LLP) from 1977 to 1992 and again from 1995 to 1998. From 1992 to 1994, Ms. Hassan expanded her experience outside of law as Deputy for Community Development in the Department of Planning and Development for the City of Chicago. Ms. Hassan returned to legal practice from August, 1998 to October, 2003 as Vice President-Legal at Equity Office Properties Trust, the largest office real estate investment trust in the United States. Ms. Hassan has participated in a number of boards, including serving on the City of Chicago's Community Development Commission since 1995. Ms. Hassan graduated from the University of Chicago Law School in 1977.

JANE R. BILGER, Assistant Executive Director and Chief of Staff, joined the Authority in 2003. Ms. Bilger has held various management positions in public and community development finance, including Director of Finance and Lending for the Illinois Facilities Fund, a statewide community development financial institution, Deputy Commissioner for Program Development for the City of Chicago Department of Housing, Vice President, Public Finance for W.H. Newbold's/American Capital Group and as Assistant Director-Program Coordination/Neighborhood Program Coordinator in Philadelphia, Pennsylvania. Ms. Bilger has a Bachelor of Arts degree in Urban Studies from the University of Pennsylvania.

ROBERT W. KUGEL, Chief Financial Officer, Assistant Treasurer and Assistant Executive Director, has served as Chief Financial Officer of the Authority since 1983. He has been with the Authority since 1975. Previously, he served as finance manager of Telco Marketing Services Inc. for three years and of a division of The Greyhound Corporation for four years. Mr. Kugel holds a Juris Doctor degree from John Marshall Law School, a Master of Business Administration degree from Loyola University of Chicago and a Bachelor of Science degree from Northern Illinois University.

MARY R. KENNEY, General Counsel, returned to the Authority in August 2000. She previously served as an administrator of the Authority's Portfolio Administration Department from 1988 through 1991 and earned her law degree from Loyola University of Chicago. After law school, she joined the Chicago law firm of Johnson & Bell in 1994 where she specialized in commercial litigation. Ms. Kenney has argued before various appellate courts and has participated in all phases of litigation at the trial court level. She also holds a Bachelor of Science degree in finance from DePaul University, where she concentrated in real estate and graduated with honors.

DAVID C. MANDEVILLE, Assistant to the Executive Director, Director of Single Family Programs, joined the Authority in 2003. Mr. Mandeville has 14 years of commercial banking, mortgage banking, public and community development finance experience. Prior to coming to IHDA, Mr. Mandeville was Director of Portfolio Administration and Senior Housing for the City of Chicago's Department of Housing. There he managed the City of Chicago's multifamily loan portfolio and directed the City's senior housing initiatives. Prior to entering public service, he was employed as Director at Sable Bankshares, Inc., a bank holding company and formed a mortgage company using monies from U.S. Treasury's CDFI fund. Mr. Mandeville also served as Vice President in charge of small business lending and community development lending at Bank One, Illinois. He holds a Bachelor of Science degree in finance from DePaul University.

ROGER G. MORSCH, Director, Single-Family Programs, joined the Authority in August 1984, after fifteen years experience in policy planning and management with the State. Mr. Morsch holds a Master of Science degree from Northern Illinois University and a Bachelor of Arts degree from Western Illinois University.

GREGORY L. LEWIS, Director, Single-Family Portfolio Administration, joined the Authority in 1986. Prior to that time, he was engaged in the private practice of law. Mr. Lewis holds a Juris Doctor degree from the University of Puget Sound and a Bachelor of Arts degree from Indiana University.

JAMES J. KREGOR, Controller, joined the Authority in December 1985. Prior to that time he served as International Financial Manager of Baker & McKenzie for three years and in various management positions with Northwest Industries, Inc. for eight years. A Certified Public Accountant, Mr. Kregor holds a Master of Business Administration degree from Northern Illinois University and a Bachelor of Business degree from Western Illinois University.

The offices of the Authority are located at 401 North Michigan Avenue, Suite 900, Chicago, Illinois 60611. The telephone number of the Authority is (312) 836-5200.

THE OFFERED BONDS

The 2005 Series A Fixed Rate Bonds – General

The 2005 Subseries A-1 Bonds and the 2005 Subseries A-2 Bonds (collectively, the "2005 Series A Fixed Rate Bonds") will be dated as set forth on the inside cover page of this Official Statement. The 2005 Series A Fixed Rate Bonds will bear interest from their respective dates at the respective rates set forth on the inside cover pages of this Official Statement, payable

semiannually on each February 1 and August 1, with the first interest payment date being August 1, 2005. The 2005 Series A Fixed Rate Bonds are issuable only in registered form in denominations of \$5,000 or any integral of \$5,000 in excess thereof.

Interest on the 2005 Series A Fixed Rate Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal of and redemption premium, if any, on the 2005 Series A Fixed Rate Bonds shall be payable at the principal corporate trust office of the Fiscal Agent. Interest due on the 2005 Series A Fixed Rate Bonds will be paid to the registered owners thereof by the Trustee by check or, in the case of owners of 2005 Series A Fixed Rate Bonds in a principal amount equal to or exceeding \$1 million upon request by wire transfer. The 2005 Series A Fixed Rate Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC” or the “Depository”), which will act as securities depository for the 2005 Series A Fixed Rate Bonds. Purchasers of the 2005 Series A Fixed Rate Bonds will not receive physical delivery of the bond certificates representing their beneficial ownership interests. See “THE OFFERED BONDS – Book-Entry Only System.”

The Offered Bonds – Redemption

Optional Special Redemption

General. The Offered Bonds are subject to special redemption, in whole or in part, at any time, at the option of the Authority, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date (except that any 2005 Subseries A-2 Structured Bonds (as defined herein) so selected would be redeemed from moneys described in paragraph (a) below at a price of par, plus accrued interest, plus the unamortized premium thereon as determined by the Authority by a straight line amortization of the original issue premium set forth in the inside cover of this Official Statement between the date of issue and February 1, 2013 (as of which date the premium would reduce to zero)), from:

(a) the proceeds of the Offered Bonds available for the financing of Mortgage Loans that are not applied to the financing of Mortgage Loans;

(b) Recoveries of Principal received by or on behalf of the Authority attributable to any Series of Bonds, but excluding the proceeds of the sale of Mortgage Loans unless such Mortgage Loans are in default in accordance with their terms, are sold to preclude the interest on the Bonds from being includible in the gross income of the recipients thereof for federal income tax purposes, violate requirements of the Program, or are sold to protect the interests of Bondowners as determined by the Authority (except with respect to the 2005 Subseries A-2 Structured Bonds, which shall not be redeemed in amounts which shall cause the principal amount of the 2005 Subseries A-2 Structured Bonds to be less than the Applicable Outstanding Amount for the applicable period); and

(c) Revenues (including Transfer Amounts but not Recoveries of Principal), commitment fees and other similar receipts and amounts transferred from the Reserve Fund in excess of the Reserve Requirement, attributable to any Series of Bonds, except with respect to the 2005 Subseries A-2 Structured Bonds, which shall not be redeemed in amounts which shall

cause the principal amount of the 2005 Subseries A-2 Structured Bonds to be less than the Applicable Outstanding Amount for the applicable period.

Selection of Bonds. The amounts and maturity dates of any Offered Bonds to be redeemed pursuant to any optional special redemption as provided above will be determined at the discretion of the Authority, as provided in a written direction to the Trustee, accompanied by a Compliance Certificate or Cash Flow Certificate, as appropriate, giving effect to such redemption. The amounts and maturity dates of any Offered Bonds to be redeemed pursuant to any optional special redemption as provided above is also subject to the redemption requirements described below under the subcaptions “*Mandatory Special Redemption*” and “*Sinking Fund Redemption.*”

Amounts Available for Redemption. The actual amounts available for use by the Authority to redeem pursuant to these optional special redemption provisions will depend upon a variety of factors, including, among others: (i) the Authority’s right to determine from which Series Program Account it will purchase Mortgage Loans or portions of Mortgage Loans; (ii) the Authority’s right to use moneys described in subparagraphs (b) and (c) above to redeem other Bonds of any Series, to the extent any such Bonds are not otherwise protected from such redemption; (iii) the Authority’s obligation to redeem the Offered Bonds from Net Offered Bonds Restricted Receipts (as defined herein), subject to the provisions regarding the mandatory special redemption of the 2005 Subseries A-2 Structured Bonds (as defined herein); and (iv) the Code requirement to redeem Offered Bonds from unexpended proceeds or Recoveries of Principal as described below under the subcaption “*Code Required Redemptions.*”

Code Required Redemptions

To the extent such redemptions are required to comply with the Authority’s tax covenants, the Offered Bonds are subject to redemption, in whole or in part, at any time, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, from: (i) unexpended proceeds of the 2005 Subseries A-2 Bonds required to be used to make Mortgage Loans which have not been so used within 42 months after the date of issuance of the Offered Bonds or bonds refunded by such Series of Bonds (or original bonds in a series of refundings), and (ii) regularly scheduled principal repayments (“Principal Repayments”) and Recoveries of Principal from Mortgage Loans, and principal payments on Mortgage Loans that have been pooled into Mortgage Certificates made or purchased or deemed to have been made or purchased with proceeds of the Offered Bonds, which amounts are received ten years after the date of issuance and delivery of the Offered Bonds or bonds refunded by such Series of Bonds (or original bonds in a series of refundings). Such original bonds were issued or trace to bonds which were issued as early as 1983 and, thus, a percentage of the Principal Repayments and Recoveries of Principal on Mortgage Loans and payments on Mortgage Loans that have been pooled into Mortgage Certificates made or purchased or deemed to have been made or purchased from proceeds of the Offered Bonds, will be subject to this redemption requirement beginning on the date of issuance of the Offered Bonds, that percentage will increase to 100 percent ten years after the issuance of the Offered Bonds. See the information and the table under the heading “CERTAIN PROGRAM INFORMATION – Ten Year Rule “ in Appendix B. Notwithstanding the foregoing, no 2005 Subseries A-2 Structured Bonds shall be so redeemed from sources described in subparagraph (ii) above in amounts which shall cause the principal amount of the 2005

Subseries A-2 Structured Bonds to be less than the Applicable Outstanding Amount for the applicable period until no other 2005 Series A Bonds remain Outstanding.

Mandatory Special Redemption

2005 Subseries A-2 Structured Bonds. The 2005 Subseries A-2 Bonds maturing August 1, 2028 (the “2005 Subseries A-2 Structured Bonds”), are subject to mandatory special redemption from Net 2005 Series A Bonds Restricted Receipts (as defined herein), at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, but only to the extent that, as of the Related Date (as defined herein), after giving effect to such redemption and any applicable Sinking Fund Requirements, the aggregate principal amount of the 2005 Subseries A-2 Structured Bonds Outstanding will not be less than the Applicable Outstanding Amount (as defined herein). To the extent Net 2005 Series A Bonds Restricted Receipts are received, such redemptions may occur at such times and with such frequency as the Authority elects, but at least once in each semiannual period, commencing with the semiannual period ending February 1, 2007.

2005 Series A Bonds Restricted Receipts. 2005 Series A Bonds Restricted Receipts means the percentage of Principal Repayments and Recoveries of Principal on Mortgage Loans made with or attributable to the proceeds of the 2005 Series A Bonds as shown on the following table for the periods indicated.

<u>Period</u> <u>(dates inclusive)</u>	<u>Percentages</u>
03/10/2005 – 09/27/2005	39.70771%
09/28/2005 – 12/20/2005	42.68390
12/21/2005 – 06/11/2006	44.58648
06/12/2006 – 09/02/2006	52.47323
09/03/2006 – 12/18/2006	55.10857
12/19/2006 – 04/07/2007	55.14294
04/08/2007 – 07/06/2007	55.19715
07/07/2007 – 08/20/2007	55.23769
08/21/2007 – 12/16/2008	55.23842
12/17/2008 – 07/28/2009	55.25015
07/29/2009 – 06/06/2010	55.26318
06/07/2010 – 07/25/2010	55.74033
07/26/2010 – 03/10/2013	61.58613
03/11/2013 – 03/09/2015	95.61333
03/10/2015 and thereafter	100.00000

Net 2005 Series A Bonds Restricted Receipts. “Net 2005 Series A Bonds Restricted Receipts” means, with respect to any redemption date, an amount equal to the difference between (i) the 2005 Series A Bonds Restricted Receipts theretofore received but not applied, and (ii) the principal amount of the 2005 Series A Bonds scheduled to mature or subject to sinking fund redemption on such redemption date (or, if none of those Bonds are scheduled to mature or subject to sinking fund redemption on such redemption date, a pro rata portion of the next subsequent scheduled maturity amount or sinking fund requirement of those Bonds).

Applicable Outstanding Amount. The “Applicable Outstanding Amount” as of any date of computation shall equal the amount indicated on the following table for the semi-annual date next following such computation date (the “Related Date”), as reduced by reason of any redemption of the 2005 Subseries A-2 Structured Bonds pursuant to an optional special redemption from moneys described in subparagraph (a) under subcaption “*Optional Special Redemption.*” The initial Table of Applicable Outstanding Amounts for the 2005 Subseries A-2 Structured Bonds is based on the assumptions of (i) receipt of Recoveries of Principal on Mortgage Loans made with or attributable to the proceeds of the 2005 Series A Bonds equal to 75 percent of the BMA Model (as defined herein), and (ii) that 100 percent of the moneys on deposit in the Series Program Account attributable to the proceeds of the 2005 Series A Bonds (net of the Costs of Issuance) will be used to purchase Mortgage Loans.

On any occasion on which the 2005 Subseries A-2 Structured Bonds are redeemed pursuant to an optional special redemption described above in subparagraph (a) under the subcaption “*Optional Special Redemption,*” the Authority shall reduce the then-current Applicable Outstanding Amount for each subsequent date by a percentage equal to that portion of such Bonds then Outstanding that are so redeemed (as rounded to the nearest \$5,000).

Table of Applicable Outstanding Amounts

Semiannual Period(s) <u>Ending</u>	2005 Subseries A-2 <u>Structured Bonds</u>
August 1, 2005	\$ 3,980,000
February 1, 2006	3,980,000
August 1, 2006	3,980,000
February 1, 2007	3,965,000
August 1, 2007	3,740,000
February 1, 2008	3,355,000
August 1, 2008	2,920,000
February 1, 2009	2,510,000
August 1, 2009	2,135,000
February 1, 2010	1,800,000
August 1, 2010	1,500,000
February 1, 2011	1,150,000
August 1, 2011	805,000
February 1, 2012	495,000
August 1, 2012	220,000
February 1, 2013	0
August 1, 2013	0
February 1, 2014	0

Projected Weighted Average Lives. The weighted average life of a Bond refers to the average of the length of time that will elapse from the date of issuance of such Bond to the date each installment of principal is paid, weighted by the amount of such installment. The weighted average life of the 2005 Subseries A-2 Structured Bonds (also referred to as the “Structured Bonds”), will be influenced by, among other factors, the rate at which Recoveries of Principal attributable to such Bonds are received.

Set forth in the following table is the projected weighted average life (in years) of the Structured Bonds based upon various rates of prepayment (resulting in Recoveries of Principal being received with respect to the related Mortgage Loans) expressed as percentages of the BMA Model. The table assumes, *inter alia*, that (i) in the case of the 2005 Subseries A-2 Structured Bonds, 100 percent of the moneys on deposit in the Series Program Accounts attributable to the proceeds of the 2005 Series A Bonds (net of the Costs of Issuance) will be used to purchase Mortgage Loans by August 1, 2005, (ii) all related Mortgage Loans are prepaid at the percentage of the BMA Model indicated in the applicable table, (iii) all scheduled principal and interest payments and prepayments on the related Mortgage Loans are timely received and the Authority experiences no foreclosure losses on such Mortgage Loans, and (iv) there will be no optional redemption of such Bonds. Some or all of such assumptions are unlikely to reflect actual experience.

Prepayment Speed (expressed as a percentage of the <u>BMA Model</u>)	Projected Weighted Average Life (in years) 2005 Subseries A-2 <u>Structured Bonds</u>
0%	21.58
25	12.07
50	7.36
75	4.98
100	4.98
200	4.98
300	4.98
400	4.98
500	4.98

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The Bond Market Association’s standard prepayment speed assumption model (the “BMA Model”) for 30-year mortgage loans represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. The BMA Model does not purport to be either an historical 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, including Mortgage Loans purchased with proceeds of the 2005 Series A Bonds. One hundred percent of the BMA Model assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first month 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 percent of the BMA Model assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate series; *e.g.*, 200 percent of the BMA Model assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

The BMA Model does not purport to be a prediction of the anticipated rate of prepayment of Mortgage Loans, and there is no assurance that actual prepayments will conform to any of the

assumed prepayment rates. The Authority makes no representation as to the percentage of the principal balance of the Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment.

Excess Receipts of Principal

Any Principal Repayments and Recoveries of Principal on Mortgage Loans made with or attributable to the proceeds of the Offered Bonds received that are not required to be used to redeem the Offered Bonds as described above may, in the Authority’s discretion, subject to the requirements of the Resolution, be applied to the purchase of additional Mortgage Loans or applied to the special redemption of Outstanding Bonds as described above in subparagraphs (b) and (c) under the subcaption “*Optional Special Redemption*,” provided that no 2005 Subseries A-2 Structured Bonds shall be so redeemed until no other 2005 Series A Bonds remain Outstanding.

Pro Rata Redemption of Certain Bonds

To the extent any of the Structured Bonds are redeemed (other than by reason of Sinking Fund Requirements), all Remaining Sinking Fund Requirements (as defined herein) for the redeemed Bonds will be redeemed on a pro rata basis. As used herein, “Remaining Sinking Fund Requirements” means all Sinking Fund Requirements due with respect to a term Bond after (and not including) the Sinking Fund Redemption due immediately after the date Remaining Sinking Fund Requirements are being determined.

Sinking Fund Redemption

The 2005 Subseries A-1 Bonds maturing on August 1, 2017, are subject to mandatory redemption in part by lot, on February 1 and August 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such 2005 Subseries A-1 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
February 1, 2016	\$920,000
August 1, 2016	940,000
February 1, 2017	960,000
August 1, 2017†	975,000

† Final maturity

The 2005 Subseries A-2 Bonds maturing on August 1, 2025, are subject to mandatory redemption in part by lot, on February 1 and August 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such 2005 Subseries A-2 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
February 1, 2018	\$ 1,000,000	February 1, 2022	\$ 1,205,000
August 1, 2018	1,025,000	August 1, 2022	1,230,000
February 1, 2019	1,045,000	February 1, 2023	1,260,000
August 1, 2019	1,070,000	August 1, 2023	1,290,000
February 1, 2020	1,100,000	February 1, 2024	1,320,000
August 1, 2020	1,120,000	August 1, 2024	1,350,000
February 1, 2021	1,150,000	February 1, 2025	685,000
August 1, 2021	1,175,000	August 1, 2025†	700,000

† Final Maturity

The 2005 Subseries A-2 Bonds maturing on August 1, 2028, are subject to mandatory redemption in part by lot, on February 1 and August 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such 2005 Subseries A-2 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
February 1, 2026	\$ 720,000
August 1, 2026	735,000
February 1, 2027	750,000
August 1, 2027	770,000
February 1, 2028	790,000
August 1, 2028†	215,000

† Final maturity

The 2005 Subseries A-2 Bonds maturing on August 1, 2035, are subject to mandatory redemption in part by lot, on February 1 and August 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such 2005 Subseries A-2 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
August 1, 2028	\$ 590,000	February 1, 2032	\$ 945,000
February 1, 2029	825,000	August 1, 2032	970,000
August 1, 2029	845,000	February 1, 2033	995,000
February 1, 2030	870,000	August 1, 2033	1,015,000
August 1, 2030	880,000	February 1, 2034	1,045,000
February 1, 2031	905,000	August 1, 2034	1,070,000
August 1, 2031	925,000	February 1, 2035	1,090,000
		August 1, 2035†	1,125,000

† Final maturity

The 2005 Subseries A-3 Bonds maturing on August 1, 2035, are subject to mandatory redemption in part by lot, on February 1 and August 1 at the times and in the amounts shown below, at a Redemption Price equal to the principal amount of such 2005 Subseries A-3 Bonds so redeemed plus accrued interest to the date of redemption, without premium:

<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>	<u>Redemption Date</u>	<u>Sinking Fund Requirement</u>
February 1, 2025	\$ 700,000	August 1, 2030	\$ 910,000
August 1, 2025	715,000	February 1, 2031	935,000
February 1, 2026	730,000	August 1, 2031	955,000
August 1, 2026	750,000	February 1, 2032	980,000
February 1, 2027	770,000	August 1, 2032	1,005,000
August 1, 2027	785,000	February 1, 2033	1,025,000
February 1, 2028	805,000	August 1, 2033	1,050,000
August 1, 2028	825,000	February 1, 2034	1,075,000
February 1, 2029	845,000	August 1, 2034	1,100,000
August 1, 2029	865,000	February 1, 2035	1,130,000
February 1, 2030	885,000	August 1, 2035†	1,160,000

† Final maturity

Optional Redemption

On or after February 1, 2014, the 2005 Series A Fixed Rate Bonds maturing after that date may be called for redemption at par, plus accrued interest, if any, to the date fixed for redemption, at the option of the Authority, in any order of maturity and by lot within a maturity, in whole or in part on any date, from any moneys available for such purpose.

The Variable Rate Bonds

The following information is furnished solely to provide summary information regarding the terms of the 2005 Subseries A-3 Bonds (also sometimes referred to as the “Variable Rate Bonds”), the Initial Liquidity Facility, and the Initial Liquidity Provider and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions and definitions appearing in Appendices F and G to this Official Statement and by reference to the portions of the Resolution relating to the Variable Rate Bonds and should be read together therewith.

This Official Statement is not intended to describe the terms of any Variable Rate Bond after its conversion to a Long-Term Interest Rate Period.

General

The Variable Rate Bonds will be dated the date of their delivery and will mature on the maturity date set forth on the inside cover page of this Official Statement. The Variable Rate Bonds are issuable only in registered form in authorized denominations of \$100,000 or any

integral multiple of \$5,000 in excess of \$100,000 during any Daily Interest Rate Period, Weekly Interest Rate Period or Short-Term Interest Rate Period.

The Variable Rate Bonds initially will be registered in the name of Cede & Co., as Owner and nominee of DTC, which will act as securities depository for the Variable Rate Bonds. Purchasers of the Variable Rate Bonds will not receive physical delivery of the bond certificates representing their beneficial ownership interests. See “THE OFFERED BONDS – Book-Entry Only System.”

The Variable Rate Bonds will initially bear interest for a Weekly Interest Rate Period. The Variable Rate Bonds will continue to bear interest for a Weekly Interest Rate Period until adjusted at the option of the Authority to bear interest for a Daily Interest Rate Period, a Short-Term Interest Rate Period or a Long-Term Interest Rate Period, as more fully described herein, at the rate or rates determined during such Interest Rate Period. Variable Rate Bonds shall not bear interest at a rate higher than the Maximum Rate (as defined herein), except that the Maximum Rate does not apply to Purchased Bonds. As used herein, the term “Maximum Rate” means, with respect to all Variable Rate Bonds other than Purchased Bonds, the lesser of (i) 12 percent per year, or (ii) the maximum interest rate permitted by applicable law (currently under applicable law, there is no maximum interest rate limitation).

As described herein, the Variable Rate Bonds are subject to mandatory tender for purchase (i) generally, on the first day of each Interest Rate Period; (ii) for Variable Rate Bonds bearing a Bond Interest Term Rate, on the day next succeeding the last day of each Bond Interest Term for any Variable Rate Bond; (iii) upon the termination, expiration, reduction, suspension, modification or replacement of the Initial Liquidity Facility or any Alternate Liquidity Facility; and (iv) under certain circumstances, following the occurrence of an event of default under the Initial Liquidity Facility or any Alternate Liquidity Facility (a “Liquidity Facility Event of Default”), unless the Liquidity Facility Event of Default is also a Termination Event. Upon the occurrence of a Termination Event, the Initial Liquidity Provider’s obligation to purchase Variable Rate Bonds under the Initial Liquidity Facility shall immediately terminate without notice or demand to any person, and thereafter the Initial Liquidity Provider shall be under no obligation to purchase Variable Rate Bonds. See “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS – Liquidity Facility Events of Default” in Appendix G.

Payment of the purchase price for tendered Variable Rate Bonds is expected to be made from (i) proceeds of remarketing of such Variable Rate Bonds, (ii) amounts drawn on the Liquidity Facility, and (iii) amounts legally available therefor under the Resolution. If the amounts described in (i) – (iii) above are insufficient to pay the purchase price for all Variable Rate Bonds so tendered or deemed tendered for purchase on the date such purchase price is due, then no such tendered or deemed tendered Variable Rate Bonds shall be purchased. Instead, all outstanding Variable Rate Bonds (x) shall thereafter bear interest in the Weekly Interest Rate Period, at a rate, reset weekly, equal to the BMA Index plus three percent (not to exceed the Maximum Rate), and (y) Owners of such Bonds shall have no further right to tender their Bonds for purchase.

See “THE VARIABLE RATE BONDS – Purchase of Bonds” in Appendix F for certain other information regarding circumstances under which the Variable Rate Bonds are subject to

optional and mandatory tender for purchase and the purchase price of Variable Rate Bonds that are tendered for purchase.

The following summarizes certain terms of the Variable Rate Bonds during each Interest Rate Period other than the Long-Term Interest Rate Period.

Weekly Interest Rate Period

Interest Rate. The Weekly Interest Rate for each seven day period (each, a “Weekly Interest Rate Period”), Wednesday through Tuesday, inclusive, shall be determined by the Remarketing Agent on Tuesday or on the first preceding Business Day if any such Tuesday is not a Business Day.

The Weekly Interest Rate shall be a rate determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum rate, which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell such Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110 percent of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined in accordance with the provisions of the Resolution for such Weekly Interest Rate Period.

Interest during a Weekly Interest Rate Period shall be computed on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed.

Semi-Annual Interest Payment. Interest shall accrue from the date of delivery of the Variable Rate Bonds to August 1, 2005, and thereafter from an Interest Payment Date through and including the calendar day immediately preceding the next Interest Payment Date. Until an adjustment from the Weekly Interest Rate Period, the Interest Payment Date for Variable Rate Bonds bearing interest at a Weekly Interest Rate shall be each February 1 and August 1. The initial Interest Payment Date for the 2005 Subseries A-3 Bonds is August 1, 2005. Variable Rate Bonds bearing interest at other than a Weekly Interest Rate shall be payable on the first Business Day of each calendar month. The Record Date for the payment of interest shall be the Business Day immediately preceding such Interest Payment Date.

Bondholder Election to have Variable Rate Bonds Purchased. The Beneficial Owners of Variable Rate Bonds bearing interest at a Weekly Interest Rate may elect to have any of their Variable Rate Bonds purchased in whole on any Business Day by giving irrevocable written

notice, or telephonic notice promptly confirmed in writing, to the Tender Agent, with a copy to the Remarketing Agent, on a Business Day at least seven days prior to the Business Day selected by the owner for such purchase. Variable Rate Bonds to be purchased must be delivered to the Tender Agent by 12:00 Noon, New York City time, on the date designated for purchase.

Optional Redemption. The Variable Rate Bonds are subject to optional redemption by the Authority, at the direction of the Authority, on any Interest Payment Date during a Weekly Interest Rate Period, at a redemption price of par.

Change of Interest Rate Period. The Interest Rate Period may be adjusted at any time during a Weekly Interest Rate Period to an alternative Interest Rate Period upon notice being sent to the owner at least 12 days prior to the effective date of such adjustment. The Variable Rate Bonds are subject to mandatory purchase on the day following the last day of each Weekly Interest Rate Period.

Daily Interest Rate Period

Interest Rate. The Daily Interest Rate shall be determined by the Remarketing Agent on each Business Day. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the preceding Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110 percent of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided in the Resolution for such Daily Interest Rate Period.

The Daily Interest Rate shall be a rate determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell the Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof.

Interest during a Daily Interest Rate Period shall be computed on the basis of a 365-or 366-day year, as appropriate, for the actual number of days elapsed.

Monthly Interest Payment. Interest shall accrue from the first day of the Daily Interest Rate Period, and thereafter from an Interest Payment Date through and including the calendar day immediately preceding the next Interest Payment Date. The Interest Payment Date shall be the first business day of each calendar month. Until an adjustment from the Daily Interest Rate Period, the Interest Payment Date shall be the first Business Day of each calendar month. The

Record Date for the payment of interest shall be the Business Day immediately preceding such Interest Payment Date.

Bondholder Election to Have Variable Rate Bonds Purchased. The Beneficial Owners of Variable Rate Bonds bearing interest at a Daily Interest Rate may elect to have any of their Variable Rate Bonds purchased in whole on any Business Day by giving irrevocable written or telephonic notice, promptly confirmed in writing, to the Tender Agent, with a copy to the Remarketing Agent, by 10:30 a.m., New York City time, on such Business Day.

Optional Redemption. The Variable Rate Bonds are subject to optional redemption by the Authority, at the direction of the Authority, in whole or in part on any Interest Payment Date during a Daily Interest Rate Period, at a redemption price of par.

Change of Interest Rate Period. The Interest Rate Period may be adjusted at any time during a Daily Interest Rate Period to an alternative Interest Rate Period upon notice being sent to the owner at least 12 days prior to the effective date of such adjustment. The Variable Rate Bonds are subject to mandatory purchase on the day following the last day of each Daily Interest Rate Period.

Short-Term Interest Rate Period

Individual Bond Interest Terms and Bond Interest Term Rates. A Short-Term Interest Rate Period shall comprise coincident and consecutive Bond Interest Terms ranging from one to 180 days, as determined by the Remarketing Agent. The Bond Interest Term and the Bond Interest Term Rates for each Variable Rate Bond need not be the same for any two Variable Rate Bonds, even if determined on the same date. Each Bond Interest Term shall commence on a Business Day and end on a day immediately preceding a Business Day or on the day immediately preceding the Maturity Date.

The Remarketing Agent will determine the Bond Interest Terms (each of which should be a period of not less than one day nor more than 180 days) and Bond Interest Term Rates no later than 12:00 noon, New York City time, on the first day of a Bond Interest Term for such Variable Rate Bond. Notwithstanding the foregoing, the Remarketing Agent may change the Bond Interest Terms or ranges of Bond Interest Terms and/or associated Bond Interest Term Rates announced and offered at such times and as often as the Remarketing Agent deems appropriate.

Any Variable Rate Bond with a Bond Interest Term Rate that is not remarketed by the Remarketing Agent shall have a Bond Interest Term of one day (or such longer period to assure that the Bond Interest Term ends on the day immediately preceding the next succeeding Business Day or, for the final period, the Maturity Date). If for any reason a Bond Interest Term cannot be so determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days (or such longer period to assure that the Bond Interest Term ends on the day immediately preceding the next succeeding Business Day or, for the final period, the Maturity Date).

The Bond Interest Term Rate for any Variable Rate Bond shall be a rate determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such Variable Rate Bond, would enable the Remarketing Agent to sell

such Variable Rate Bond on the date and at the time determined at a price (without regarding accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Variable Rate Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 75 percent of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and which maturity most nearly equals the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

Interest during a Short-Term Interest Rate Period shall be computed on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed.

Interest Payment. Interest with respect to each Bond Interest Term for each Variable Rate Bond shall be payable on the day immediately succeeding the end of each Bond Interest Term in accordance with wire transfer instructions provided by the owner of such Variable Rate Bond, but only upon presentation of such Variable Rate Bond to the Paying Agent. The Record Date for the payment of interest shall be the Business Day immediately preceding such Interest Payment Date.

Mandatory Purchase of Variable Rate Bonds. Each Variable Rate Bond shall be purchased or deemed purchased on the day immediately succeeding the last day of each Bond Interest Term. The purchase price of any Variable Rate Bond so purchased shall be payable only upon surrender of such Variable Rate Bond to the Tender Agent accompanied, when the Variable Rate Bonds are not in a Book Entry System, by an instrument of transfer thereof.

Optional Redemption. The Variable Rate Bonds are subject to optional redemption by the Authority, in whole or in part, on the day succeeding the last day of any Bond Interest Term, at a redemption price of par.

Change of Interest Rate Period. The Interest Rate Period may be adjusted at any time during a Short-Term Interest Rate Period to an alternative Interest Rate Period upon notice being sent to the owner at least 12 days prior to the effective date of such adjustment. The Variable Rate Bonds are subject to mandatory purchase on the day following the last day of each Short-Term Interest Rate Period.

Mandatory Tender for Purchase Upon Termination, Expiration, Suspension, Modification or Replacement of the Liquidity Facility

The Variable Rate Bonds are subject to mandatory tender for purchase upon notice from the Trustee that the Variable Rate Bonds shall, on the date specified in such notice, cease to be payable from such Liquidity Facility as a result of (i) (A) the termination or expiration of the term of such Liquidity Facility, or (B) the Liquidity Facility being reduced, suspended, replaced or modified (other than a reduction or modification in connection with the redemption of Variable Rate Bonds) with the effect that the Variable Rate Bonds are no longer payable from the Liquidity Facility, or (ii) the Liquidity Provider notifying the Trustee of a Liquidity Facility Event of Default and that the Liquidity Provider is suspending or terminating the Liquidity

Facility in accordance with its terms as described under the caption “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS – Liquidity Facility Events of Default” in Appendix G. Notwithstanding the foregoing, no mandatory tender for purchase shall occur as a result of a Liquidity Facility Event of Default if such event of default is also a Termination Event, which results in the immediate suspension or termination of the obligation of the Liquidity Provider to purchase Variable Rate Bonds thereunder. See Appendix F under the caption “THE VARIABLE RATE BONDS – Purchase of Bonds – Mandatory Tender for Purchase Upon Termination, Expiration, Modification or Replacement of the Liquidity Facility” and Appendix G under the caption “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS – Events of Default.”

Duration of Interest Rate Periods

Each Short-Term Interest Rate Period, Daily Interest Rate Period, and Weekly Interest Rate Period shall continue until the date on which an adjustment to an alternative Interest Rate Period occurs or the Maturity Date, whichever is earlier.

Initial Liquidity Facility

The Authority, the Trustee and State Street Bank and Trust Company (the “Initial Liquidity Provider”) intend to enter into a Standby Bond Purchase Agreement dated as of March 1, 2005 (the “Initial Liquidity Facility”) with respect to the Variable Rate Bonds. The following summary is qualified in its entirety by reference to the more detailed descriptions appearing in Appendix G to this Official Statement and by reference to the Initial Liquidity Facility, a copy of which is available from the Trustee.

Funds for the purchase of the Variable Rate Bonds tendered or required to be tendered for purchase (“Tendered Bonds”) that are not remarketed will be provided, subject to certain conditions, from funds made available by the Initial Liquidity Provider pursuant to the Initial Liquidity Facility. The aggregate amount available under the Initial Liquidity Facility from time to time (such amount being equal to the aggregate principal amount of the Variable Rate Bonds outstanding at the time, plus accrued and unpaid interest thereon to the date of purchase up to an amount equal to 189 days of interest computed at a rate of 12% per annum, is referred to herein as the “Commitment”). The Trustee will be authorized to draw funds under the Initial Liquidity Facility on behalf of the Authority.

IN CERTAIN CIRCUMSTANCES DESCRIBED HEREIN UNDER APPENDIX G - “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS,” RELATING TO THE OCCURRENCE OF CERTAIN DEFAULTS UNDER THE INITIAL LIQUIDITY FACILITY (REFERRED TO AS “AUTOMATIC TERMINATION EVENTS” AND “SUSPENSION EVENTS”), THE OBLIGATION OF THE INITIAL LIQUIDITY FACILITY PROVIDER TO PURCHASE TENDERED BONDS PURSUANT TO THE INITIAL LIQUIDITY FACILITY SHALL TERMINATE OR, IN THE CASE OF SUSPENSION EVENTS, SHALL BE SUSPENDED, IMMEDIATELY, WITHOUT PRIOR NOTICE TO HOLDERS OF VARIABLE BONDS. IN SUCH EVENTS, THE OBLIGATIONS OF THE REMARKETING AGENT TO REMARKET TENDERED BONDS ALSO WILL BE TERMINATED OR SUSPENDED, AS THE CASE MAY BE. THE VARIABLE RATE BONDS ARE NOT SUBJECT TO MANDATORY TENDER FOR PURCHASE AS A RESULT OF THE OCCURRENCE OF AN AUTOMATIC TERMINATION EVENT OR A SUSPENSION EVENT UNDER THE INITIAL LIQUIDITY FACILITY. Upon the occurrence of certain other defaults or termination events

under the Initial Liquidity Facility (referred to as “Non-Automatic Termination Events”), the obligation of the Initial Liquidity Provider to purchase Tendered Bonds pursuant to the Initial Liquidity Facility may be terminated by the Initial Liquidity Provider upon 30 days’ prior notice to the Authority, the Trustee and the Remarketing Agent. The obligation of the Initial Liquidity Provider to purchase Tendered Bonds after giving notice to the appropriate parties of the occurrence of a Non-Automatic Termination Event shall terminate whether or not the Trustee gives notice of said event to the holders of Variable Rate Bonds.

Purchased Bonds

Purchased Bonds will bear interest at the rate or rates, and shall be payable and subject to redemption in such amounts and in such manner, as provided in the Initial Liquidity Facility.

General Redemption Provisions

As long as a Series of Bonds are held by Cede & Co., as nominee of DTC, notice of any redemption of such Series of Bonds will be mailed not less than 30 days and not more than 90 days prior to the date set for redemption. Such notices will be furnished to DTC. The Authority has been informed that DTC will in turn forward the information to the participants (as defined below), which will then provide the appropriate notification to correspondents and beneficial owners (as defined below). Failure to so mail any such notice to DTC or any Bondowner (as defined below) will not affect the validity of the proceedings for the applicable Series of Bonds. **Failure of DTC or any participant to provide notice to any beneficial owner will not affect the validity of the proceedings for the redemption of the applicable Series of Bonds.**

If a Series of Bonds are not held by the nominee of DTC or the nominee of any successor securities depository, notice of any redemption will be mailed at least 30 days but no more than 90 days prior to the date established for the redemption of Bonds to the Bondowners of the Bonds, or portions thereof, to be redeemed at their addresses as they appear on the registry books of the Authority. Redemption notices shall be sent by first-class mail and, in addition, by certified mail, return receipt requested, to registered owners of \$1 million or more in principal of Bonds. Such notice will specify the Redemption Price, the redemption date, the place or places where amounts due upon redemption will be payable, the maturities and the distinctive numbers (*e.g.*, CUSIP numbers), if any, of the Bonds to be redeemed and, if less than all of the Bonds of a given maturity are to be redeemed, the portion of the principal amounts to be redeemed. The notice of redemption may be conditional. If conditional, the notice shall set forth in summary terms the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, such notice shall be of no force and effect and such Bonds shall not be redeemed. The mailing of such notice will be a condition precedent to redemption, *provided* that any notice that is mailed in accordance with the General Resolution will be conclusively presumed to have been duly given whether or not the Bondowners actually received such notice, and failure to give notice by mail, or any defect in such notice, to the Bondowner of any Bond designated for redemption in whole or in part will not affect the validity of the proceedings for the redemption of any Bonds.

Regardless of whether the Bonds of a Series are held by the nominee of DTC or the nominee of any successor securities depository, the General Resolution requires that notice be

given to Bondowners within 30 days after the Trustee has received from the Authority written notice of an Event of Default under of the General Resolution. For purposes of these provisions, a beneficial owner is as defined below, *provided* that such beneficial ownership is established to the satisfaction of the Trustee.

The Bonds selected for redemption and redeemed in part from time to time shall be redeemed in one or more units of \$5,000 of principal of such Bonds at maturity. The Bonds or portions thereof so called for redemption will become due and payable at the applicable Redemption Price, plus accrued interest, if any, to the date fixed for redemption. If, on the redemption date, money for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, is held by the Trustee and Paying Agents so as to be available therefor on such date (or, in the case of interest, has been mailed to the Bondowners) and if notice of redemption has been given as aforesaid, then, from and after the date fixed for redemption, interest on the Bonds or portions thereof so called for redemption will cease to accrue and become payable.

Pursuant to the Resolution, the Trustee, upon receipt of an Authority Request accompanied by a Compliance Certificate or a Cash Flow Certificate, as appropriate, may purchase Bonds from amounts on deposit in the Redemption Account at the most advantageous price obtainable with reasonable diligence, such price not to exceed the Redemption Price plus accrued interest that would be payable on (i) the next redemption date, if such Bonds are then redeemable, or (ii) on the date such Bonds are first redeemable.

Any Bonds to be purchased or redeemed, other than pursuant to Sinking Fund Requirements, will be purchased or redeemed by the Fiscal Agent upon written direction of the Authority accompanied by a Compliance Certificate or Cash Flow Certificate, as appropriate, giving effect to such redemption or purchase.

If less than all of the Bonds of one maturity are called for redemption, the particular Bonds of such maturity to be redeemed will be selected by lot not later than 45 days prior to the date fixed for redemption; *provided* that (1) the portion of any Bonds to be redeemed is in the principal amount of \$5,000 or a multiple thereof and (2) in selecting Bonds for purchase upon redemption, each Bond of the applicable Series will be treated as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000. So long as the Bonds are held by a nominee of DTC, DTC will determine the method of allocating the redemption among the beneficial owners of the series and maturity of such Bonds to be redeemed.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The 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 Bond certificate will be issued for each maturity of the Bonds of each Subseries, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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

Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notice 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 the Bonds of a Series within a maturity 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments (including redemption proceeds) on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the Authority, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest (including redemption proceeds) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds of a Series at any time by giving reasonable notice to the Authority or the Trustee. Under

such circumstances, in the event that a successor securities depository is not obtained, certificates for the affected Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the affected Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE TRUSTEE, ANY PAYING AGENT AND THE AUTHORITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN ANY BOND UNDER OR THROUGH DTC OR ANY PARTICIPANT, OR ANY OTHER PERSON THAT IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDOWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON ANY BOND, ANY NOTICE THAT IS REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE RESOLUTION (EXCEPT IN CONNECTION WITH CERTAIN NOTICES OF DEFAULT AND REDEMPTION), THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

Fiscal Agent and Trustee

The Authority has consolidated all paying agent, registration, transfer and exchange functions for all of its outstanding bonds in a fiscal agent (the "Fiscal Agent") appointed from time to time by the Authority. Currently, the Fiscal Agent for the Bonds is J.P. Morgan Trust Company, N.A., Chicago, Illinois. The Authority reserves the right to remove and appoint successor Fiscal Agents upon the same terms and in the same manner as it may remove, and appoint, successor Trustees. All paying agent, registration, transfer and exchange functions with respect to the Offered Bonds will be performed by the Fiscal Agent.

J.P. Morgan Trust Company, N.A., Chicago, Illinois, also serves as Trustee under the General Resolution.

The Resolution provides for the Trustee to perform certain duties with respect to the Bonds, including the Offered Bonds. The Trustee will perform certain fiduciary duties for the Bondowners, such as maintaining the funds and accounts established under the Resolution. The foregoing notwithstanding, the duties of the Trustee to the Bondowners of the Offered Bonds will run solely to DTC or its nominee as the registered owner of the Offered Bonds, except in connection with certain notices of default and redemption.

**ASSUMPTIONS REGARDING REVENUES,
DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES**

General

The Authority made certain assumptions, including those set forth under this caption, in establishing the principal amounts of and the maturities and Sinking Fund Requirements with respect to the Offered Bonds and the Prior Bonds.[†]

The Authority expects scheduled Mortgage Loan payments, together with Recoveries of Principal, if any, regularly scheduled payments received under Interest Rate Protection Agreements, and other moneys and securities held under the General Resolution and the income thereon, will be sufficient to pay, when due, Expenses of the Program and the debt service attributable to the Offered Bonds and the Prior Bonds (or, in certain cases, regularly scheduled payments due under Interest Rate Protection Agreements). In forming this expectation, the Authority has not considered the issuance of Additional Bonds or the application or investment of the proceeds thereof; however, a condition to issuing such Additional Bonds is the filing of a Cash Flow Certificate accompanied by a Rating Certificate. Because all Bonds issued under the General Resolution (other than Subordinate Bonds) will rank equally and ratably with the Offered Bonds and the Prior Bonds with respect to the security afforded by the General Resolution, availability of money for repayment of the Offered Bonds and the Prior Bonds could be significantly affected by the issuance, application, and investment of proceeds of Additional Bonds.

The maturities and Sinking Fund Requirements of the Offered Bonds and the Prior Bonds were established based on the assumption that there would be no prepayments or other Recoveries of Principal of the Mortgage Loans purchased with the proceeds of the Offered Bonds and the Prior Bonds. However, the Authority expects to receive Recoveries of Principal on the Mortgage Loans, and any such Recoveries of Principal may be applied to the special redemption of the Offered Bonds and the Prior Bonds. See “THE OFFERED BONDS – The Offered Bonds – Redemption.”

The Authority believes it is reasonable to make the assumptions set forth below, but can give no assurance that the actual receipt of moneys will correspond to estimated Revenues available to pay the debt service on and the Expenses incurred in connection with the Offered Bonds and the Prior Bonds. Among these assumptions are assumptions as to changes in interest rates of the variable rate bonds.

For a description of the circumstances under which the Authority may change the assumptions described herein, see “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Compliance Certificates and Cash Flow Certificates.”

[†] Assumptions used to establish the principal amounts of and the maturities and Sinking Fund Requirements with respect to Convertible Option Bonds that are Outstanding, if any, will be made as those bonds, or portions thereof, are converted to bear interest at a Fixed Rate. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Proceeds of Convertible Option Bonds.”

Mortgage Loans

The Cash Flow Certificates delivered in connection with the issuance of the Prior Bonds and to be delivered in connection with the issuance of the Offered Bonds include the assumptions that (i) the Authority intends to use all of the moneys deposited in the respective Series Program Accounts (net of Costs of Issuance) to purchase Mortgage Loans and Mortgage Certificates, (ii) each Mortgage Loan will have level debt service payments with a term that does not exceed 30 years, and (iii) payments on Mortgage Loans will be received on the 30th day following their scheduled payment dates.

The Cash Flow Certificates delivered in connection with the issuance of the Prior Bonds included, and the Cash Flow Certificate to be delivered in connection with the issuance of the Offered Bonds will include, assumptions that the Authority intended or intends to purchase Mortgage Loans (or allocated portions of Mortgage Loans) at certain rates of interest (or ranges of rates of interest) per annum, including Mortgage Loans that bear interest at below market rates pursuant to special programs of the Authority. The Authority from time to time adjusts the interest rates at which it will purchase Mortgage Loans from the original interest rates established at the time of issuance of the various Series of Bonds. See “THE PROGRAM.”

The Cash Flow Certificates delivered in connection with the issuance of the Prior Bonds and to be delivered in connection with the issuance of the Offered Bonds also include the assumptions that the Servicers (hereinafter defined) of the Mortgage Loans will be paid a servicing fee, for Mortgage Loans for which reservations were made prior to January 1, 2005, of $\frac{3}{8}$ of one percent per annum and for Mortgage Loans for which reservations were made on and after January 1, 2005, of $\frac{1}{4}$ of one percent per annum, in each case of the outstanding principal balance of the applicable Mortgage Loan, computed and paid monthly. See “THE PROGRAM – Loan Servicing.”

In preparing such Cash Flow Certificates, the Authority also assumed that (i) losses on defaulted First Mortgage Loans, including foreclosures, will not exceed insurance coverage (subject to any applicable Deductible) and recoveries upon disposition of First Mortgage Loans, (ii) any applicable Deductible will be fully drawn upon and paid from Pledged Property immediately upon purchase of the First Mortgage Loans, and (iii) $\frac{1}{3}$ of the original principal amount of each Second Mortgage Loan will result in a loss that will be paid from Pledged Property over a three-year period beginning on the date of purchase of such Second Mortgage Loan. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans” and “ – Supplemental Mortgage Coverage” and “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” in Appendix C.

Certain Investments

Amounts on deposit in the Program Fund, the Revenue Fund, the Reserve Fund and other Funds and Accounts established under the General Resolution and the related Series Resolutions allocable to the Bonds have generally been invested in Investment Obligations consisting of collateralized demand repurchase agreements that have one-day demand of funds provisions (exercisable at the Authority’s option). The collateral value must be maintained at least equal to 100 percent of the principal of and accrued interest on the invested funds by marking to market

at least weekly.[†] The counter-parties to the agreements are institutions whose unsecured debt securities are rated by each Rating Agency at least equal to the Ratings on the Bonds, or in the case of Program Fund investments, the highest short-term rating (without regard to any refinements or gradation). See “CERTAIN PROGRAM INFORMATION” attached as Appendix B for certain additional information regarding investments under the Program including information on the Investment Obligations under which the proceeds of Prior Bonds and Offered Bonds are invested. Under the General Resolution, Investment Obligations may consist of investments other than collateralized demand repurchase agreements. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Certain Definitions – *Investment Obligations*.”

Expenses

All future Expenses with respect to the Prior Bonds and the Offered Bonds, including the expenses of the Trustee, premiums payable under the mortgage pool insurance policy and expenses of the Authority attributable to operating the Program are, in the case of the Prior Bonds, and will be, in the case of the Offered Bonds, fixed pursuant to the respective Cash Flow Certificates delivered upon the issuance of such Bonds and will be paid in full on a timely basis. The Authority may not subsequently increase such fixed amounts, without first filing with the Trustee a Cash Flow Certificate or Compliance Certificate, as appropriate.

Competing Mortgage Products

Certain local governments and authorities in the State, including the Authority, have issued and may in the future issue single-family housing bonds and issue mortgage credit certificates to assist in the financing of single-family mortgage loans. Any such issuance or other competitive source of mortgage loan financing, if made under a mortgage loan program having less restrictive eligibility requirements, more favorable interest rates or other terms more attractive than those offered under the Program may adversely affect the ability of mortgage lenders to originate Mortgage Loans under the Program. Unexpended proceeds of the Offered Bonds may be used by the Authority to redeem at par without premium Offered Bonds. See “THE OFFERED BONDS – The Offered Bonds – Redemption” and “CERTAIN PROGRAM INFORMATION – Bond Redemptions and Purchases” in Appendix B.

[†] Currently, each of the collateralized demand repurchase agreements under the Program requires that the collateral value be maintained at 103 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Offered Bonds after certain replacements previously described are as follows:

Sources

Offered Bond Proceeds	\$75,224,572
Authority Contribution	<u>805,591</u>
Total Sources	<u>\$76,030,163</u>

Uses

Refund Prior Series of Homeowner Mortgage Revenue Notes ¹	\$64,820,000
Deposit to 2005 Series A Program Account	10,404,572
Deposit to Reserve Fund ²	-0-
Deposit to Debt Service Account for Capitalized Interest	164,631
Costs of Issuance	176,521
Underwriters' Fees	<u>464,439</u>
Total Uses	<u>\$76,030,163</u>

¹ Proceeds will be used to refund a portion of the 2004 Subseries B-1 Notes and all of the 2004 Subseries B-2 Notes. Unexpended proceeds of the 2004 Series B Notes so refunded in the amount of \$64,820,000 will be deposited into the 2005 Series A Program Account.

² The Series Reserve Requirement for the Offered Bonds is satisfied in whole or in part by amounts on deposit in the Reserve Fund in excess of the Series Reserve Requirement.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are special limited obligations of the Authority with a claim for payment solely from Pledged Property, as defined in the General Resolution. The Bonds are not general obligations of the Authority. The Bonds are not a debt of or guaranteed by the State or by the United States or any agency or instrumentality of the United States.

The Bonds are secured by a pledge and assignment and grant of a lien on and security interest in the Pledged Property. Pledged Property includes all Revenues, as defined in the General Resolution, including money received by or on behalf of the Authority or the Trustee representing principal and interest payments on Mortgage Loans, including, without limitation, Recoveries of Principal, interest earnings on Funds and Accounts held by the Trustee and the Authority's payment obligation with respect to Transfer Amounts. See "SECURITY AND SOURCES

OF PAYMENT FOR THE BONDS – Transfer Amounts.” Pledged Property also includes all Funds and Accounts held by the Trustee (other than the Rebate Accounts established by various Series Resolutions), and the Authority’s right, title and interest in the Mortgage Loans (other than accrued interest on Mortgage Loans not purchased by the Authority). Pledged Property does not include amounts paid under Mortgage Loans as to which the obligor is required to be given a rebate or credit under federal income tax law, or amounts required to be paid as rebate to the United States. The pledge of Funds and Accounts established in a Series Resolution may be limited in purpose and time, as set forth in the Series Resolution.

THE AUTHORITY HAS DETERMINED BY RESOLUTION THAT SECTION 26.1 OF THE ACT, WHICH REQUIRES THE GOVERNOR TO SUBMIT TO THE GENERAL ASSEMBLY THE AMOUNT CERTIFIED BY THE AUTHORITY AS BEING REQUIRED TO PAY DEBT SERVICE ON ITS BONDS BECAUSE OF INSUFFICIENT MONEYS AVAILABLE FOR SUCH PAYMENT, SHALL NOT APPLY TO THE PRIOR BONDS OR THE OFFERED BONDS.

Mortgage Loans

Under the General Resolution, a Mortgage Loan must be evidenced by a note and secured by a mortgage or equivalent security on an owner-occupied residence in the State. If a Mortgage Loan is made for cooperative dwelling units, such Mortgage Loan may be evidenced by a note and secured by a lien on the related shares of stock in the cooperative housing corporation and the related proprietary lease. A Mortgage Loan includes any instrument evidencing an ownership interest in or security for such a loan, such as a Mortgage Certificate.

The General Resolution provides that the details of the Mortgage Loans, including security, payment provisions, maximum term, nature of residences, primary mortgage insurance and other credit support, loan-to-Property Value ratios and Supplemental Mortgage Coverage, if any, shall be determined by Series Program Determinations set forth in the related Series Resolution. Under the General Resolution, the Authority may amend or supplement a Series Resolution concerning the related Series Program Determinations upon filing a Cash Flow Certificate and Rating Certificate with the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Cash Flow Certificates and Rating Certificates.”

For the Offered Bonds and the Prior Bonds, the respective Series Resolutions establish the following Program Determinations:

First Mortgage Loans. Each First Mortgage Loan must comply with the following requirements:

1. each First Mortgage Loan shall be a 30-year maximum term, level payment Mortgage Loan;
2. the original principal amount of each First Mortgage Loan, together with the principal amount of any Second Mortgage Loan, shall not exceed 110 percent of the Property Value (including financed improvements);
3. no conventional First Mortgage Loan shall have a loan-to-Property Value ratio in excess of 105 percent (97 percent in the case of prior Series

Program Determinations and 95 percent in the case of Transferred Mortgage Loans);

4. each First Mortgage Loan that has a loan-to-Property Value ratio in excess of 80 percent at the time of origination shall (A) in the case of conventional First Mortgage Loans, be insured by a private mortgage insurer meeting the requirements set forth in paragraph (6) below so that the uninsured portion of such First Mortgage Loan shall not exceed 68 percent (72 percent in the case of Transferred Mortgage Loans) of the Property Value or (B) be subject to insurance or guaranty by FHA, VA, USDA or any other agency or instrumentality of the United States of America having similar powers to insure or guarantee mortgage loans;
5. the Authority may purchase First Mortgage Loans described in paragraph (4)(B) above only if it files with the Trustee a Cash Flow Certificate and a Rating Certificate, advising that the purchase of such First Mortgage Loans will not result in a reduction of the Ratings of the Bonds;
6. private mortgage insurance must be issued by a mortgage insurer that is: (A)(1) qualified to do business in the State, and (2) approved by Fannie Mae and FHLMC and (3) rated as to its claims paying ability in the two highest rating categories by each Rating Agency; or (B) accepted in writing by the Authority, subject to filing by the Authority of a Rating Certificate with the Trustee, advising that the use of such insurer will not result in a reduction of the Ratings of the Bonds. The Authority may permit mortgagors to maintain private mortgage insurance issued by a mortgage insurer whose rating is subsequently reduced below the two highest rating categories of the Rating Agencies;
7. each First Mortgage Loan shall be secured by a mortgage constituting a valid first mortgage lien on a Qualified Dwelling;
8. each Qualified Dwelling shall be covered by a valid and existing policy of hazard insurance meeting the requirements of the Mortgage Purchase Agreements (hereinafter defined);
9. each First Mortgage Loan shall have the benefit of (A) the current form of ALTA title insurance policy, with an environmental protection lien endorsement, in an amount at least equal to the original principal amount of such First Mortgage Loan, insuring that the mortgage relating to such First Mortgage Loan constitutes a first lien on the mortgaged property, subject only to exceptions that the Authority has previously approved, and (B) flood insurance for any property located in a special flood hazard area in which the United States Department of Housing and Urban Development (“HUD”) has made federal flood insurance available; and

10. proceeds of the Offered Bonds and the Prior Bonds may not be used to purchase First Mortgage Loans made for cooperative dwellings.

Second Mortgage Loans. Each Second Mortgage Loan must comply with the following requirements:

1. each Second Mortgage Loan shall be a 10-year maximum term Mortgage Loan and may be non-interest bearing;
2. the original principal amount of each Second Mortgage Loan, together with the related First Mortgage Loan, shall not exceed 110 percent (100 percent under certain prior Series Resolutions) of the Property Value (including financed improvements);
3. the cumulative loan-to-Property Value ratio of a Second Mortgage Loan, together with the related First Mortgage Loan, shall not exceed 110 percent (100 percent under certain prior Series Resolutions);
4. each Second Mortgage Loan shall be secured by a mortgage constituting a valid second lien on a Qualified Dwelling;
5. each Qualified Dwelling shall be covered by a valid and existing policy of hazard insurance meeting the requirements of the Mortgage Purchase Agreements; and
6. each Second Mortgage Loan shall have the benefit of (A) the current form of ALTA title insurance policy, with an environmental protection lien endorsement, in an amount at least equal to the original principal amount of such Mortgage Loan, insuring that the mortgage relating to such Second Mortgage Loan constitutes a second lien on the mortgaged property, subject only to exceptions that the Authority has previously approved, and (B) flood insurance for any property located in a special flood hazard area in which the United States Department of Housing and Urban Development (“HUD”) has made federal flood insurance available.

A Second Mortgage Loan is made only in connection with a First Mortgage Loan with respect to the same Qualified Dwelling. Second Mortgage Loans are not covered by private mortgage insurance or Pool Policies. See “ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES – Mortgage Loans” for certain information regarding assumptions with respect to losses on Second Mortgage Loans.

Supplemental Mortgage Coverage. The Authority has obtained, in the case of the Prior Bonds, and will obtain, in the case of the Offered Bonds, Supplemental Mortgage Coverage in the form of one or more Pool Policies for all conventional First Mortgage Loans purchased with proceeds of those Bonds. Some Pool Policies may also cover Transferred Mortgage Loans and First Mortgage Loans insured by FHA or guaranteed by VA or USDA. A Pool Policy insures the Authority against losses sustained by it arising from an event of default under any Mortgage Loan covered by such Pool Policy up to certain specified aggregate limits, after the absorption of

losses under the Program equal to any applicable Deductible, as set forth in the related Series Resolution. The Authority may cancel a Pool Policy and obtain alternative Supplemental Mortgage Coverage, or obtain additional Supplemental Mortgage Coverage, *provided* that the Authority first files a Cash Flow Certificate and a Rating Certificate with the Trustee, advising that the use of such alternative or additional Supplemental Mortgage Coverage will not result in a reduction of the Ratings of the Bonds.

Some Pool Policies provide that no claim is required to be paid under such policy unless total net losses that would otherwise be covered within the coverage limits of such policy have been incurred in an amount equal to the applicable Deductible. For additional information regarding primary mortgage insurance programs, the Pool Policies and the Mortgage Pool Insurers, see “CERTAIN PROGRAM INFORMATION” attached as Appendix B and “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” attached as Appendix C.

With respect to conventional First Mortgage Loans purchased with proceeds of the Offered Bonds, the Authority will obtain one or more Pool Policies that will pay claims against losses arising from an event of default under any First Mortgage Loans covered by such policy, up to an aggregate limit equal to 3.5 percent of the aggregate original principal amount of First Mortgage Loans so covered, with no Deductible. See “CERTAIN PROGRAM INFORMATION – Mortgage Pool Insurers” attached as Appendix B for certain information with respect to the Pool Policies.

Mortgage Certificates. The Series Program Determinations for certain Prior Bonds and the Offered Bonds also provide for the sale of First Mortgage Loans (and, in certain cases, Second Mortgage Loans) in exchange for Mortgage Certificates, *provided* the Authority has filed with the Trustee a Cash Flow Certificate and a Ratings Certificate. “Mortgage Certificate” means a fully-modified pass-through certificate or security issued or guaranteed by the Government National Mortgage Association (“GNMA”), Fannie Mae or FHLMC or a certificate or security of similar tenor issued or guaranteed by any other federal agency currently existing or later constituted that (i) evidences beneficial ownership of and a 100 percent participation in a pool of Mortgage Loans, (ii) satisfies the requirements of the respective Series Program Determination, and (iii) is pledged to the Trustee under the General Resolution. Mortgage Certificates generally provide for the pass-through of principal payments and prepayments and interest on the underlying pool of mortgage loans, which mortgage loans may be insured by FHA or another federal agency. Under the Series Program Determinations for the Offered Bonds, the Mortgage Certificates authorized to be acquired are FHLMC Certificates and Fannie Mae Certificates (as such terms are defined in Appendix C). See “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” attached as Appendix C for a further discussion of various Mortgage Certificate programs. As of the date hereof, no Mortgage Certificates have been purchased under the Program.

Series Program Determinations for subsequent Series of Additional Bonds may vary from the Series Program Determinations for the Prior Bonds and the Offered Bonds.

Proceeds of Convertible Option Bonds

From time to time the Authority issues Bonds as convertible option bonds that are subject to tender for purchase prior to their maturity (“Convertible Option Bonds”). Until those Bonds, or portions thereof, are converted to bear interest at a Fixed Rate or refunded with proceeds of other Bonds, moneys on deposit in the respective Series Program Accounts for those Bonds will not be used to purchase Mortgage Loans. Rather, such moneys will be held in Investment Obligations and will be available for application, subject to the requirements of the General Resolution and the Series Resolution for those Bonds, to the payment of the purchase price on their Tender Date or to the redemption of such Bonds. All moneys in the Series Program Accounts established for those Bonds are subject to the pledge of the General Resolution for the benefit of all Bonds (other than Subordinate Bonds) issued or to be issued thereunder, including the Prior Bonds and the Offered Bonds, and are not separately pledged to the outstanding Convertible Option Bonds. As of December 31, 2004, one series of Convertible Option Bonds in the aggregate principal amount of \$43,405,000 was outstanding.

Proceeds of Notes

From time to time the Authority issues Bonds as short term notes or bonds (“Notes”), typically with a maturity of two years or less. These Notes are often subject to mandatory redemption prior to their maturity date after a lock-out period. Proceeds of Notes are not used to purchase Mortgage Loans. Rather, such moneys are held in Investment Obligations and are expected to be available for application, subject to the requirements of the General Resolution and the applicable Series Resolution, to scheduled interest payments on the applicable Series of Notes and the payment of such Notes at their maturity or to the payment of their redemption price to the extent they are redeemed prior to their maturity. **All moneys in the Series Program Account representing proceeds of a Series of Notes are subject to the pledge of the General Resolution for the benefit of all Bonds (other than Subordinate Bonds) issued or to be issued thereunder, including the Prior Bonds and the Offered Bonds, and are not separately pledged to the particular Series of Notes.**

Reserve Fund

The General Resolution establishes a Reserve Fund to be used to pay debt service on Bonds other than Subordinate Bonds to the extent sufficient amounts are not available in the Revenue Fund. The General Resolution establishes a Reserve Requirement, as of any particular date of calculation, equal to the sum of all amounts established as Series Reserve Requirements in the Series Resolutions for all Series of Bonds Outstanding. The Reserve Requirement cannot be less than two percent of the sum of (i) the outstanding principal balance of Mortgage Loans (other than Mortgage Certificates) and (ii) the amounts on deposit to the credit of the Series Program Accounts of the Program Fund other than such accounts for Subordinate Bonds (except Mortgage Loans or amounts in Series Program Accounts allocated to purchase Mortgage Certificates, and other than Mortgage Loans made or to be made with proceeds of Subordinate Bonds).

The related Series Resolutions for the Offered Bonds and the Prior Bonds, as amended, establish the Series Reserve Requirements at three percent of the sum of (i) the outstanding

principal balance of (a) Mortgage Loans (other than Mortgage Certificates) purchased from amounts on deposit in the applicable Series Program Account, plus (b) Transferred Mortgage Loans, and (ii) the amount on deposit to the credit of the applicable Series Program Account for the purpose of purchasing the principal amount of Mortgage Loans (other than Mortgage Certificates).

As of November 30, 2004, the Reserve Fund contained money and securities (valued at Amortized Value) in the aggregate amount of \$32,707,304, which was at least equal to the Reserve Requirement at that date. For a description of Reserve Fund investment requirements, see “ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES – Certain Investments.”

Amounts on deposit in the Reserve Fund in respect of the proceeds of a Series of Bonds in excess of the Series Reserve Requirement for such Series of Bonds may be used to meet all or a portion of the Series Reserve Requirement of other Series of Bonds.

Cash Equivalents are not initially authorized to be used to meet the Reserve Requirement. However, the Authority may, upon filing a Cash Flow Certificate and Rating Certificate with the Trustee, provide for the use of Cash Equivalents to meet any portion of the Reserve Requirement.

On each debt service payment date, after paying debt service on Bonds (other than Subordinate Bonds), various credit or liquidity fees and Expenses, amounts in the Revenue Fund are required to be transferred to the Reserve Fund until the amount on deposit in the Reserve Fund equals the Reserve Requirement.

Transfer Amounts

The Bonds are also secured by Transfer Amounts. Transfer Amounts are used to supplement Revenues otherwise generated under the General Resolution in order that the Cash Flow Certificate to be filed in connection with the issuance of a Series of Bonds will show that Revenues will be sufficient for the Authority to deliver a Rating Certificate in connection with the issuance of such Bonds.

The General Resolution permits Transfer Amounts to be accelerated, deferred, increased, reduced, eliminated or changed upon filing a Cash Flow Certificate and Rating Certificate with the Trustee. Transfer Amounts are Revenues under the General Resolution and are therefore available to redeem Bonds of any Series as described under “THE OFFERED BONDS – The Offered Bonds – Redemption – Optional Special Redemption” (unless such a redemption is otherwise restricted by a Series Resolution).

The nature, timing and amount of Transfer Amounts were revised in connection with the issuance of the 2003 Series B Bonds. The Cash Flow Certificate filed in connection with the issuance of those Bonds reflected the transfer to the General Resolution of the following (a) cash and Investment Obligations (“Contributed Cash”); (b) single-family mortgage loans made by the Authority from amounts held outside of the General Resolution; and/or (c) certain single-family mortgage loans held under the 1983 Resolution that were eligible for release free and clear of the lien of the 1983 Resolution (the mortgage loans described in (b) and (c) are collectively referred

to as “Contributed Mortgage Loans,” and collectively with Contributed Cash, “Contributed Assets”).

The Contributed Cash, if any, will be held in a Fund or Account outside of any Series Program Account, and is invested in Investment Obligations. The Authority anticipates using Contributed Cash to purchase single family mortgage loans. Those mortgage loans will also be considered Contributed Mortgage Loans. Contributed Mortgage Loans are not Mortgage Loans as defined in the General Resolution and are not governed by Series Program Determinations. However, the details concerning Contributed Mortgage Loans, *i.e.*, the types of security, payment provisions, maximum term, nature of residences, primary mortgage insurance requirements, credit support and loan-to-value ratios, are anticipated to be substantially similar to those set forth in the Series Program Determinations for the Prior Bonds and the Offered Bonds.

As a result of the contribution of the Contributed Assets, Transfer Amounts will thereafter be made up of the following:

- (a) interest earnings received on Contributed Cash;
- (b) principal and interest payments on the Contributed Mortgage Loans including, without limitation, all Contributed Mortgage Recoveries of Principal (as defined herein) and all prepayment premiums or penalties received by or on behalf of the Authority in respect to the Contributed Mortgage Loans; and
- (c) all Contributed Mortgage Insurance Proceeds (as defined herein).

The Contributed Assets themselves are not Transfer Amounts but are Pledged Property.

As of November 30, 2004, the Contributed Assets consisted of approximately \$27,186,794 in principal amounts of Contributed Mortgage Loans.

As used herein:

(i) “Contributed Mortgage Recovery(ies) of Principal” means any payment by a mortgagor or any other recovery of principal on a Contributed Mortgage Loan not applied to a scheduled installment of principal and interest on the Contributed Mortgage 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 voluntary prepayment of a Contributed Mortgage Loan). Contributed Mortgage Recovery of Principal includes, without limitation, the portion of any Contributed Mortgage Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Contributed Mortgage Liquidation Proceeds (as defined herein), amounts from the sale or other disposition of a Contributed Mortgage Loan, or net recovery from any mortgage insurance to the extent not included in Contributed Mortgage Insurance Proceeds, in each case representing such principal amounts;

(ii) “Contributed Mortgage Insurance Proceeds” means payments received with respect to the Contributed Mortgage Loans under any insurance

policy, guarantee or fidelity bond, less any expenses incurred in realizing such payments and less any reimbursement of advances due the insurer or provider of such a bond; and

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

Authority Contribution

In September, 2004, the Members of the Authority authorized the Authority to transfer up to \$10,000,000 from the Authority’s Administrative Fund to the Program Fund under the General Resolution to be held in an Authority Program Account and used to acquire additional Mortgage Loans for the Program, to pay costs of Supplemental Mortgage Coverage with regard to such Mortgage Loans or as otherwise provided in an Authority Program Determination. The Authority transferred \$10,000,000 to an Authority Program Account on October 1, 2004, virtually all of which has been used to acquire additional Mortgage Loans for the Program. Amounts transferred to an Authority Program Account may be transferred back to the Authority in whole or in part upon Authority request if a Ratings Certificate (and in certain circumstances a Cash Flow Certificate) is filed with the Trustee.

Cash Flow Certificates and Rating Certificates

The General Resolution allows the Authority to take various actions subject to filing with the Trustee a Cash Flow Certificate and a Rating Certificate. A Cash Flow Certificate is a Certificate stating that, as shown in cash flow projections included in the Certificate, there will at all times be available sufficient amounts in the Funds and Accounts under the General Resolution, without additional contributions from the Authority other than Transfer Amounts to pay timely all principal of and interest on the Bonds, under each set of cash flow scenarios described in the General Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Transfer Amounts.” A Rating Certificate is a Certificate that the Authority has been advised by each Rating Agency (including by means of published rating criteria) that the then Rating of the Bonds by the Rating Agency will not be reduced as a result of the actions to be taken by the Authority.

Except as provided in a Series Resolution, a Cash Flow Certificate for Bonds that are not Subordinate Bonds need only show the sufficiency of amounts so as to pay debt service for Bonds that are not Subordinate Bonds. The Cash Flow Certificate shall include projections of the amounts available for payment of debt service on Bonds under each then current cash flow scenario, using the assumptions described in the General Resolution. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Compliance Certificates and Cash Flow Certificates.” The Cash Flow Certificate shall also include a set of operating policies setting forth rules or limitations to be followed with respect to discretionary activities of the Authority under the General Resolution and Series Resolutions. Cash flow projections shall take into account the financial position of the Program as of the stated starting date of the projection, shall be

consistent with the General Resolution and the Series Resolutions and shall assume compliance with the operating policies set forth in the Cash Flow Certificate and the various Series Program Determinations. A Cash Flow Certificate shall be filed at least annually with the Trustee and each Rating Agency.

The actions for which filing a Cash Flow Certificate and a Rating Certificate is required are:

1. issuing any Series of Bonds;
2. changing in a Cash Flow Certificate any assumptions in any cash flow scenario from the then current Cash Flow Certificate;
3. making certain supplements or amendments to a Series Resolution including, without limitation, Series Program Determinations or changing any provisions as to Transfer Amounts;
4. remarketing any Bonds in connection with a change in tender period except as required at the time of their issuance; or
5. converting the interest rate on Bonds bearing interest at a COB Rate to a Fixed Rate or a new COB Rate.

In addition to the above requirements, prior to taking certain other actions, the General Resolution requires the Authority to file with the Trustee either a Cash Flow Certificate or a Compliance Certificate. A Compliance Certificate with respect to any action is a Certificate stating that the action complies with the operating policies of the Authority as set forth in the then current Cash Flow Certificate. The actions for which either a Cash Flow Certificate or a Compliance Certificate must be filed are:

1. any purchase or redemption of Bonds (other than mandatory redemption pursuant to Sinking Fund Requirements and certain purchases of Bonds in lieu of Sinking Fund Requirements);
2. certain withdrawals of amounts from the Revenue Fund free and clear of the pledge and lien of the Resolution;
3. any amendment, sale or other disposition of any Mortgage Loan not in default;
4. any use of Recoveries of Principal for any use other than payment of scheduled debt service; or
5. any deviation from the operating policies set forth in the most recent Cash Flow Certificate.

Additional Bonds

Under the General Resolution, the Authority may issue Additional Bonds on a parity with Outstanding Bonds for the purpose of purchasing or making Mortgage Loans, making deposits in Funds and Accounts under the General Resolution, refunding Bonds or other obligations and other lawful purposes of the Authority. Additional Series of Bonds on a parity with the Bonds may be issued only upon filing a Cash Flow Certificate and Rating Certificate with the Trustee. Upon issuing any such Series of Bonds, the amount in the Reserve Fund must equal the Reserve Requirement. The Authority may also issue Subordinate Bonds under the General Resolution, but only upon filing a Cash Flow Certificate and a Rating Certificate with respect to Bonds other than Subordinate Bonds.

Interest Rate Protection Agreements

With respect to certain Prior Bonds that bear interest at a variable rate, the Authority has entered into or maintains, or has caused the Trustee to enter into or maintain, a swap agreement, rate cap agreement or similar interest rate protection agreement (an “Interest Rate Protection Agreement”) to help stabilize the cost of borrowing under the Program. The 2001 Series D Bonds, the 2001 Series F Bonds, and the 2002 Series B Bonds were issued as Taxable Floating Rate Term Bonds, and the Authority entered into or caused the Trustee to enter into Interest Rate Protection Agreements with respect to those Bonds (the “Prior Swap Agreements”).

Regularly scheduled payments to the respective Swap Providers under the Prior Swap Agreements (Bear Stearns Financial Products Inc. with respect to the 2001 Series D Bonds, Merrill Lynch Capital Services, Inc. with respect to the 2001 Series F Bonds, and Lehman Brothers Financial Products, Inc. with respect to the 2002 Series B Bonds), are secured by the pledge of the General Resolution on a parity basis with the Bonds, and amounts payable by the respective Swap Providers to the Authority or the Trustee, as applicable, will be deemed to be Revenues under the General Resolution. For further information, see “AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note F – Bonds and Notes Payable – Derivatives” attached as Appendix A.

THE PROGRAM

General

The Authority established the Program to provide funds to purchase Mortgage Loans made to Eligible Borrowers for Qualified Dwellings in accordance with the requirements of State and federal law and the General Resolution. The description of the Program that follows reflects the current policies of the Authority and is subject to change, including in connection with the issuance of Additional Bonds, which will be secured on a parity with the Offered Bonds and the Prior Bonds.

Mortgage Loans are generally purchased from Mortgage Lenders on a first-come, first-served basis. The Authority’s records of Mortgage Loan originations indicate that purchases tend to be dispersed throughout the State in a manner that is proportionate to each county’s population. The Authority maintains the right to reserve a certain percentage of the non-targeted

lendable proceeds from each Series of Bonds for the purpose of making Mortgage Loans in areas of the State outside of the Chicago metropolitan area.

The interest rate or rates at which the Authority will purchase Mortgage Loans with amounts on deposit in the various Series Program Accounts may be adjusted from time to time. If the adjustment of an interest rate results in a lowering of the weighted average mortgage interest rate assumption in the then current Cash Flow Certificate applicable to a Series of Bonds, then prior to purchasing Mortgage Loans with amounts on deposit in the applicable Series Program Account at the new interest rate, the Authority will file a Cash Flow Certificate and Rating Certificate with the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Cash Flow Certificates and Rating Certificates.” Generally, the Authority’s staff reviews activity weekly under the Program and determines whether to so modify the interest rate or rates. Factors considered include the prevailing conventional mortgage interest rates, the volume of reservations for the purchase of Mortgage Loans received during the prior week and the amount available for the purchase of Mortgage Loans. If a new mortgage interest rate or rates are established, the Authority generally applies the new rates to all subsequently received reservations for the purchase of Mortgage Loans from all Series Program Accounts until a new rate or rates are established.

The Authority also retains the right to determine from which Series Program Account it will purchase Mortgage Loans. The Authority generally allocates new reservations for Mortgage Loan purchases to available proceeds of its older Series of Bonds first. A Mortgage Loan may be acquired with funds from one or more of the various Series Program Accounts. Principal and interest obligations with respect to such Mortgage Loans shall be allocated to the various Series of Bonds as provided by the Authority.

Second Mortgage Loans are made to provide down payment assistance and closing cost assistance to certain Eligible Borrowers to whom First Mortgage Loans are made. The amount of the First Mortgage Loan and Second Mortgage Loan, taken together, may not exceed 110 percent of the Property Value of the Qualified Dwelling (in each case, including financed improvements). These Eligible Borrowers are also required to participate in home ownership counseling programs. The Authority currently anticipates that the total aggregate principal amount of Second Mortgage Loans purchased will be less than one percent of the aggregate principal amount of Mortgage Loans held under the Program.

The Authority began purchasing Mortgage Loans under the Program in the fourth quarter of 1994. As of July 13, 2004, the Authority had deposited \$1,436,736,215 into the various Series Program Accounts for the purchase of Mortgage Loans other than Transferred Mortgage Loans. As of January 3, 2005, \$1,424,907,804 had been used to purchase Mortgage Loans, \$39,147,759 of reservations for the purchase of Mortgage Loans had been approved, \$55,667,775 of reservations for the purchase of Mortgage Loans were pending but not approved, and \$11,203,457 had been used to redeem Bonds. As of January 3, 2005, there were no Series Program Account deposits that were unreserved and available for the purchase of Mortgage Loans. There are no assurances that any of the reservations for Mortgage Loans pending but not approved or reservations approved for purchase will ultimately result in the purchase of

Mortgage Loans.[†] To the extent Mortgage Loans are not purchased, unexpended proceeds of a Series of Bonds may be used to redeem at par without premium Bonds of such Series. See “CERTAIN PROGRAM INFORMATION – Bond Redemptions and Purchases” attached as Appendix B. As of October 31, 2004, 8,270 Mortgage Loans in the principal amount of \$553,013,590 were outstanding, less than one percent of which were Second Mortgage Loans. Of these, 7,744 Mortgage Loans in the principal amount of \$525,667,043 were purchased Mortgage Loans and 526 Mortgage Loans in the principal amount of \$27,346,549 were Contributed Mortgage Loans.

For certain additional information regarding the Program, including Bonds issued, purchased and redeemed, Mortgage Loan payment delinquencies and Mortgage Pool Insurers, see “CERTAIN PROGRAM INFORMATION” attached as Appendix B. For certain information regarding primary mortgage insurance programs and Mortgage Pool Insurance, see “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES” attached as Appendix C. See “AUTHORITY ANNUAL FINANCIAL STATEMENTS” attached as Appendix A for certain financial information regarding the Program.

Certain information regarding payment delinquencies with respect to single-family mortgage loans purchased under the Authority’s Residential Mortgage Revenue Bond program is set forth under the caption “OTHER PROGRAMS – Other Single-Family Mortgage Purchase Programs.” Such information is provided for purposes of general reference only. The performance of the Program may differ substantially from the historical experience of the Authority’s prior single-family mortgage purchase program.

Program Eligibility

Under the Act, the Authority may acquire mortgage loans secured by a lien on real property located in the State and improved by a residential structure, or unimproved if the mortgage loan proceeds are used for the erection of a residential structure. The Authority has adopted rules and regulations for the purchase of such mortgage loans governing, among other things, the residences, the borrowers, the mortgage lenders and the mortgage loans.

The General Resolution provides that the details of the Mortgage Loans to be purchased with the proceeds of a Series of Bonds are to be determined by the Series Program Determinations set forth in the related Series Resolution. The details of the Mortgage Loans to be purchased with the proceeds of the Offered Bonds and the Prior Bonds are described herein under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage Loans.”

Under the Code, all proceeds of any Prior Bonds that are tax-exempt (exclusive of issuance costs and a reasonably required reserve) must be used to finance one- to four-unit owner-occupied residences owned by persons who meet certain income and Mortgage Loan eligibility requirements. The Code mandates different income and acquisition cost limitations for different areas of the State.

[†] It has been the Authority’s practice to reserve Mortgage Loans in amounts in excess of available bond proceeds to accommodate those reservations that do not result in Mortgage Loan purchases. Historically, that “fall out” rate is approximately 25 percent of Mortgage Loan reservations.

The Authority will adjust the limitations on Eligible Borrower household gross income and acquisition cost from time to time in accordance with requirements of the Code. There is no assurance that any such adjustments will not reduce the maximum Eligible Borrower household gross income or the maximum acquisition cost applicable to the Program. See “THE PROGRAM – Eligibility Requirements of the Code” herein for a further discussion of eligibility requirements for Eligible Borrowers and Mortgage Loans.

Origination and Purchase

The discussion under this caption does not apply to Transferred Mortgage Loans, which were originally purchased under the Authority’s 1983 Resolution.

The Authority invites selected Mortgage Lenders to participate in the Program. Mortgage Lenders are required to enter into a mortgage purchase agreement with the Authority. In order to participate in the Program, a Mortgage Lender must complete and send a form application to the Authority offering to participate. The mortgage purchase agreement, the form application and the Authority’s Procedural Guide (hereinafter defined), with any amendments thereto, are collectively referred to herein as the “Mortgage Purchase Agreement.” The terms of the Mortgage Purchase Agreement are subject to change so long as there is compliance with State and federal law and the Resolution.

The Mortgage Lenders must process all Mortgage Loans in compliance with the requirements of the Mortgage Purchase Agreement. The Mortgage Lender performs the initial underwriting of the Mortgage Loan. Credit underwriting must be in compliance with accepted mortgage industry underwriting standards and standards approved by the insurer providing the mortgage pool insurance, if any, and, for Mortgage Loans required to have private mortgage insurance, standards approved by the qualified private mortgage insurer, and for Mortgage Loans that are FHA-insured, VA-guaranteed or USDA-guaranteed, standards specified by the applicable agency. The Authority’s procedure manual (the “Procedural Guide”) emphasizes use of Fannie Mae underwriting guidelines (other than with respect to FHA-insured Mortgage Loans, VA insured Mortgage Loans or USDA insured Mortgage Loans, which shall be subject to FHA, VA or USDA underwriting guidelines, respectively). The Mortgage Lender must obtain an application package consisting of all required credit and employment information, appraisals, affidavits, certificates and other documents required by the Procedural Guide with respect to each Mortgage Loan and forward the application package to the Authority. The Authority reviews the application package for each Mortgage Loan to be financed with proceeds of Bonds and, if acceptable, sends a notice of acceptance to the Mortgage Lender.

The Authority purchases Mortgage Loans in accordance with the provisions of the Mortgage Purchase Agreement. A notice to participating Mortgage Lenders specifies the interest rate or rates for Mortgage Loans to be purchased by the Authority. Prepayment penalties are prohibited in connection with Mortgage Loans, but late charges may be collected and retained by Servicers. Under the Mortgage Purchase Agreement, the Authority is not obligated to purchase any Mortgage Loan unless the Mortgage Loan is delivered to the Authority within 45 days of closing. The Authority purchases Mortgage Loans at purchase prices determined on a Series by Series basis. The purchase prices for First Mortgage Loans purchased from amounts on deposit in the respective Series Program Accounts for the various Series of Bonds are typically based on

a percentage of the original principal amount of the applicable First Mortgage Loan at the time of purchase, plus accrued interest through the day prior to the date of purchase. The percentage depends on the points paid to Mortgage Lenders in connection with a First Mortgage Loan, according to the following schedule:

<u>Points</u>	<u>Purchase Price Percentage</u>
0	101.25%
1	100.25
2	99.25
3	98.25

The Authority may increase the purchase price of a First Mortgage Loan (i) by up to 4.25 percent, with the additional amount being used for down payment assistance, and (ii) by up to \$2500, with the additional amount being used for costs of closing, all as the Authority determines from time to time. The Authority may also purchase smaller Mortgage Loans at par plus a flat fee.

The purchase prices for Second Mortgage Loans purchased from amounts on deposit in the respective Series Program Accounts for the various Series of Bonds will be 101.25 percent of the original principal amount of the applicable Second Mortgage Loan at the time of purchase, plus accrued interest, if any, through the day prior to the date of purchase.

Each First Mortgage Loan and Second Mortgage Loan is required under the related Mortgage Purchase Agreement to have the benefit of (i) the current form of ALTA title insurance policy with an environmental protection lien endorsement in an amount at least equal to the original principal amount of such Mortgage Loan, insuring that the mortgage relating to such Mortgage Loan constitutes a first lien or second lien, as applicable, on the mortgaged property, subject only to exceptions that the Authority has previously approved, and (ii) flood insurance for any property located in a special flood hazard area for which HUD has made federal flood insurance available. Each First Mortgage Loan also requires certain escrow payments with respect to taxes, assessments, insurance premiums and other charges or alternative arrangements that are satisfactory to the Authority to assure payment thereof.

Each Mortgage Purchase Agreement contains certain Mortgage Lender representations and warranties to the Authority concerning each Mortgage Loan being sold to the Authority, including, among others, that, at the time of delivery of such Mortgage Loan to the Authority: (i) there is no default or delinquency under the Mortgage Loan; (ii) the First Mortgage Loan or Second Mortgage Loan is secured by a valid and existing first lien or second lien, respectively, on the mortgaged property; and (iii) all documents required to be filed to perfect the lien on the mortgaged property against third parties have been filed.

Each Mortgage Purchase Agreement further provides that the Mortgage Lender will repurchase any Mortgage Loan sold to the Authority or, if the Authority has acquired title to and sold the residence securing the Mortgage Loan, reimburse the Authority for any losses, upon the Authority's written notice if any of the following events occurs with respect to such Mortgage Loan: (i) the Mortgage Lender fails to deliver the recorded mortgage, the recorded assignment of

mortgage or the title insurance policy when available; (ii) the Authority suffers, or is threatened with, a material loss by reason of the misfeasance, non-feasance or malfeasance of the Mortgage Lender with respect to the Mortgage Loan; (iii) the Authority determines that any Mortgage Lender representation with respect to such Mortgage Loan was untrue when made, any warranty or term of the Mortgage Purchase Agreement has been breached, or a misstatement of a material fact exists in any of the documents relating to the Mortgage Loan; (iv) in the case of First Mortgage Loans, any primary mortgage insurance or mortgage pool insurance policy with respect to the First Mortgage Loan is canceled or lapses at any time during the term of the First Mortgage Loan due to the fault of the Mortgage Lender or the party servicing the First Mortgage Loan and such insurance is not promptly reinstated to the satisfaction of the Authority; and (v) the Mortgage Lender, without the prior written consent of the Authority, waives the enforcement of (or consents on behalf of the Authority to the waiver of) any provisions of the mortgage note or mortgage.

Loan Servicing

After a Mortgage Loan is purchased by the Authority, it is serviced under a master servicing agreement (the “Servicing Agreement”) by an approved mortgage loan servicer (a “Servicer”), which may be the Mortgage Lender that sold such Mortgage Loan to the Authority. The Authority may also act as a Servicer. Each Servicing Agreement provides for a servicing fee (currently equal to 3/8 of one percent per annum for Mortgage Loans for which reservations were made prior to January 1, 2005, or ¼ of one percent per annum for Mortgage Loans for which reservations were made on and after January 1, 2005, in each case of the outstanding principal balance of First Mortgage Loans serviced under the agreement), computed and paid monthly. The Servicer remits Mortgage Loan payments (net of the servicing fee) to the Authority, is reimbursed for certain expenses pertaining to delinquent loans and is entitled to retain late payment charges.

Under the terms of the Servicing Agreement, the Servicer must deposit all payments of principal and interest received on account of the Mortgage Loan being serviced in payment accounts (“P&I Accounts”) and all payments for taxes, insurance and the like in escrow accounts (“T&I Accounts”). All such accounts must be insured by the Federal Deposit Insurance Corporation (the “FDIC”). These accounts must be established in financial institutions in the State unless otherwise approved by the Authority upon such conditions as are deemed appropriate to protect its interests and the interests of the beneficial owners of the Bonds.

Under federal regulations, the FDIC presumes that all P&I Accounts established by a Servicer in a given insured financial institution are entitled in the aggregate to \$100,000 of deposit insurance. These FDIC regulations also provide, however, in certain circumstances, for “pass-through” deposit insurance protection for funds in P&I Accounts that are designated as custodial accounts for other persons or entities. The interest of each beneficial owner in funds in custodial accounts may be determined on a fractional or percentage basis, *provided* that the deposit account records sufficiently indicate that the depositor is acting in a fiduciary capacity for such persons or entities. Under the terms of the Servicing Agreement, the Servicer must establish and title each P&I Account to indicate that funds therein are held by the Servicer and the depository as custodial funds for the benefit of the Authority, the Trustee and the beneficial owners of the Bonds. The Authority has received informal written confirmation from FDIC staff

attorneys that the manner in which it requires Servicers to maintain the P&I Accounts complies with the FDIC's pass-through insurance regulations.

The Servicing Agreements require the Servicer to service Mortgage Loans in accordance with acceptable mortgage lending practices of prudent lending institutions and in accordance with the Servicing Agreement. This includes, among other things, taking steps to assure the maintenance of required mortgage and hazard insurance policies, inspection of mortgaged premises, and properly applying, paying and rendering an accounting of all sums collected from a mortgagor for payment of principal and interest, taxes, assessments and hazard and mortgage insurance premiums.

In the event of any default on a Mortgage Loan, the Servicer is obligated to take all actions it would take with respect to mortgage loans serviced for others or held for its own account consistent with the terms of the Servicing Agreement and the requirements of the applicable primary mortgage insurer or pool insurer, including, at the direction of the Authority or when required by the mortgage insurance policies, the institution of foreclosure proceedings.

From the funds deposited in each T&I Account, the Servicer must pay when due primary mortgage and hazard insurance premiums, taxes and special assessments. The FDIC permits pass-through deposit insurance protection (as described above) to the individual borrowers for funds in mortgage escrow accounts denominated as such on the depository's and Servicer's books and records.

The rights of the Owners and the beneficial owners of the Bonds with respect to funds held by a Servicer in a clearing account before deposit in a P&I Account or a T&I Account may, under certain circumstances, in the event of insolvency of the Servicer or the depository that is not the Servicer, be subject to the claims of creditors of the Servicer or the depository for the Servicer in the ensuing insolvency proceeding. The Authority, however, requires funds received and cleared in such accounts to be promptly transferred to the applicable P&I Accounts and T&I Accounts.

The Authority may approve the transfer of a Servicer's servicing functions under a Servicing Agreement to another Servicer. As of December 31, 2004, there were approximately 100 Servicers servicing Mortgage Loans under the Program.

Eligibility Requirements of the Code

The Code provides that interest on obligations of the Authority is excluded from "gross income" of the owners thereof for federal income tax purposes only if, among other things, all proceeds (exclusive of issuance costs and a reasonably required reserve) are used to finance one-to four-family, owner-occupied residences, and if certain requirements are met, including eligibility requirements for home mortgage loans and borrowers ("Eligibility Requirements") and certain other requirements related to the issue. See "TAX MATTERS" for a discussion of the requirements of applicable federal tax laws.

OTHER PROGRAMS

Other Single-Family Mortgage Purchase Programs

Information regarding the Authority's other single-family mortgage purchase programs is provided below for purposes of general reference only. The performance of the Program may differ substantially from the historical experience of the programs described below. The mortgage loans and other funds and assets held under these programs are not pledged as security for the Bonds. For a further discussion of the single-family mortgage purchase programs, see "AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note E – Program Loans Receivable," "– Note F – Bonds and Notes Payable," "– Note I – Other Liabilities" and "– Note M – Subsequent Events" attached as Appendix A.

Residential Mortgage Revenue Bonds. The Authority adopted its 1983 Resolution for the purpose of purchasing mortgage loans from approved lending institutions located throughout the State, on owner-occupied, one-to-four unit dwellings acquired by eligible buyers. From 1983 through 1993, the Authority issued 32 series of bonds (a *de minimis* amount of which remain outstanding) under the 1983 Resolution for an aggregate amount of approximately \$1.8 billion in lendable proceeds. The Authority does not plan to issue additional bonds to purchase additional mortgage loans under this program.

Owner Occupied Housing Revenue Bonds. On July 15, 1994, the Authority adopted its Owner Occupied Housing Revenue Bonds General Resolution, permitting the Authority from time to time to issue bonds and to use the proceeds of such sales to refund on a replacement basis the Authority's outstanding Homeowner Mortgage Revenue Bonds and Residential Mortgage Revenue Bonds. A number of Owner Occupied Housing Revenue Bonds have been refunded with the proceeds of the Authority's Homeowner Mortgage Revenue Bonds. The Authority anticipates that its Owner Occupied Housing Revenue Bonds will continue to be so refunded. These bonds are general obligations of the Authority, but are not subject to certification pursuant to Section 26.1 of the Act.

Multi-Family Mortgage Loan Programs

Information regarding the Authority's multi-family mortgage loan programs is provided below for purposes of general reference only. Many of the developments financed under these programs depend upon subsidies by the United States Department of Housing and Urban Development ("HUD") under Section 8 ("Section 8") of the United States Housing Act of 1937, as amended (the "1937 Housing Act") to meet their mortgage loan payments to the Authority. There are several proposals currently being discussed by HUD and members of Congress that could reduce or eliminate Section 8 subsidies. The Authority is unable to predict the outcome of these discussions or their impact on developments financed under these programs. For a further discussion of the multi-family mortgage loan programs, see "AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note E – Program Loans Receivable," "– Note F – Bonds and Notes Payable," "– Note I – Other Liabilities" and "– Note M – Subsequent Events" attached as Appendix A.

Multi-Family Program Bonds. Under this program the Authority issues Multi-Family Program Bonds in series to make mortgage loans for the purpose of: (i) financing the acquisition,

construction, equipping, installation, renovation or rehabilitation of multi-family rental housing developments for persons and families of low and moderate income in the State of Illinois, (ii) preserving the availability of low and moderate income housing in existing developments, (iii) retiring outstanding Multi-Family Program Bonds and (iv) retiring other indebtedness of the Authority or other Persons issued for the purpose of financing or refinancing a development. The developments financed from the proceeds of the outstanding Multi-Family Program Bonds are fully or partially subsidized by HUD under Section 8 of the 1937 Housing Act, although it is not a requirement of this program that such developments or developments to be financed under this program in the future be subsidized. The bonds issued under this program (other than the two most recent series issued) are general obligations of the Authority, but are not subject to certification pursuant to Section 26.1 of the Act. The two new series of these bonds are not general obligations of the Authority or subject to certification pursuant to Section 26.1 of the Act. However, there is a partial pledge of the Authority's general obligation to secure the Authority's reimbursement obligations to the provider of the bond insurance insuring such series of bonds.

Multi-Family Housing Bonds. Under this program, the Authority finances multi-family housing mortgage loans to provide for the construction or rehabilitation and permanent financing of rental multi-family housing developments through the issuance of Multi-Family Housing Bonds and Multi-Family Housing Bond Anticipation Notes. Housing developments so financed are designed primarily for occupancy by persons and families of low and moderate income and, generally, the multi-family housing mortgage loans are made for developments that are or are expected to be the subject of future housing assistance payments by HUD under Section 8 of the 1937 Housing Act, for all or a portion of the units therein, or FHA mortgage insurance under Section 221(d)(4) of the National Housing Act of 1934, as amended. All but a series of these bonds issued in 1995 are general obligations of the Authority. However, there is a partial pledge of the Authority's general obligation to secure the Authority's reimbursement obligations to the provider of the bond insurance insuring such series of these bonds issued in 1995. All bonds issued under this program prior to 1995 are also subject to certification pursuant to Section 26.1 of the Act.

Affordable Housing Program Trust Fund Bonds. The Authority is designated the administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated by an increase in the State real estate transfer tax. The Authority is authorized to pledge an aggregate of \$10 million annually of the revenues and amounts on deposit or to be deposited to the Affordable Housing Trust Fund as security for affordable housing bonds that the Authority issues under this program to finance low and very low income single-family and multi-family housing. The Authority has pledged and may in the future pledge its general obligation in certain limited respects as security for some of these bonds, but such bonds are not and will not be subject to certification under Section 26.1 of the Act.

The Authority issued a refunding series of these bonds in the summer of 2004; proceeds of this series were used to redeem all or a portion of a prior series of bonds. The Authority anticipates issuing another refunding series of these bonds in the summer of 2005 under a forward delivery commitment. Proceeds of this new series of bonds will be used to redeem all or a portion of the other prior series of bonds.

Multi-Family Variable Rate Demand Bonds. The Authority established this program to assist in the construction, rehabilitation and permanent financing of multi-family, rental developments intended for occupancy principally by persons and families of low and moderate income. The Authority issued bonds for the first time under this program in April 1996, and used their proceeds and other moneys to refund all of its then outstanding short term commercial paper notes. These bonds are not the general obligation of the Authority or subject to certification pursuant to Section 26.1 of the Act. However, the reimbursement obligations to the bond insurer and the provider of the liquidity facility for these bonds are the general obligation of the Authority, but not subject to certification pursuant to Section 26.1 of the Act.

Multi-Family Housing Revenue Bonds. In November 1997, the Authority issued its Multi-Family Housing Revenue Bonds, Series 1997 (AMT) (Camelot Development) to pay or redeem certain of the Authority's outstanding Multi-Family Housing Bonds (proceeds of which were used to finance the Camelot Development), pay or reimburse the Authority for costs of rehabilitation and improvement of the Camelot Development, and certain other uses. In June 2000, the Authority issued its Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) to pay or redeem certain of the Authority's outstanding Multi-Family Housing Bonds (proceeds of which were used to refinance the Lakeshore Plaza Development), and certain other uses. These two series of bonds are general obligations of the Authority but are not subject to certification pursuant to Section 26.1 of the Act.

Housing Bonds. The Authority issued bonds for the first time under this program in April 1999. Bonds issued under this program are anticipated to be used to refinance, directly or indirectly, and to make additional loans for, multi-family developments currently financed under the Multi-Family Housing Bonds program, the Housing Development Bonds program and the Fixed Rate Housing Bonds program. The bonds issued under this program to date are general obligations of the Authority but not subject to certification pursuant to Section 26.1 of the Act.

Housing Finance Bonds. The Authority issued bonds for the first time under this program in December 1999. Bonds issued under this program are anticipated to be used to finance multi-family developments under the Risk Sharing Program, and/or HUD's so-called Section 8 "mark-to-market" program, as well as to finance multi-family developments providing assisted living services to low income persons under an assisted living pilot project sponsored by the Illinois Department of Public Aid. The bonds issued under this program to date are not general obligations of the Authority and are not subject to certification under Section 26.1 of the Act.

Risk Sharing Program. In June 1994, the Authority entered into a Risk Sharing Agreement with HUD that permitted the Authority to participate in HUD's Risk Sharing Pilot Program. In October 2000, Congressional legislation made the Risk-Sharing Pilot Program into a permanent program that allows the Authority to submit an unlimited amount of loans for Risk-Sharing loan credit enhancement. Under the Risk Sharing Program, HUD insures certain mortgage loans on multi-family housing developments ("Risk Sharing Loans"). Under the Risk Sharing Agreement, the Authority will underwrite Risk Sharing Loans following its own underwriting guidelines. HUD will insure these Risk Sharing Loans and, in the event of a foreclosure, will bear 10 to 90 percent of the loss, as elected by the Authority at the time the loan is made. The Authority will bear the remainder of the risk. The Authority has made a number of Risk Sharing Loans, and is currently reviewing a number of other applications for Risk Sharing

Loans, and anticipates entering into commitments for, and closing, additional Risk Sharing Loans.

Ambac-Insured Mortgage Loan Program. In December, 2000, the Authority received a commitment from Ambac Assurance Corporation (“Ambac”) under which Ambac will insure mortgage loans (“Ambac Loans”) on multi-family housing developments under the Authority’s Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. Once Ambac Loans are issued and minimum threshold requirements are met, Ambac and the Authority will enter into a sharing agreement under which Ambac and the Authority will share the risk of loss on the remaining principal balance. The Authority has made a number of Ambac Loans, and is currently reviewing a number of other applications for Ambac Loans, and anticipates entering into commitments for, and closing, additional Ambac Loans.

Single Project Financings. The Authority issues from time to time special limited obligation bonds to finance single projects as further described in “AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note F – Bonds and Notes Payable – Other Financings” attached as Appendix A. These bonds are generally conduit financings and are not general obligations of the Authority or subject to certification pursuant to Section 26.1 of the Act.

Other Authorized Activities

In addition to the programs described above, the Authority is authorized under the Act to:

- (i) make grants to non-profit corporations for operating, administrative and other expenses relating to developments financed under assisted or unassisted mortgage financing programs;
- (ii) make housing assistance grants to non-profit corporations and limited profit entities for the benefit of residents of developments in order to achieve lower rentals for some or all of the housing units in such developments financed under assisted or unassisted mortgage financing programs;
- (iii) make loans, grants or deferred payment loans to low and moderate income persons or to non-profit and limited profit entities to finance the improvement or rehabilitation of single-family residences;
- (iv) make non-interest bearing advances to non-profit corporations for constructing or rehabilitating developments to make housing available to low and moderate income persons;
- (v) make loans for housing related commercial facilities;
- (vi) act as a developer of land or structures to provide developments, community facilities or housing related commercial facilities; and
- (vii) make loans or grants to encourage research in demonstration projects to develop new and better techniques for increasing the supply of housing for low and moderate income persons and families. The Authority may also provide technical assistance in the development of housing for low and moderate income persons and families.

The Authority is designated the administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated by an increase in the State real estate transfer tax. Trust Fund moneys not otherwise pledged as security for Affordable Housing Program Trust Fund Bonds may be used, with the approval of the Authority, to make grants, mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single-family and multi-family housing for low and very low income households. See “OTHER PROGRAMS – Multi-Family Mortgage Loan Programs.”

The Authority is designated the program administrator for the HOME Program for the State, as authorized by Title II of the National Affordable Housing Act of 1990. Under that Project, participating Mortgage Lenders that have been approved by the Authority may be allowed to originate Mortgage Loans on Qualified Dwellings. The HOME Program provides down payment and closing cost assistance to certain eligible borrowers whose income is at or below 80 percent of the median income for the area in which the Qualified Dwelling is located, as determined by HUD. Applications for HOME Program funds are accepted on a quarterly basis from for-profit and not-for-profit organizations, local and county governments and public agencies. HOME Program funds may be used, with the approval of the Authority, to make grants or loans for moderate or substantial rehabilitation, property acquisition, new construction, tenant-based rental assistance, reconstruction, site improvements, owner-occupied rehabilitation, demolition and relocation expenses, all in connection with providing housing for low and very low income persons.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from the Trustee or the Authority.

Certain Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used herein:

“*Accountant*” means a major national firm of independent certified public accountants of recognized national standing for auditing financial statements of major issuers of state and local governmental bonds throughout the United States.

“*Act*” means the Illinois Housing Development Act, as amended from time to time.

“*Additional Bonds*” means any additional Bonds issued pursuant to the General Resolution.

“*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. The premium or discount shall be amortized on a straight line basis by multiplying the amount of that premium or discount by a fraction, the numerator of which is the number of days having then passed from the date of purchase and the denominator is the number of days from the date of purchase to the maturity date.

“*Appreciated Amount*” shall mean with respect to a Deferred Interest Bond, as of any date of computation, an amount equal to its initial principal amount plus the interest accrued on it from the date of its original issuance to the earlier of the date of computation or the date, if any, set forth in the related Series Resolution on which interest

to be paid on current interest payment date shall begin to accrue. The accrued interest shall be calculated at the rate per year set forth in the related Series Resolution, and shall be compounded on such dates set forth in that Series Resolution, with accrual between compounding dates in equal daily amounts.

For the purposes of actions, requests, notifications, consents or directions of Bondowners under the General Resolution, the calculation of the Appreciated Amount shall be as of the interest payment date or compounding date preceding such date of calculation (unless such date of calculation shall be an interest payment date or compounding date, in which case it shall be as of the date of calculation).

“*Authority*” means the Illinois Housing Development Authority.

“*Authority Program Account(s)*” means any one or more accounts by that name in the Program Fund as established from time to time by a Series Resolution or Supplemental Resolution.

“*Authority Program Determinations*” means any determination(s) by the Authority relating to Mortgage Loans to be originated with amounts in a related Authority Program Account, all consistent with this Resolution. Authority Program Determinations may include, without limitation, such matters as are set forth in the definition of Series Program Determination.

“*Authority Request*” means a written request or direction of the Authority signed by an Authorized Representative.

“*Authorized Representative*” means the Chairman, Vice Chairman, Director, Acting Director, Deputy Director or Assistant Director of the Authority and any other authorized representative as from time to time may be designated by resolution or by-law to act on behalf of the Authority under the General Resolution.

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

“*Bond Counsel Opinion*” means an opinion of a lawyer or firm of lawyers nationally recognized as bond counsel, selected by the Authority.

“*Bondowner*” or “*Owner of Bonds*” or “*Owner*” means the registered owner of any registered Bond.

“*Cash Equivalent*” means a letter of credit, insurance policy, surety, guarantee or other security arrangement upon which the Authority or Trustee may make a draw to provide funds as needed for the Reserve Fund or to provide Supplemental Mortgage Coverage.

“*Cash Flow Certificate*” means a Certificate of an Authorized Representative filed with the Trustee and meeting the requirements of the General 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 General Resolution or a Series Resolution.

“*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.

“*Compliance Certificate*” means a Certificate of an Authorized Representative filed with the Trustee and meeting the requirements of the General Resolution.

“*Contributed Assets*” means any monies or assets contributed by the Authority to be held under this Resolution as additional Pledged Property, as set forth in any Series Resolution or Supplemental Resolution.

“*Costs of Issuance*” means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale, issuance and remarketing of the Bonds, as certified by an Authorized Representative.

“*Counsel’s Opinion*” means an opinion of a lawyer or firm of lawyers selected by the Authority, including a lawyer in the regular employment of the Authority.

“*Deferred Interest Bond*” means any Bond designated as such by the related Series Resolution.

“*Event of Default*” means any of the events of default described in the General Resolution.

“*Expenses*” means any money required by the Authority to pay the fees or expenses of the Trustee or the Fiscal Agent and any expenses that the Authority lawfully may pay relating to the Program including, without limiting the foregoing, Supplemental Mortgage Coverage, or the redemption of Bonds, or rebates to mortgagors as required by the Code, except as limited with respect to any Series of Bonds by the applicable Series Resolution.

“*Fiscal Agent*” means, collectively, such institution or institutions designated by the Authority from time to time as Fiscal Agent for a Series of Bonds pursuant to Series Resolutions to perform the duties established under the General Resolution and the Series Resolution for the Fiscal Agent with respect to that Series. If a Fiscal Agent is not designated in a Series Resolution, then for that Series of Bonds the Trustee shall be the Fiscal Agent.

“*Fiscal Year*” means the year beginning on the first day of July and ending on the last day of June in the next succeeding year.

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

“*Government Obligations*” means (i) direct obligations of or obligations fully guaranteed as to timely payment by the United States of America, which may include, but not limited to: United States Treasury obligations; Separate Trading or Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book-Entry Safekeeping (CUBES), *provided* that the underlying United States Treasury obligation is not callable prior to maturity; certificates of beneficial ownership of the United States Department of Agriculture; participation certificates of the General Services Administration; guaranteed Title IX financings of the U.S. Maritime Administration; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; local authority bonds guaranteed by the U.S. Department of Housing and Urban Development; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority and (ii) interest obligations of the Resolution Funding Corporation (REFCORP), including, but not limited to, interest obligations of REFCORP stripped by the Federal Reserve Bank of New York.

“*Insurance Proceeds*” means payments received with respect to the Mortgage Loans under any insurance policy, guarantee or fidelity bond, including amounts available under any Supplemental Mortgage Coverage, less any expenses incurred in realizing such payments and less any reimbursement of advances due the insurer or provider of such a bond.

“*Investment Obligations*” means, to the extent authorized by law at the time of such investment, (i) (A) Government Obligations, or (B) obligations with the highest long term rating by each Rating Agency, of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of such Government Obligations; (ii) (A) notes, bonds, debentures or other obligations issued by Student Loan Marketing Association (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date), Federal Home Loan Banks, the Tennessee Valley Authority, Farm Credit System, Federal Home Loan Mortgage Corporation (which guarantees full and timely payment of principal and interest), the Resolution Trust Corporation and the Small Business Administration; or (B) bonds, debentures or other obligations issued by Fannie Mae, in each case (1) excluding stripped mortgage securities that are purchased at prices exceeding their principal amounts and (2) with a rating by each Rating Agency at least equal to that Rating Agency’s existing Rating on the Bonds, other than Subordinate Bonds; (iii) any other obligations of any agency controlled or supervised by and acting as an instrument of the United States pursuant to authority granted by the Congress of the United States, as set forth in a Series Resolution with a rating by each Rating Agency of at least that Rating Agency’s existing rating on the Bonds, other than Subordinate Bonds; (iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the United States, including the Trustee (as used in this (iv), “deposits” shall mean obligations evidencing deposit liability that rank at least on a parity with the claims of general creditors in liquidation), which are fully insured by the Federal

Deposit Insurance Corporation; (v) certificates of deposit or time deposits of any bank, including the Trustee, trust company or savings and loan association, if all of the direct, unsecured debt obligations of such bank, trust company or savings and loan association at the time of purchase of such certificates of deposit or time deposits that are rated by each Rating Agency at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds, or are rated in the highest rating category assigned by each such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) of short-term obligations if the investment is for a period not exceeding one year; (vi) repurchase agreements backed by or related to obligations described in (i), (ii) or (iii) above, structured and secured in such a manner as set forth in a Series Resolution or by action of an Authorized Representative upon filing a Rating Certificate with the Trustee, (A) with any institution whose unsecured debt securities are rated by each Rating Agency at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds (or the highest rating of short-term obligations if the investment is for a period not exceeding one year) or (B) with members of the Association of Primary Dealers in any United States Government Securities that do not qualify under (A) and as to which a Rating Certificate is filed with the Trustee; (vii) investment agreements, structured and secured in such a manner as set forth in a Series Resolution, secured or unsecured, as required by the Authority, (A) with any institution whose debt securities are rated by each Rating Agency at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds (or the highest rating of short-term obligation if the investment is for a period not exceeding one year) or (B) with members of the Association of Primary Dealers in any United States Government Securities that do not qualify under (A) and as to which a Rating Certificate is filed with the Trustee; (viii) direct and general obligations of or obligations guaranteed by any state, municipality or political subdivision or agency of a state or municipality, and certificates of participation in obligations of the State of Illinois, which obligation may be subject to annual appropriations, which obligations are rated by each Rating Agency at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds; (ix) bonds, debentures, or other obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) issued by any bank, trust company, national banking association, insurance company, corporation, government or governmental entity (foreign or domestic), *provided* that such bonds, debentures or other obligations are (A) payable in any coin or currency of the United States of America that at the time of payment will be legal tender for the payment of public and private debts and (B) rated by each Rating Agency at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds; (x) commercial paper (having original maturities of not more than 365 days) with the highest short-term rating by each Rating Agency; (xi) money market and similar funds that invest their assets exclusively in obligations described in clauses (i) through (x) above and that have been rated by each Rating Agency in the highest rating category assigned by each such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), *provided* that with respect to Standard & Poor's Ratings Service such funds have ratings with the subscripts "m" or "m-G"; and (xii) any investments authorized in a Series Resolution authorizing Bonds.

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

The definition of Investment Obligations may be amended and additional obligations included by a Supplemental Resolution upon filing of a Rating Certificate with the Trustee.

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

“*Mortgage Lender*” means any entity or person approved by the Authority for participation in the Program, which shall participate in the financing of Mortgage Loans by the Authority. It may also include the Authority if it makes Mortgage Loans itself.

“*Mortgage Loan*” means any loan financed with amounts deposited in the Funds and Accounts (other than other Funds and Accounts so specified in a Series Resolution) and that is included in Pledged Property, evidenced by a note and secured by a mortgage or equivalent security, on an owner-occupied residence in Illinois. With respect to loans related to cooperative dwelling units, the loan may be evidenced by a promissory note and secured by a lien upon the related shares of stock in the cooperative housing corporation and proprietary lease related to the financed premises. Mortgage Loans includes any instrument evidencing an ownership interest in or security for such a loan.

“*1983 Resolution*” means the Authority’s Residential Mortgage Revenue Bond General Resolution, adopted August 19, 1983, as amended and supplemented.

“*Outstanding*” means, with respect to any Bonds as of any date, all Bonds authenticated and delivered by the Trustee under the General Resolution to that date, except (a) any Bond deemed paid in accordance with the General Resolution; (b) any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity; and (c) any Bond in lieu of or in substitution for which another Bond has been authenticated and delivered pursuant to the General Resolution, unless proof satisfactory to the Trustee is presented that any Bond for which such Bond has been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu of, or in substitution for, it shall be deemed outstanding.

“*Pledged Property*” means Revenues and all other money in all Funds and Accounts established under the General Resolution and Series Resolution, including the investments, if any, of such amounts, and the earnings, if any, on such investments until

applied in accordance with the terms of the General Resolution; all right, title and interest of the Authority in and to the Mortgage Loans and the documents evidencing and securing the Mortgage Loans; all right, title and interest of the Authority in and to Insurance Proceeds and Liquidation Proceeds, but excluding Mortgage Loan accrued interest not purchased by the Authority. Pledged Property also includes all Transfer Amounts and all Contributed Assets. Pledged Property does not include amounts paid under Mortgage Loans as to which the obligor is required to be given a rebate or credit under federal income tax law, or amounts required to be paid as rebate to the United States. The pledge of Funds and Accounts established in a Series Resolution may be limited in purpose and time, as set forth in the Series Resolution.

“*Principal*” means (a) with respect to the principal amount of a Deferred Interest Bond, the Appreciated Amount and (b) with respect to any other Bond, the stated principal amount.

“*Program*” means the residential mortgage finance program of the Authority financed by the Bonds.

“*Program Fund*” means the Fund of that name and Accounts in it established pursuant to the General Resolution and Series Resolutions.

“*Rating*” means at any date the then existing rating of any Bonds (other than Subordinate Bonds and other than any Series of Bonds that has a rating based on bond insurance or other credit support for that Series) 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 Authority.

“*Rating Certificate*” means, in connection with certain actions to be taken by the Authority, a Certificate of an Authorized Representative filed with the Trustee that the Authority has been advised by each Rating Agency that the Rating of that Rating Agency will not be reduced as a result of the Authority taking that action. Published rating criteria by a Rating Agency shall also constitute advice of that Rating Agency. When a Rating Certificate is required to accompany a Cash Flow Certificate, the Rating Certificate must be based on a confirmation of the then current Rating of the Bonds other than Subordinate Bonds by each Rating Agency.

“*Rebate Fund*” means the Fund of that name and Accounts in it that may be created and designated in Series Resolutions pursuant to the General Resolution.

“*Recovery(ies) of Principal*” means any payment by a mortgagor or any other recovery of principal on a Mortgage Loan not applied to a scheduled installment of principal and interest on the Mortgage 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 voluntary prepayment of a Mortgage Loan). Recovery of Principal includes, without limitation, the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Liquidation Proceeds,

amounts from the sale or other disposition of a Mortgage Loan, or net recovery from Supplemental Mortgage Coverage to the extent not included in Insurance Proceeds, in each case representing such principal amounts.

“*Redemption Account*” means the Account of that name in the Revenue Fund established pursuant to the General Resolution.

“*Redemption Price*” means, with respect to a Bond or portion of a Bond, the portion of the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption of a Bond in the manner contemplated by the General Resolution and the related Series Resolution.

“*Reserve Fund*” means the Fund of that name established pursuant to the General 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, but in no event less than an amount equal to two percent of the sum of (i) the outstanding principal balance of Mortgage Loans (except Mortgage Loans underlying certificates or securities issued or guaranteed by the Government National Mortgage Association, Fannie Mae or the Federal Home Loan Mortgage Corporation or certificates or securities of similar tenor issued or guaranteed by any other federal agency currently existing or later constituted and other than Mortgage Loans made or to be made with proceeds of Subordinate Bonds) and (ii) the amount on deposit to the credit of the Series Program Accounts of the Program Fund other than such Accounts for Subordinate Bonds. The Trustee may rely upon a Certificate from an Authorized Representative of the Authority that states the Reserve Requirement as of the date of the Certificate.

“*Resolution*” means the General Resolution, as amended or supplemented by Supplemental Resolutions and any Series Resolution (to the extent that such Series Resolution purports to amend the General Resolution).

“*Revenue Fund*” means the Fund of that name established pursuant to the General Resolution.

“*Revenues*” means all money received by or on behalf of the Authority or Trustee representing (i) principal and interest payments on the Mortgage Loans including, without limitation, all Recoveries of Principal and all prepayment premiums or penalties received by or on behalf of the Authority in respect to the Mortgage Loans, (ii) all Insurance Proceeds; (iii) interest earnings received on the investment of amounts in any Account or Fund; and (iv) all Transfer Amounts.

“*Serial Bonds*” means Bonds that are not Term Bonds.

“*Series*” means one of the series of Bonds issued under the General Resolution pursuant to a Series Resolution.

“*Series Program Accounts*” means the Series Program Accounts in the Program Fund established by Series Resolutions.

“*Series Program Determinations*” means determinations by the Authority relating to Mortgage Loans 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 General Resolution. They may include, without limitation, (i) the security that may be provided for each Mortgage Loan; (ii) the principal and interest payment provisions for those Mortgage Loans; (iii) the maximum term to maturity of each Mortgage Loan; (iv) the nature of the residences to which the Mortgage Loan 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) Supplemental Mortgage Coverage, if any; (vii) provisions for limiting or restricting use of Recoveries of Principal; and (viii) 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 Authority authorizing the issuance of a Series of Bonds and includes any determination with regard to that Series made by an Authorized Representative pursuant to the authority delegated by the Series Resolution, and executed prior to issuance of those Bonds. Series Resolution includes any resolution of the Authority amending a Series Resolution as provided in the General Resolution or the related Series Resolution.

“*Sinking Fund Requirement*” means, as of any particular date of calculations, 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 Illinois.

“*Subordinate Bonds*” means Bonds payable on a basis as set forth in the related Series Resolution with a claim to payment that is subordinate to the claim of Bonds that are not Subordinate Bonds.

“*Supplemental Mortgage Coverage*” means the coverage, if any, whether in the form of insurance, Cash Equivalent or additional pledged funds, of losses from Mortgage Loan defaults provided in a Series Resolution that may supplement other mortgage insurance. Supplemental Mortgage Coverage may include any insurance or reserve fund funded by the Authority.

“*Supplemental Resolution*” means any resolution of the Authority supplementing or amending the General Resolution.

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

“*Transfer Amounts*” means amounts and assets required pursuant to Section 616 of this Resolution and the Series Resolution most recently approved by the Authority to be contributed by the Authority from any available source and held under this Resolution.

“*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.

General Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds issued under the General Resolution by those who shall own the same from time to time, the General Resolution shall be deemed to be and shall constitute a contract between the Authority and the owners of the Bonds, and the pledges made in the General Resolution and the covenants and agreements set forth in the General Resolution to be performed by the Authority shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the General Resolution.

Issuance of Bonds

The Bonds shall be executed substantially in the form and manner set forth in the General Resolution and shall be deposited with the Fiscal Agent for authentication. Before the Bonds of the Series shall be authenticated and delivered by the Fiscal Agent, the Trustee shall advise the Fiscal Agent that there is on file with the Trustee the following:

(a) A copy of the General Resolution and the Series Resolution duly certified by an Authorized Representative;

(b) A Bond Counsel’s Opinion stating in the opinion of such counsel that (i) the General Resolution, and the applicable Series Resolution, have been duly adopted and are valid and binding upon the Authority and (ii) the Bonds being issued are valid and legally binding special limited obligations of the Authority secured in the manner and to the extent set forth in the General Resolution and the applicable Series Resolution, and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained in the General Resolution and the applicable Series Resolution;

(c) A Cash Flow Certificate conforming to the requirements of the General Resolution, accompanied, in the case of each Series other than the initial Series of Bonds, by a Rating Certificate with respect to Bonds other than Subordinate Bonds; and

(d) A request and authorization to the Fiscal Agent and the Trustee on behalf of the Authority, signed by an Authorized Representative, to authenticate and deliver the

Bonds to the purchaser or purchasers identified in such request upon payment to the Trustee for the account of the Authority of the purchase price of the Bonds.

Funds and Accounts

The following Funds and Accounts are established:

- Program Fund
 - Series Program Accounts
 - Authority Program Accounts
- Revenue Fund
 - Debt Service Account
 - Recovery of Principal Account
 - Redemption Account
 - Subordinate Bond Accounts
- Reserve Fund

Program Fund - Series Program Accounts

Upon the issuance of a Series of Bonds, a Series Program Account within the Program Fund shall be established and be applicable solely to such Series of Bonds. Moneys held in each Series Program Account shall be used to pay Costs of Issuance of the related Series of Bonds, or to reimburse the Authority 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 Representative. Moneys held in each Series Program Account other than the amounts used or to be used to pay Costs of Issuance shall be applied by the Trustee to the making or acquisition of Mortgage Loans or, upon Authority Request, to pay costs of Supplemental Mortgage Coverage with regard to those Mortgage Loans or as otherwise provided within the Series Resolution. As provided in a Series Resolution, the Authority may use amounts in a related Series Program Account to acquire as Pledged Property Mortgage Loans previously acquired by the Authority not as Pledged Property. Amounts in Authority Program Accounts shall be applied by the Trustee to finance the making or acquisition of Mortgage Loans (the characteristics of which conform to the related Authority Program Determination), or, upon Authority Request, to pay costs of Supplemental Mortgage Coverage with regard to those Mortgage Loans or as otherwise provided in the applicable Authority Program Determination. The Trustee shall transfer unexpended amounts in an Authority Program Account to the Authority as specified in an Authority Request accompanied by a Ratings Certificate. The Trustee shall transfer unexpended amounts in a Series Program Account to the Revenue Fund to the credit of the Redemption Account, as specified by an Authority Request. The Trustee shall transfer amounts from the Program Fund to the Revenue Fund to the credit of the Debt Service Account as provided in the General Resolution. The Trustee shall transfer amounts in a Series Program Account for Bonds refunded in whole or in part by Bonds to the Series Program Account for the refunding Bonds, if so directed by the Series Resolution for the refunding Bonds.

All Revenues received by the Trustee shall be deposited in the Revenue Fund. The Authority shall identify and notify the Trustee of the amount of any Revenues that are

Recoveries of Principal. Recoveries of Principal shall be credited to the Recovery of Principal Account. Except as may be limited by a Series Resolution, amounts in the Recovery of Principal Account may be transferred at any time upon Authority Request to the Redemption Account or the Debt Service Account or, if upon filing a Compliance Certificate or Cash Flow Certificate, as applicable, any Series Program Account.

In addition, at any time, upon Authority Request, the Trustee (1) shall transfer any Transfer Amounts to any designated Series Program Account but only upon the filing by the Authority with the Trustee of a Cash Flow Certificate or a Compliance Certificate, and (2) shall 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 Mortgage Loan.

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

On or prior to each debt service payment date for the Bonds the Trustee shall 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:

(i) 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 the Bonds, other than Subordinate Bonds, and to pay any fees in connection with tender option features, letters of credit, standby bond purchase agreements and other forms of credit or liquidity related to such Bonds, as set forth in the Series Resolution or a Supplemental Resolution;

(ii) to the payment of Expenses specified in a Series Resolution, or such other Expenses provided in an Authority Request, accompanied by a Compliance Certificate or Cash Flow Certificate, as applicable;

(iii) 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;

(iv) to the Redemption Account, an amount as specified in an Authority Request accompanied by a Compliance Certificate or Cash Flow Certificate, as appropriate;

(v) to any Series Program Account in the Program Fund, an amount as specified in an Authority Request accompanied by a Compliance Certificate or Cash Flow Certificate, as appropriate;

(vi) to any Subordinate Bond Accounts, an amount sufficient together with amounts on deposit in that Account, established by a Series Resolution for Subordinate Bonds, timely to pay interest and principal, at maturity or mandatory redemption, due on

such succeeding debt service payment date on the Subordinate Bonds and to pay any fees in connection with tender option features, letters of credit, standby Bond purchase agreements and other forms of credit or liquidity related to such Bonds, as set forth in the Series Resolution or a Supplemental Resolution or to provide any reserve with respect to Subordinate Bonds; or

(vii) to the Authority, for any other purpose authorized or required under the Act free and clear of the pledge and lien of this Resolution. No such payment shall be made except upon filing of a Compliance Certificate or Cash Flow Certificate, as appropriate.

At any time the Trustee shall, upon Authority Request, apply amounts in the Revenue Fund not credited to any Account in it or the Rebate Fund to make required rebates to mortgagors or the United States as required by the Code.

At any time, upon an Authority Request, the Trustee shall apply amounts in the Revenue Fund and not credited to any Account in it to the purchase of Bonds as provided in the General Resolution.

At any time, upon Authority Request, amounts on deposit in the Revenue Fund may be applied to pay Expenses as specified in an Authority Request, accompanied by a Compliance Certificate or Cash Flow Certificate.

Debt Service Account

The Trustee shall, on each principal and interest payment date, withdraw from the Debt Service Account and pay to the Fiscal Agent(s) for the various Series of Bonds an amount in immediately available Funds for the payment of principal of and interest on the Bonds (other than Subordinate Bonds) on that date and credit for liquidity fees as provided in the General Resolution.

Purchase of Bonds from Revenue Fund

Amounts on deposit in the Revenue Fund and not credited to any Account in it may be applied as applicable to the purchase of Term Bonds of each Series then Outstanding, subject to Sinking Fund Requirements on the next date in such Fiscal Year such payments are scheduled as provided in this paragraph. The Fiscal Agent, upon an Authority Request, shall endeavor to purchase from such amounts to be transferred to it by the Trustee the Term Bonds or portions of Term Bonds of each Series stated to mature on the next maturity date or to be redeemed pursuant to Sinking Fund Requirements for Term Bonds of such Series then Outstanding at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) that would be payable on the next redemption date to the Owners of such Term Bonds under the provisions of the applicable Series Resolution if such Term Bonds or portions of Term Bonds should be called for redemption on such date. However, subject to applicable law, notwithstanding the maximum purchase price set forth in the preceding sentence, if at any time the Trustee notifies the Fiscal Agent that the investment earnings on the money in the Revenue Fund and not credited to any Account in it available for such a purchase shall be less than the interest accruing on the Bonds to be redeemed on such date from such Sinking Fund Requirement, then the Fiscal Agent may

pay a purchase price for any such Bond in excess of the Redemption Price that would be payable on the next redemption date to the Owner of such Bond under the provisions of the applicable Series Resolution if an Authorized Representative certifies to the Trustee and the Fiscal Agent that the amount paid in excess of such Redemption Price is expected to be less than the interest that is expected to accrue on the Bond less any investment earnings on such available money during the period from the settlement date of the proposed purchase to the redemption date. The Fiscal Agent shall pay the interest accrued on such Term Bonds or portions of Term Bonds to the date of settlement for the Term Bonds from the Revenue Fund. No such purchase of a Bond shall be made by the Fiscal Agent after the giving of notice of redemption as to that Bond by the Fiscal Agent. Purchased Bonds shall be delivered to the Trustee for cancellation.

Subordinate Bond Accounts

Amounts on deposit in the Revenue Fund to the credit of any Subordinate Bond Account(s) shall be applied as provided in the Series Resolution authorizing those Bonds.

Use of Amounts in Redemption Account for Purchase or Redemption

The Trustee may at any time apply all money deposited in the Revenue Fund to the credit of the Redemption Account for the purchase or redemption of Bonds as follows:

(a) The Fiscal Agent, upon Authority Request accompanied by evidence that a Compliance Certificate or a Cash Flow Certificate, as appropriate, has been filed with the Trustee, shall endeavor to purchase from such amounts to be transferred to the Fiscal Agent by the Trustee Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of such Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) that would be payable on the next redemption date for such Bonds if such Bonds or portions of Bonds should be called for redemption. The interest accrued on such Bonds to the date of settlement shall be paid from the Debt Service Account or the Revenue Fund (not credited to any Account in it), but no such purchase shall be contracted for by the Fiscal Agent after the giving of notice by the Fiscal Agent that such Bonds have been called for redemption except from money other than money set aside in the Redemption Account or other account established by Series Resolution for the redemption of such Bonds.

(b) The Fiscal Agent, upon Authority Request accompanied by evidence that a Compliance Certificate or a Cash Flow Certificate, as appropriate, has been filed having endeavored to purchase Bonds pursuant to paragraph (a) above, shall call for redemption on the earliest practicable date on which Bonds are subject to redemption from moneys in the Redemption Account and, with respect to interest on such Bonds payable upon redemption, the Debt Service Account or the Revenue Fund (not credited to any Account in it).

Reserve Fund

Moneys held for the credit of the Reserve Fund shall be transferred by the Trustee to the Debt Service Account to the extent that amounts on deposit in such Account, the Revenue Fund (not credited to any Account), the Recovery of Principal Account and the Redemption Account

are insufficient to pay the interest or the principal or Redemption Price payable on the Bonds. Moneys therein in excess of its requirement, taking into account any Cash Equivalents in the Reserve Fund, shall, upon an Authority Request, be transferred to the Revenue Fund. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Purchase of Bonds from Revenue Fund.” A Series Resolution may provide that the Reserve Requirement with respect to the applicable Series of Bonds may be funded in whole or in part through Cash Equivalents.

Deficiencies in Debt Service Account

In the event that amounts in the Debt Service Account are insufficient on any interest payment date or principal payment date to pay the principal of and interest on the Bonds (but only for Bonds other than Subordinate Bonds) due and unpaid on such date, whether at the stated payment or maturity date or by the retirement of such Bonds in satisfaction of the Sinking Fund Requirements, the Trustee shall withdraw amounts from the following Funds and Accounts in the following order of priority to the extent necessary to eliminate such deficiency:

- (a) Revenue Fund (not credited to any Account);
- (b) Recovery of Principal Account;
- (c) Redemption Account;
- (d) Reserve Fund; and
- (e) Program Fund

No amounts on deposit in the Revenue Fund being held to pay the Redemption Price of Bonds called for redemption or purchase shall be used for such purpose to the extent that such amounts have been set aside for the payment of Bonds that have been identified for purchase or called for redemption, and no amounts on deposit in any Series Program Account shall be used for such purpose to the extent that the Authority is contractually obligated to finance or originate identified Mortgage Loans acceptable for financing with amounts on deposit in such Series Program Account.

Trustee Payment of Expenses

The Authority grants to the Trustee, and the Trustee retains at all times, an ownership interest in the Pledged Property, sufficient to enable the Trustee to make any payments to be made by it as provided under this caption. This ownership interest is not in limitation of the ability of the Authority to sell or otherwise dispose of Mortgage Loans and to expend amounts in Funds and Accounts as provided in the General Resolution. However, the right of the Trustee to use unexpended amounts in the Revenue Fund to make payments of Program expenses, as provided under this caption shall have priority over any payment of amounts in the Revenue Fund to the Authority.

If the Trustee, in its sole discretion, shall conclude that the Authority for any reason, including without limitation, its inability to act, has failed timely to pay any of the expenses relating to the Trustee or the Program and that such failure, if not corrected, has resulted or may result in an Event of Default, the Trustee may at any time itself apply any amounts in the Revenue Fund (which are or would be available for payment of Program expenses under clauses (ii) and (vii) and the last paragraph under the caption “Program Fund - Series Program

Accounts”) above to pay any such expenses other than general administrative expenses of the Authority, including, without limitation, the following:

- (i) any costs of maintaining Supplemental Mortgage Coverage as provided by the General Resolution or any Series Resolution;
- (ii) the fees or expenses of the Trustee;
- (iii) costs of servicing Mortgage Loans and of realizing on any Mortgage Loan upon any default;
- (iv) costs of maintaining all necessary records with respect to Pledged Property, preparing any necessary cash flow projections and complying with any covenant in the General Resolution or any Series Resolution, including any tax covenant;
- (v) any payments required to comply with any tax covenants; and
- (vi) any other expenses determined by the Trustee, in its sole discretion, to be necessary or appropriate to maintain the value of the Pledged Property.

Any powers given the Trustee as described under this caption are in addition to and not in lieu of or in limitation on any other rights or remedies of the Trustee under the General Resolution, except that to the extent applicable, payments received by the Trustee shall be applied as provided under the caption “Pro Rata Application of Funds” and not as provided under this caption.

Security for Deposits; Investment of Moneys

All amounts held by the Trustee or the Fiscal Agent(s) under the General Resolution, except as otherwise expressly provided in the General Resolution, shall be held in trust, shall be applied only in accordance with provisions of the General Resolution and shall not be subject to any lien, charge or attachment by any creditor of the Authority. All money deposited with the Trustee shall, until invested as described below, to the extent such deposits are in excess of the amounts guaranteed by the Federal Deposit Insurance Corporation or other federal agency, be continuously secured for the benefit of the Authority and the Owners of the Bonds either (a) by lodging with a bank or trust company selected by the Authority as custodian, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit as collateral security, Government Obligations or, with the approval of the Trustee, other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of Currency of the United States of America or (b) if the security provided for in clause (a) is not then permitted by law, then in such manner as may be required or permitted by law. However, it shall not be necessary, except as otherwise provided in the General Resolution, for the Trustee to give security for any money which shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

Moneys deposited for the credit of the Funds and Accounts under the General Resolution shall, as nearly as is practicable, be continuously invested or reinvested by the Trustee upon the direction of an Authorized Representative in Investment Obligations, which shall be in such

amounts and bear interest at such rates that sufficient money will be available to pay the principal and interest due on the Bonds and shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, such that sufficient moneys will be available for the purposes intended.

Any Investment Obligations so purchased in any Fund or Account shall be deemed at all times to be part of such Fund or Account. Any interest paid on the investment in any Fund or Account (except the Rebate Fund) shall be credited to the Revenue Fund and shall be treated as Revenues. Any interest paid on the investment of the Rebate Fund shall be credited to the Rebate Fund. Any profit or loss resulting therefrom shall be credited to or charged against such Fund or Account. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund or Account. The Trustee, when authorized by an Authorized Representative, may trade with itself in the purchase and sale of securities for such investment. Neither the Trustee nor the Authority shall be liable or responsible for any loss resulting from any such investment.

For the purposes of making any investment, the Trustee may consolidate money in any Fund or Account with money in any other Fund or Account and may transfer an interest in an investment from one Fund or Account to another without liquidating the investment.

Except as may be provided in a Series Resolution with respect to the Reserve Fund, in computing the amount in any Fund or Account held by the Trustee under the provisions of the General Resolution, Investment Obligations held in any Fund or Account shall be valued at their Amortized Value, plus the amount of interest on such obligations purchased with money in such Account or Fund.

Compliance Certificates and Cash Flow Certificates

The Authority shall file with the Trustee a Cash Flow Certificate accompanied by a Rating Certificate prior to (i) issuing any Series of Bonds (except no Rating Certificate is required for the initial Series of Bonds), (ii) changing any assumptions in any cash flow scenario in the current Cash Flow Certificate, (iii) making any supplement or amendment to a Series Resolution without consent of Owners of Bonds to amend any provisions in a Series Resolution for the Series Reserve Requirement, the use of Cash Equivalents in the Reserve Fund, Supplemental Mortgage Coverage, Investment Obligations or the Series Program Determinations, including changing any provision regarding Transfer Amounts, (iv) remarketing any Bonds in connection with a change in tender period except as required at the time of their issuance, or (v) causing amounts to be transferred from Authority Program Accounts to the Authority.

The Authority shall file with the Trustee either a Compliance Certificate or a Cash Flow Certificate, as appropriate, prior to (i) any purchase or redemption of Bonds (other than mandatory redemption pursuant to Sinking Fund Requirements and purchases of Bonds as provided in the General Resolution), (ii) withdrawal of amounts from the Revenue Fund pursuant to the General Resolution, (iii) any amendment, sale or other disposition of any Mortgage Loan not in default, (iv) any use of Recoveries of Principal with respect to Mortgage Loans (other than Mortgage Loans acquired solely with amounts in any Authority Program Account) for any use

other than purchase or redemption of Bonds or payment of scheduled debt service or (v) any deviation from the operating policies set forth in the most recent Cash Flow Certificate.

A Compliance Certificate with respect to any action is a certificate of an Authorized Representative stating that the action complies with the operating policies of the Authority relating to the Program as set forth in the then current Cash Flow Certificate.

A Cash Flow Certificate is a certificate of an Authorized Representative stating that, as shown in cash flow projections included in the certificate, there will at all times be available sufficient amounts in the Funds and Accounts, without additional contributions from the Authority, timely to pay all principal of and interest on the Bonds, under each set of cash flow scenarios as described below. Except as provided in the Series Resolution, a Cash Flow Certificate for Bonds that are not Subordinate Bonds need only show the sufficiency of amounts so as to pay debt service for Bonds that are not Subordinate Bonds. The Cash Flow Certificate shall include projections of the amounts available for payment of debt service on Bonds under each then current cash flow scenario.

The Cash Flow Certificate shall set forth various cash flow scenarios, that is, sets of assumptions including, without limitation, the following: (i) the timing and amounts of mortgage prepayments, (ii) the timing of the acquisition of Mortgage Loans, (iii) the future issuance or remarketing of Bonds, (iv) the timing and amounts of the receipt of payments of scheduled principal of and interest on Mortgage Loans, (v) the investment return on Funds and Accounts, (vi) availability of amounts in the Reserve Fund, (vii) the form of Supplemental Mortgage Coverage, the amount and timing of defaults on Mortgage Loans and disposition or recovery prices of defaulted Mortgage Loans, or (viii) receipts of Transfer Amounts. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Transfer Amounts." The Cash Flow Certificate shall also include a set of operating policies setting forth rules or limitations to be followed with respect to discretionary activities of the Authority under the General Resolution and Series Resolutions. Cash flow projections shall take into account the financial position of the Program as of the stated starting date of the projection, shall be consistent with the General Resolution and the Series Resolutions and shall assume compliance with the operating policies set forth in the Cash Flow Certificate and the various Series Program Determinations. A Cash Flow Certificate shall be filed at least annually with the Trustee and each Rating Agency.

Tax Covenants

The Authority shall at all times perform the applicable tax covenants contained in any applicable Series Resolution.

Books and Records

The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and applications of all money received by the Trustee under the General Resolution, and such books shall be available for inspection by the Authority and any Bondowner during business hours, upon reasonable notice and under reasonable conditions.

On or before the tenth business day of each month the Trustee shall furnish to the Authority a written statement of the Funds and Accounts held pursuant to the General Resolution and any Series Resolution.

The Authority shall keep proper books of record and account for all its transactions, other than those recorded in the books maintained by the Trustee described above, and such books shall be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

Annual Audit and Report

Within 120 days of the end of each fiscal year of the Authority, the Authority shall file with the Trustee and each Rating Agency a copy of its audited financial statements for its previous Fiscal Year, accompanied by the related report of an Accountant.

Program Covenants

The Authority covenants (a) that no Mortgage Loan shall be financed by the Authority under the Program unless the Mortgage Loan complies in all respects with the Act in effect on the date of financing and (b) to comply with the applicable Series Program Determinations and Authority Program Determinations.

Events of Default

An “Event of Default” occurs if:

(a) payment of interest on or the principal or Redemption Price of any of the Bonds is not made when due and payable; or

(b) default in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the General Resolution or any Series Resolution and such default continues for 90 days after written notice requiring the same to be remedied has been given to the Authority 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 25 percent in aggregate principal amount of the Bonds then Outstanding. However, if such default can be remedied, so long as following such notice the Authority is diligently taking actions to remedy such default, such default shall not be an Event of Default.

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

Except upon the happening of an Event of Default specified in clause (a) above, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default unless specifically notified in writing of such Event of Default by the Authority or by the Owners of not less than 25 percent in aggregate principal amount of the Outstanding Bonds.

Acceleration of Maturity

Upon the happening and continuance of any Event of Default under clause (a) above (except as may be limited in a Series Resolution), then and in every such case the Trustee may and, subject to the Trustee's right to indemnification, upon the written direction of the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately. Upon such declaration, the principal of all Bonds then Outstanding shall become immediately due and payable, anything contained in the Bonds or in the General Resolution to the contrary notwithstanding. However, if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under this Resolution, money shall have accumulated in the Debt Service Account sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Outstanding Bonds (except the principal and interest of any Bonds that have become due and payable by reason of such declaration and except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and the Authority and all other amounts then payable by the Authority under the General Resolution have been paid or a sum sufficient to make that payment has been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement or provision contained in the Bonds or in this Resolution (except a default in the payment of the principal of such Bonds then due and payable only because of a declaration under this paragraph) has been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds not then due and payable by their terms shall, by written notice to the Authority, rescind and annul such declaration and its consequences. No such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent to it.

Enforcement of Remedies

Upon the happening and continuance of any Event of Default under the General Resolution, then and in every such case the Trustee may, and upon the written request of the Owners of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding shall proceed, subject to the right of the Trustee to indemnification, to protect and enforce its rights and the rights of the Bondowners under applicable laws and under the General 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 General Resolution or in aid or execution of any power granted in the

General Resolution or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the General Resolution the Trustee shall be entitled to sue for, enforce payment of unpaid 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 Authority for unpaid principal, premium, if any, interest or otherwise under any of the provisions of the General 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 General 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 Authority, but solely as provided in the General 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 right of indemnification, if requested in writing by the Owners of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding (other than Subordinate Bonds), shall 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 that may be unlawful or in violation of the General Resolution or of any Series Resolution or (ii) to preserve or protect the interests of the Bondowners, *provided* that such request is in accordance with law and the provisions of the General 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.

Pro Rata Application of Funds

Anything in the General Resolution to the contrary notwithstanding, if at any time the money in the Funds and Accounts is not sufficient to pay the principal of or interest on the Bonds as they become due and payable (either by their terms or by acceleration) such money, together with any money then or later available for such purpose shall be applied, following the satisfaction of any payments due to the Trustee and payment of such Expenses as the Trustee concludes shall enhance the value of the Pledged Property, as follows:

- (a) If the principal of all the Bonds has not become or has not been declared due and payable, all such money shall be applied:

FIRST: to the payment of all installments (other than interest on overdue principal) of interest on Bonds, other than Subordinate Bonds, then accrued and unpaid in the chronological order in which such installments accrued and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, on Bonds other than Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, other than Subordinate Bonds;

SECOND: to the payment of the unpaid principal of any of the Bonds, other than Subordinate Bonds, which have become due and payable (except Bonds other than Subordinate Bonds called for redemption for the payment of which money is held pursuant to the provisions of the General Resolution) in the order of their stated payment dates, with interest on the principal amount of such Bonds, other than Subordinate Bonds, at the respective rates specified therein from the respective dates upon which such Bonds, other than Subordinate Bonds, became due and payable, and, if the amount available is not sufficient to pay in full the principal of the Bonds, other than Subordinate Bonds, by their stated terms due and payable on any particular date, together with such interest, then (1) to the payment first of such interest, ratably, according to the amount of such interest due on such date, and (2) to the payment of such principal, ratably, according to the amount of such principal due on such date of Bonds, other than Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, other than Subordinate Bonds;

THIRD: to the payment of the interest on and the principal of the Bonds, other than Subordinate Bonds, to the purchase and retirement of Bonds, other than Subordinate Bonds, all in accordance with the provisions of the General Resolution governing redemption of Bonds;

FOURTH: to the payment of interest (except interest on overdue principal) on Subordinate Bonds then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, of Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds;

FIFTH: to the payment of the unpaid principal of any of the Subordinate Bonds that has become due and payable (except Subordinate Bonds called for redemption for the payment of which, money is held pursuant to the provisions of the General Resolution) in order of their stated payment dates, with interest on the principal amount of such Subordinate Bonds at the respective rates specified in such Subordinate Bonds from the respective dates upon which such Subordinate Bonds became due and payable, and, if the amount available is not sufficient to pay in full the principal of the Subordinate Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date on such Subordinate Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, of Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds; and

SIXTH: to the payment of the interest on and the principal of the Subordinate Bonds, to the purchase and retirement of Subordinate Bonds and to the redemption of Subordinate Bonds.

(b) If the principal of all the Bonds has become or has been declared due and payable, all such money shall be applied first, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Bonds that are not Subordinate Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond that is not a Subordinate Bond over any other Bond that is not a Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to the respective rates of interest specified in the Bonds that are not Subordinate Bonds, and second, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Subordinate Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Subordinate Bond over any other Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to the respective rates of interest specified in the Subordinate Bonds.

(c) If the principal of all the Bonds has been declared due and payable and if such declaration has been rescinded and annulled under the provisions of the General Resolution, then, subject to the provisions of clause (b) above, if the principal of all the Bonds later becomes or is declared to be due and payable, the money remaining in and later accruing to the Debt Service Account, any Subordinate Bond Debt Service Account of the Revenue Fund and the Reserve Fund, together with any other money held by the Trustee under this Resolution, shall be applied in accordance with the provisions of clause (a) above.

In case the time for payment of interest on any Bond is extended, such interest so extended shall not be entitled, in the case of a default, to the benefit or security of the General Resolution except upon the prior payment in full of the principal of all Bonds then outstanding and of all interest the time for payment of which shall not have been extended.

Restrictions Upon Actions by Individual Bondowner

No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or to enforce the General Resolution or enforce any Series Resolution unless such Owner previously has given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than 15 percent in aggregate principal amount of the Bonds then Outstanding (other than Subordinate Bonds) have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the General Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall

have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the General Resolution or to any other remedy under the General Resolution; *provided, however*, that notwithstanding the foregoing and without complying therewith, the Owners of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds.

Notwithstanding the foregoing paragraph, nothing shall affect or impair the right of any Bondowner to enforce the payment of the principal of and interest on that Owner's Bond, or obligation of the Authority to pay the principal of and interest on each Bond to its Owner at the time and place expressed in such Bond.

Trustee Entitled to Indemnity

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the General Resolution, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the General Resolution or in the enforcement of any rights and powers, until it is indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity. In such case the Authority shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

Limitation of Obligations and Responsibilities of Trustee

The Trustee shall be under no obligation (a) to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, (b) to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur or (c) to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall be under no obligation to record or file the General Resolution, or any other security instruments and financing statements, or continuation statements with respect to it, except pursuant to directions from the Authority, in form and substance satisfactory to the Trustee, set forth in an Authority Request. The Trustee and the Fiscal Agent shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment by the Authority of the General Resolution, or in respect of the validity of the Bonds or their due execution or issuance. The Trustee and the Fiscal Agent shall be under no obligation to see that any duties imposed upon the Authority or any party other than itself, or any covenants on the part of any party other than itself to be performed, be done or performed, and the Trustee and the Fiscal Agent shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Compensation and Indemnification of Trustee

Subject to the provisions of any contract between the Authority and the Trustee relating to the compensation of the Trustee, the Authority shall pay, from the Pledged Property, to the Trustee reasonable compensation for all services performed by it and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts created and the performance of its powers and duties, and, from such source only, shall indemnify and save the Trustee harmless against any liabilities, losses, damages, costs and expenses (including attorney's fees and expenses of the Trustee), causes of action, suits, claims, demands and judgments at any kind of nature, which it may incur in the exercise and performance of its powers and duties. Payment of compensation for the Fiscal Agent shall be by separate agreement.

Resignation and Removal of Trustee

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the General Resolution shall become effective until the acceptance of appointment by the successor Trustee as described below. Subject to the foregoing, the Trustee may resign by notice in writing to be given to the Authority and mailed, first class, postage prepaid, to all Bondowners not less than 60 days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee.

Subject to the first sentence of the prior paragraph, the Trustee may be removed at any time by an instrument in writing executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and filed with the Authority. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any applicable provision of the General Resolution by any court of competent jurisdiction upon the application of the Authority pursuant to resolution or of the owners of not less than 10 percent of the Bonds then Outstanding. The Trustee may be removed at any time by the Authority if an Event of Default, or any event which upon the passage of time would be an Event of Default, has not occurred and is continuing.

Appointment of Successor Trustee

If the Trustee shall resign, be removed or otherwise become incapable of acting, or the bank or trust company acting as Trustee is taken over by any governmental official, agency, department or board, the position of Trustee shall become vacant. If the position of Trustee becomes vacant, the Authority shall appoint a Trustee to fill such vacancy and shall cause notice of such appointment to be mailed, first class, postage prepaid, to all Owners of Bonds at their addresses as they appear on the registration books kept by the Fiscal Agent. At any time within one year after any vacancy has occurred, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding may, by an instrument in writing, executed by such Bondowners and filed with the Authority, appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the Authority prior to that filing. Any successor Trustee must be a bank or trust company having its principal office in the State, duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and

having at the time of its appointment, a combined capital and surplus of not less than \$50 million.

Successor Fiscal Agent

The Fiscal Agent may at any time resign and be discharged of the duties and obligations created by the General Resolution by giving at least 60 days' written notice to the Authority and the Trustee. The Fiscal Agent may be removed at any time by an instrument filed with it and the Trustee and signed by an Authorized Officer of the Authority. Any successor Fiscal Agent shall be appointed by the Authority and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least \$5 million and willing and able to accept the office of Fiscal Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Resolution.

Supplemental Resolutions

The Authority may, from time to time and at any time, adopt Supplemental Resolutions that shall be effective without the consent of Bondowners:

- (a) to cure any ambiguity or defect or omission in the General Resolution, or
- (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee, or
- (c) to include as Revenues or Pledged Property any additional amounts, receipts or property, or
- (d) to cure any ambiguity, to correct or supplement any provision of the General Resolution that may be inconsistent with any other provision thereof, or to make any other provisions with respect to matters or questions arising under the General Resolution that are not inconsistent with the provisions thereof, *provided* such action shall not materially adversely affect the interests of the Bondowners, or
- (e) to add to the covenants and agreements of the Authority in the General Resolution additional covenants and agreements to be observed by the Authority or to surrender any right or power reserved to or conferred upon the Authority, or
- (f) to modify any of the provisions of the General Resolution in any respect whatever; *provided, however*, that (i) such modification shall apply only to Series of Bonds issued after the effective date of the Supplemental Resolution and shall not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Resolution or (ii) (a) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (b) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such

Supplemental Resolution and of Bonds issued in exchange for, or in place of, such Bonds; or

(g) to modify, amend or supplement the General Resolution or any Supplemental Resolution in such manner as to permit, if presented, the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state Blue Sky Law, or

(h) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the General Resolution, *provided* that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the General Resolution or a Series Resolution, or

(i) to add to the definition of Investment Obligations pursuant to the last proviso of the definition thereof, or

(j) to modify, amend or supplement the General Resolution or any Supplemental Resolution in such manner as to permit a trustee (other than the Trustee) with respect to any Subordinated Bonds issued under the General Resolution, or

(k) to make any other change that, in the judgment of the Trustee, does not materially adversely affect the interest of the Bondowners.

The General Resolution may be modified, supplemented or amended by a Supplemental Resolution in ways not described above as provided in this paragraph. No such Supplemental Resolution shall be effective except upon the consent of (i) the Owner of greater than 50 percent in aggregate principal amount of Outstanding Bonds; (ii) if less than all of the Outstanding Bonds are affected, of the Owners of greater than 50 percent in principal amount of Bonds so affected then Outstanding and (iii) in case the terms of any Sinking Fund Requirements are changed, of the Owners of greater than 50 percent in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Requirements. However, without the consent of all adversely affected Bondowners, no Supplemental Resolution shall (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 General 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 General 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 shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the General Resolution if it adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether Bonds of

any particular Series and maturity would be affected by any modification, supplement or amendment of the General Resolution or a Supplemental Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds.

Defeasance

If, when the Bonds secured by the General Resolution shall have become due and payable in accordance with their terms or otherwise as provided in the General Resolution, or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Authority to the Trustee, and the whole amount of the principal of, Redemption Price, and the interest on all of the Bonds then Outstanding shall be paid or the Trustee or Fiscal Agent shall hold either money and/or Government Obligations sufficient to pay the principal of, redemption premium, if any, and interest on all Outstanding Bonds or which when due will provide sufficient moneys, together with other money held by the Trustee or Fiscal Agent, to pay the principal of, redemption premium, if any, and interest on such Bonds, and provisions shall also be made for paying all other sums payable under the General Resolution by the Authority, then and in that case, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the General Resolution that are no longer required for the payment or redemption of Bonds not already then surrendered for such payment or redemption.

TAX MATTERS

Summary of Bond Counsel Opinions

In the opinions of Foley & Lardner LLP, and of Burke, Burns and Pinelli, Ltd., Bond Counsel, interest on the 2005 Series A Bonds is not included in the gross income of their owners for federal income tax purposes under Section 103 of the Internal Revenue Code, under present law, and thus is exempt from federal income taxes based on gross income, if there is continuing compliance by the Authority with its covenants described below. The anticipated form of those opinions is attached as Appendix E to this Official Statement. The opinions are to be delivered at the issuance of the 2005 Series A Bonds.

Bond Counsel are also of the opinion that (i) interest on the 2005 Subseries A-1 Bonds is not an item of tax preference for purposes of computation of the alternative minimum tax for individuals or corporations and (ii) interest on the 2005 Subseries A-2 Bonds and 2005 Subseries A-3 is an item of tax preference for purposes of computation of the alternative minimum tax for individuals or corporations. Interest on each Subseries A Bonds is taken into account in determining adjusted gross earnings for the purpose of determining the alternative minimum tax imposed on certain corporations.

Bond Counsel are also of the opinion that, under the Act, in its present form, interest on the 2005 Series A Bonds is exempt from Illinois income tax.

The Bond Counsel opinions are based on an examination of a certified copy of the record of proceedings relating to the 2005 Series A Bonds and certifications of facts made to Bond Counsel by the Authority, the underwriters and others. Bond Counsel do not undertake

independently to investigate or verify the factual matters set forth in the record of proceedings or certifications.

Under the 2005 Series A Resolution and the Authority's Tax Certificate and Agreement relating to the 2005 Series A Bonds, certain actions may be taken after the issuance of those 2005 Series A Bonds only upon the approving opinion of nationally recognized bond counsel. Bond Counsel will express no opinion as to the effect on the exemption of interest on 2005 Series A Bonds from gross income of their owners for federal income tax purposes of any such actions.

The Bond Counsel opinions constitute a statement of professional judgment; they are not a guarantee of a result. The Bond Counsel opinions apply only with respect to the law and factual matters certified to it as of the date of the original issue of the 2005 Series A Bonds.

Continuing Legal Requirements

Federal tax law imposes a number of requirements that must be met for interest on the 2005 Series A Bonds to be excluded from gross income of their owners for federal income tax purposes. These requirements include, among other things, restrictions relating to the mortgage loans to be acquired with the proceeds of the 2005 Series A Bonds, the investment of the proceeds of the 2005 Series A Bonds and the rebate of certain investment earnings to the United States.

Covenants

The Authority has covenanted in the Series Resolution for the 2005 Series A Bonds to take all steps within its power that are required to maintain the status of interest on the 2005 Series A Bonds as not included in the gross income of their owners under federal income tax law existing as of the date of their issuance. The Authority's covenant does not require it to prevent interest on the 2005 Series A Bonds from becoming subject to, or taken into account with respect to, an alternative minimum tax or any similar tax.

Risk of Non-Compliance with Covenants

IF THE AUTHORITY WERE TO FAIL TO COMPLY WITH REQUIREMENTS OF THE INTERNAL REVENUE CODE, INTEREST ON THE 2005 SERIES A BONDS COULD BECOME INCLUDIBLE IN THE GROSS INCOME OF THEIR OWNERS FOR FEDERAL INCOME TAX PURPOSES FROM THE DATE OF THEIR ISSUANCE.

Other Federal Income Tax Consequences

Although Bond Counsel are of the opinion that interest on the 2005 Series A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2005 Series A Bonds may otherwise affect a bondowner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the bondowner or its other items of income or deduction. Bond Counsel will express no opinion regarding any such other tax consequences.

Internal Revenue Service Examination Program

The Internal Revenue Service has a program of examining obligations issued on a tax-exempt basis to determine whether, in the view of the Service, the interest on those obligations should be included in the gross income of their owners for federal tax purposes. It cannot be predicted whether the Service will undertake an examination of the 2005 Series A Bonds.

If a bond examination is so undertaken, under current procedures, the Service would treat the Authority as the taxpayer for procedural purposes. Bondholders may have no right to participate in that proceeding. Should an examination be undertaken by the Service, the market price or liquidity of the 2005 Series A Bonds could be adversely affected, regardless of its ultimate outcome.

Federal Tax Legislation

Legislation affecting the tax-exempt status of municipal bonds is frequently considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2005 Series A Bonds would not affect the exclusion of interest on the 2005 Series A Bonds from gross income pursuant to the Code, the market price of the 2003 Series A Bonds or the timing of optional redemption of the 2005 Series A Bonds.

LEGAL MATTERS

The approving opinions of Foley & Lardner LLP and of Burke, Burns & Pinelli, Ltd., Chicago, Illinois, Bond Counsel, will be delivered with the Offered Bonds. The proposed form of the opinions is included in this Official Statement as Appendix D. Certain legal matters will be passed upon for the Authority by its General Counsel, Mary R. Kenney, Esq., and by its counsel, DLA Piper Rudnick Gray Cary US LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Initial Liquidity Provider by its counsel, Winston & Strawn LLP, Chicago, Illinois.

LITIGATION

The Authority is not engaged in and has not been threatened with any litigation of any nature that seeks to restrain or enjoin the issuance, remarketing, sale, execution or delivery of the Offered Bonds or that in any way contests the validity of the Offered Bonds or any proceedings of the Authority taken with respect to their issuance, remarketing or sale or the pledge or application of any moneys or the security provided for the payment of the Bonds, including the Offered Bonds, or that contests the existence of the Authority.

The Authority may from time to time be a party to litigation incident to the conduct of its programs. The Authority is not engaged in and has not been threatened with any litigation with respect to its statutory powers or otherwise which in the judgment of the Authority is material to the performance of its programs or its obligations with respect to notes and bonds, including the Bonds, of the Authority.

LEGALITY FOR INVESTMENT

Under the Act, the Offered Bonds, in the State, are securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. State laws governing specific types of investors may, however, impose restrictions on such investors with respect to the legality of purchases of the Offered Bonds and may also contain limitations that permit purchases of the Offered Bonds only with specified percentages of their assets.

RATINGS

The 2005 Series A Fixed Rate Bonds have received long term ratings of “AA” from Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) and “Aa2” from Moody’s Investors Service, Inc. (“Moody’s”). The Variable Rate Bonds have received short term ratings of “A-1+” from S&P and “VMIG1” from Moody’s. Ratings assigned to the Offered Bonds reflect only the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. There is no assurance that the ratings that have been assigned to the Offered Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies if, in the judgment of the rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

UNDERWRITING

The Offered Bonds (other than the Variable Rate Bonds) are being purchased by the Underwriters listed on the cover page of this Official Statement. The Underwriters will jointly and severally agree to purchase the Offered Bonds (other than the Variable Rate Bonds) at the prices shown on the inside front cover pursuant to the terms of a purchase contract. The obligation to make such purchase is subject to certain terms and conditions and the approval of certain legal matters by counsel. The Variable Rate Bonds are being purchased by UBS Financial Services, Inc. at a purchase price (expressed as a percentage of the aggregate initial principal amount of the Bonds) of 100 percent pursuant to the terms of a purchase contract. The obligation to make such purchase is subject to certain terms and conditions and the approval of certain legal matters by counsel. The Underwriters will receive a fee of \$405,072.12 in connection with the sale of the Offered Bonds other than the Variable Rate Bonds, to be paid by the Authority. In addition, UBS Financial Services, Inc. will receive a fee of \$59,367.24 in connection with the sale of the Variable Rate Bonds, to be paid by the Authority. The Underwriters may offer and sell the Offered Bonds offered to the public to certain dealers (including dealers depositing the Offered Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2004, included in Appendix A, have been audited by KPMG LLP, independent auditors, to the extent and for the period indicated in their report, which is also included in Appendix A.

INVESTMENT POLICY

The Authority's management of funds under its control is governed by the Act and the Authority's Investment and Cash Management Policy, as amended from time to time. The Act permits the Authority to invest its funds in any investments as may be lawful for fiduciaries in the State of Illinois, for Illinois or nationally chartered banks and savings banks and fiduciaries subject to the Employment Retirement Income Security Act of 1974.

The Authority's Investment and Cash Management Policy (the "Investment Policy"), contains the following stated objectives:

- Safety of principal. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they be from securities defaults or erosion of market value.
- Liquidity. The investment portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements that may be reasonably anticipated in any fund.
- Maximum rate of return. The investment portfolio shall be designed with the purpose of regularly exceeding the average return of United States Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

In addition, the Investment Policy contains the following provision with respect to instruments commonly known as derivative securities:

- Leveraging agreements such as reverse repurchase agreements and derivative investments such as interest only strips and principal only strips of mortgage backed securities, inverse floaters, future contracts and options on future contracts, interest rate caps, floors, and swaps ("Derivatives") shall be purchased and used only in conjunction with interest rate risk management. Such leveraging agreement or Derivatives shall be matched with an underlying existing asset in the portfolio or employed in conjunction with a specific bond or note financing program and shall be used to offset or hedge a specific quantifiable risk to that underlying asset or bond or note financing program. These securities underlying such arrangement or agreement shall be Permitted Investments.

The preponderance of the Authority's investments are demand repurchase agreements concerning obligations of the United States or its agencies or direct investments in such obligations.

For additional information regarding the Authority's investments as of June 30, 2004, see "AUTHORITY ANNUAL FINANCIAL STATEMENTS – Note C – Cash and Investments" attached as Appendix A.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with certain amendments to Rule 15c2-12 of the Securities and Exchange Commission, the Authority has agreed in the Resolution to provide to certain parties certain annual financial information and operating data and notices of certain material events. A summary of the Authority's continuing disclosure undertaking is included as Appendix E to this Official Statement. This undertaking may be enforced by any beneficial owner of any Bonds, but the Authority's failure to comply will not be a default under the Resolution.

In addition, pursuant to the General Resolution, the Authority has agreed to file with the Trustee, within 120 days after the close of each Fiscal Year, a copy of its audited financial statements for the previous Fiscal Year, accompanied by the related report of its independent public accountants.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Constitution of the State, the Act and the Resolution contained in this Official Statement do not purport to be complete and reference is made to the Constitution of the State, the Act and the Resolution for full and complete statements of their provisions. Copies, in reasonable quantity, of the Resolution may be obtained upon request directed to the Authority at 401 North Michigan Avenue, Suite 900, Chicago, Illinois 60611.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of facts. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Offered Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

Dated: February 3, 2005.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

/s/ Kelly King Dibble
Executive Director

APPENDIX A

AUTHORITY ANNUAL FINANCIAL STATEMENTS

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Financial Statements As of and For the Year Ended June 30, 2004

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Notes to Financial Statements	19-39
Supplementary Information:	
Combining Schedule of Net Assets – Mortgage Loan Program Fund	40
Combining Schedule of Revenues, Expenses and Changes in Net Assets – Mortgage Loan Program Fund	41
Combining Schedule of Cash Flows – Mortgage Loan Program Fund	42
Combining Schedule of Net Assets – Single Family Program Fund	43
Combining Schedule of Revenues, Expenses and Changes in Net Assets – Single Family Program Fund	44
Combining Schedule of Cash Flows – Single Family Program Fund	45

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KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

To the Honorable William G. Holland, Auditor
General of the State of Illinois, and the Members
of the Illinois Housing Development Authority

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Mortgage Loan Program Fund and the Combining Single Family Program Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Mortgage Loan Program Fund and the Combining Single Family Program Fund Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

October 28, 2004

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Illinois Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased \$37.1 million, to \$642.4 million as of June 30, 2004, from increases in the Authority's governmental (\$37.1 million) activities. Net assets of the Authority's business-type activities increased by less than \$45 thousand.
- The operating loss of the Authority's business-type activities increased \$4.9 million from the prior year results as decreases in interest on program loans (\$16.4 million) and investment income (\$9.7 million), were only partially offset by lower interest expense (\$20.8 million).
- The Authority's debt outstanding of \$1,489.7 million as of June 30, 2004 decreased \$293.1 million from the amount outstanding as of June 30, 2003. Debt issuances for the year totaled \$321.7 million.
- Loan originations for the year totaled \$197.1 million and \$35.0 million in the Authority's business-type and governmental activities, respectively.

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are government-wide financial statements that provide information about the Authority's overall financial position and operations. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.
- The remaining statements are fund financial statements of the Authority's two governmental funds, for which activities are funded primarily from State appropriations and for which the Authority follows a modified accrual basis of accounting, and of the Authority's major proprietary funds, which operate similar to business activities and for which the Authority follows an accrual basis of accounting.
- The basic financial statements also include a "Notes to Financial Statements" section, that explains some of the information in the Authority-wide and fund financial statements and provides more detailed data.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section for comparison purposes are as previously reported. All percentage variances shown are calculated based on un-rounded amounts.

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the Authority's activities are business-type and are reported in its proprietary funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds and not the Authority as a whole. The Authority has two kinds of funds:

- Governmental funds – The Authority has two governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated to the Illinois Department of Revenue for the purpose of making housing grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. Revenues converted to long-term loans comprise a substantial portion of the funds' net assets.
- Proprietary funds – The Authority's primary activities are in its proprietary funds, which activities are accounted for in a manner similar to businesses operating in the public sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are primarily used to make various types of loans to finance low and moderate-income housing. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes.

Financial Analysis of the Authority as a Whole

Net Assets. The combined net assets of the Authority increased by \$37.1 million, or 6.1%, from the June 30, 2003 amount. The following table shows a summary of changes from prior year amounts.

Net Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Inc. / (Dec.)	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>Amt</u>	<u>%</u>
Cash & investments – unrestricted	\$70.5	\$62.9	\$94.9	\$131.7	\$165.4	\$194.6	\$ (29.2)	(15.0)
Program loans receivable	8.4	8.2	34.8	35.8	43.2	44.0	(.8)	(1.9)
Other current assets	(.6)	(1.2)	14.5	17.2	13.9	16.0	(2.1)	(13.5)
Total current assets	78.3	69.9	144.2	184.7	222.5	254.6	(32.1)	(12.6)
Investments – restricted			634.6	733.1	634.6	733.1	(98.5)	(13.4)
Net program loans receivable	280.4	251.3	1,145.7	1,319.0	1,426.1	1,570.3	(144.2)	(9.2)
Other assets	-	.4	56.4	65.2	56.4	65.6	(9.2)	(14.0)
Total assets	358.7	321.6	1980.9	2,302.0	2,339.6	2,623.6	(284.0)	(10.8)
Bonds and notes payable	-	-	126.7	138.8	126.7	138.8	(12.1)	(8.7)
Deposits held in escrow	-	-	151.3	150.5	151.3	150.5	.6	.5
Other current liabilities	-	-	56.2	85.0	56.2	85.0	(28.8)	(33.9)
Total current liabilities	-	-	334.2	374.3	334.2	374.3	(40.1)	(10.7)
Bonds & notes payable	-	-	1,363.0	1,644.0	1,363.0	1,644.0	(281.0)	(17.1)
Total liabilities	-	-	1,697.2	2,018.3	1,697.2	2,018.3	(321.1)	(15.9)
Net assets								
Invested in capital assets, net	-	-	.6	.7	.6	.7	(.1)	(15.3)
Restricted	111.6	100.3	195.3	194.4	306.9	294.7	12.2	4.2
Unrestricted	247.1	221.3	87.8	88.6	334.9	309.9	25.0	8.1
Total net assets	<u>\$358.7</u>	<u>\$321.6</u>	<u>\$283.7</u>	<u>\$283.7</u>	<u>\$642.4</u>	<u>\$605.3</u>	<u>\$37.1</u>	6.1

Governmental Activities

Net assets of the Authority's governmental activities increased \$37.1 million, or 11.5% to \$358.7 million. Total program loans receivable (current and non-current), which are funded by a portion of the State Real Estate Transfer Tax and federal funds and for which there is no repayment liability, increased by \$29.3 million, or 11.3% to \$288.8 million. Cash and investments increased by \$7.6 million, or 12.1% as revenues and repayments of loans exceeded loan and grant payouts, plus administrative expenses. State statute restricts the use of the Affordable Housing Trust Fund and the HOME programs to program activities.

Business-type Activities

Net assets of the Authority's business-type activities increased by less than \$45 thousand, to \$283.7 million. Increases in net assets of the Authority's multi-family lending and other programs were virtually offset by losses in the Authority's Single Family Program Fund. Program loans receivable (current and non-current) decreased \$174.3 million, or 12.9% to \$1,180.5 million due mainly to decreases in both the Authority's Single Family Program (\$96.1 million) and Mortgage Loan Program (\$91.9 million) Funds as loan prepayments exceeded loan originations. Cash and investments (current and non-current) decreased \$135.3 million, or 15.7% as funds received from loan prepayments in both the current and prior fiscal years were used to retire debt. Total bonds and notes payable (current and non-current) decreased \$293.1 million, or 16.5%, due primarily to retirement of debt, primarily from special redemptions, in response to loan prepayments.

Restricted net assets of the Authority's business-type activities increased \$.9 million, or .5%. The increase represented earnings from the FAF program, the activities of which are recorded in the Authority's Administrative Fund.

Statement of Activities

The statement of activities shows the sources of the Authority's changes in net assets as they arise through its various programs and functions. Two programs, the Illinois Affordable Housing Trust Fund and the HOME program, are shown as governmental activities, and five programs are shown as business-type activities. The business-type activities include two housing lending programs, the results of which are primarily recorded within the funds comprising the two major bond funds (the Mortgage Loan Program Fund and the Single Family Program Fund), federal assistance activities, which involve the allocation of various federal subsidy funds directly to certain of the Authority's borrowers, and the tax credit authorization and monitoring, and FAF lending programs, both of which activities are recorded in the Authority's Administrative Fund.

A condensed statement of activities for the fiscal year ended June 30, 2004 is shown in the following table.

Changes in Net Assets
(In millions of dollars)

	Governmental Activities		Business- Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues						
Charges for services	\$3.0	\$2.7	\$108.9	\$132.2	\$111.9	\$134.9
Tax/grant/federal revenues	17.4	19.0	160.0	158.2	177.4	177.2
General revenues:						
Investment income	-	-	.5	2.6	.5	2.6
Real estate transfer taxes	<u>43.1</u>	<u>35.7</u>	<u>-</u>	<u>-</u>	<u>43.1</u>	<u>35.7</u>
Total revenues	63.5	57.4	269.4	293.0	332.9	350.4
Expenses:						
Direct						
Administrative	<u>-</u>	<u>-</u>	<u>12.4</u>	<u>11.7</u>	<u>12.4</u>	<u>11.7</u>
Total expenses	21.2	15.1	274.6	293.3	295.8	308.4
Excess (deficit) before transfers	42.3	42.3	(5.2)	(.3)	37.1	42.0
Transfers	<u>(5.2)</u>	<u>(5.2)</u>	<u>5.2</u>	<u>5.2</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>\$37.1</u>	<u>\$37.1</u>	<u>\$ -</u>	<u>\$4.9</u>	<u>\$37.1</u>	<u>\$42.0</u>

Governmental Activities

Revenues of the Authority's governmental activities increased by \$6.1 million from the prior year mainly from a \$7.4 million increase in real estate transfer taxes, partially offset by a decrease in federal program funds, which are used primarily to originate loans. Direct expenses, which consisted of a payment to the State of Illinois General Revenue Fund (\$8.8 million), grants (\$8.6 million), allocations of expenses incurred (\$3.3 million) to administer the programs and provisions for estimated losses on program loans receivable (\$5.5 million) increased \$6.1 million from the prior year due to the above noted payment to the State of Illinois General Revenue Fund, partially offset by a \$1.5 million decrease in grants and a \$1.0 million decrease in the provision for estimated losses for program loans receivable. The transfer (\$5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Programs.

Business-type Activities

Revenues of the Authority's business-type activities declined \$23.6 million from the prior year primarily from a \$23.3 million decrease in charges for services, which consist primarily of interest income on program loans (\$77.7 million), program investment

income (\$16.3 million) and servicing fee and application fee income. Program investment income is that income earned within the Authority's bond funds, the investments and the income of which is restricted to those funds. Interest income on program loans (\$16.4 million) and program investment income (\$7.6 million) accounted for most of the decrease compared to prior year.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense (\$97.5 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds (\$158.8 million), declined \$19.4 million from the prior year, primarily from lower interest expense (\$20.8 million). The direct expenses also include Administrative Fund allocations of expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative expenses, which are incurred within the Authority's Administrative Fund and which includes all other administrative and supportive functions and all overhead expenses, were \$.7 million above the prior year.

The Authority's business-type activities also generated \$.5 million of unrestricted investment income, which was used primarily to partially offset its administrative costs. Program revenues of the Multi-Family Mortgage Loan Programs exceeded direct expenses by \$11.1 million (See the Statement of Activities) and thus provided most of the Authority's nominal increase in net assets. Direct expenses of the Single-Family Mortgage Loan Program exceeded program revenues by \$7.2 million, as the Program, as in the past fiscal year, continued to be adversely affected by a high level of prepayments of higher coupon mortgage loans, which were then reinvested, prior to the redemption of underlying bonds, at rates lower than the underlying bond interest rates.

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2003 amount by less than \$45 thousand, to \$283.7 million. The following table summarizes the statement of revenues, expenses and changes in net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2004 and June 30, 2003.

Changes in Net Assets/Proprietary Funds
(In millions of dollars)

	Administrative Fund		Mortgage Loan Program Fund		Single Family Program Fund	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Operating revenues:						
Interest earned on program loans	\$3.5	\$1.0	\$44.2	\$49.8	\$30.0	\$43.3
Investment income	.5	2.6	7.3	11.7	9.0	12.2
Federal assistance programs	153.7	151.2	5.1	5.8	-	-
Service fees	9.0	8.2	-	-	-	-
Development fees	.5	.6	-	-	-	-
HUD savings	1.3	1.3	-	-	-	-
Other	<u>2.3</u>	<u>2.4</u>	<u>3.1</u>	<u>2.9</u>	<u>-</u>	<u>-</u>
Total operating revenues	170.8	167.3	59.7	70.2	39.0	55.5
Operating expenses:						
Interest expense	-	-	52.5	57.6	45.0	60.7
Federal assistance programs	153.7	151.2	5.1	5.8	-	-
Salaries and benefits	11.3	10.4	-	-	-	-
Professional fees	1.9	1.3	-	-	.1	.1
Other general and administrative	3.4	3.6	-	-	.1	.2
Financing costs	.6	.4	.6	.5	.4	.5
Provision for losses on program loans receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>-</u>
Total operating expenses	170.9	166.9	58.2	64.9	45.6	61.5
Operating income	(.1)	.4	1.5	5.3	(6.6)	(6.0)
Transfers in (out)	<u>.5</u>	<u>(.2)</u>	<u>5.2</u>	<u>5.3</u>	<u>(.5)</u>	<u>.1</u>
Change in net assets	.4	.2	6.7	10.6	(7.1)	(5.9)
Net assets at beginning of year	<u>110.9</u>	<u>110.7</u>	<u>133.9</u>	<u>123.3</u>	<u>38.8</u>	<u>44.7</u>
Net assets at end of year	<u>\$111.3</u>	<u>\$110.9</u>	<u>\$140.6</u>	<u>\$133.9</u>	<u>\$31.7</u>	<u>\$38.8</u>

Net assets of the Administrative Fund increased by \$.4 million, slightly above the prior year increase of \$.2 million. Operating revenues, excluding revenues from Federal assistance programs, increased by \$1.0 million. Interest earned on program loans increased \$2.5 million, primarily from an acceleration of deferred fees as a number of multi-family developments prepaid their loans. This and a \$.8 million increase in service fees were largely offset by lower investment income of \$2.1 million. Operating expenses, excluding revenues from Federal assistance programs, increased by \$1.5 million.

Net assets of the Mortgage Loan Program Fund increased \$6.7 million, or \$3.9 million below the prior year's \$10.6 million increase. Results were adversely affected by lower investment income (\$4.4 million) and interest income lost due to loan prepayments. Investment income was increased \$2.2 million in the prior year from a net increase in the fair value of investments, while in fiscal year 2004 investment income was decreased \$1.6 million due to a net decrease in the fair value of investments.

Net assets of the Single Family Program Fund decreased \$7.1 million, compared to a \$5.9 million decrease of the prior year. Results continued to be adversely affected by a high rate of prepayments of higher coupon loans, the reinvestment of prepayments at rates below their underlying debt until the debt could be extinguished, and accelerations of the

amortization of bond issuance and loan origination costs due to high prepayment rates. Lower interest earned on program loans (\$13.3 million) was offset by decreased interest (\$15.7 million) expense. Investment income decreased \$3.2 million, primarily due to lower investment balances and yields. In addition, fiscal year 2003 results were favorably affected (\$.9 million) by increases in the fair value of investments, while fiscal year 2004 results were unfavorably impacted by \$.4 million.

Authority Debt

Authority debt issuances during fiscal year 2004 totaled \$321.7 million, with activity arising from the Single Family Program (\$191.3 million), and the Mortgage Loan Program Fund (\$130.4 million). Total bonds and notes payable decreased \$293.1 million as debt issuances were more than offset by retirements of debt, primarily special redemptions necessitated by a high level of mortgage prepayments within both the Authority's Single Family Program and Mortgage Loan Program Funds. For additional information, see Note F, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2004, the Authority's Issuer Credit Ratings remained at A+/A1/A+ by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services respectively.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Illinois, our constituents and investors with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. If you have questions about this report or need additional financial information, contact the Controller at the Illinois Housing Development Authority, 401 North Michigan Ave, Suite 900, Chicago, IL 60611 or visit our website at: www.ihda.org.

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

STATEMENT OF NET ASSETS
As of June 30, 2004

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents.....\$	1,680,968	15,337,809	17,018,777
Funds held by State Treasurer.....	31,349,455		31,349,455
Investments.....	37,510,116	79,585,255	117,095,371
Investment income receivable.....		4,545,123	4,545,123
Program loans receivable.....	8,422,000	34,749,000	43,171,000
Grant receivable.....	649,353		649,353
Interest receivable on program loans.....	143,535	8,480,220	8,623,755
Interfund accounts receivable (payable).....	(1,489,405)	1,489,405	
Total current assets.....	78,266,022	144,186,812	222,452,834
Noncurrent assets:			
Investments - restricted.....		634,570,721	634,570,721
Program loans receivable, net of current portion.....	292,410,239	1,168,291,456	1,460,701,695
Less allowance for estimated losses.....	(12,000,000)	(22,565,000)	(34,565,000)
Net program loans receivable.....	280,410,239	1,145,726,456	1,426,136,695
Unamortized bond issuance costs.....		17,185,071	17,185,071
Real estate held for sale (net).....		31,002,176	31,002,176
Capital assets (net).....		595,811	595,811
Other.....		7,586,990	7,586,990
Total noncurrent assets.....	280,410,239	1,836,667,225	2,117,077,464
Total assets.....	358,676,261	1,980,854,037	2,339,530,298
LIABILITIES			
Current liabilities:			
Bonds and notes payable.....		126,725,000	126,725,000
Accrued interest payable.....		29,859,245	29,859,245
Deposits held in escrow.....		151,250,179	151,250,179
Accrued liabilities and other.....		26,294,864	26,294,864
Total current liabilities.....		334,129,288	334,129,288
Noncurrent liabilities:			
Bonds and notes payable, net of current portion.....		1,363,025,033	1,363,025,033
Total liabilities.....		1,697,154,321	1,697,154,321
NET ASSETS			
Invested in capital assets (net).....		595,811	595,811
Restricted for bond resolution purposes.....		172,352,146	172,352,146
Restricted for loan and grant programs.....	111,582,873	22,917,848	134,500,721
Unrestricted.....	247,093,388	87,833,911	334,927,299
Total net assets.....\$	358,676,261	283,699,716	642,375,977

A-12

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) / Revenues and Changes in Net Assets		
	Expenses	Charges for Services and Interest Income	Operating Grant/Federal Revenues	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	\$ 14,611,848	1,994,515	500,000	(12,117,333)		(12,117,333)
HOME Program	6,575,156	975,560	16,919,931	11,320,335		11,320,335
Total governmental activities	<u>21,187,004</u>	<u>2,970,075</u>	<u>17,419,931</u>	<u>(796,998)</u>		<u>(796,998)</u>
Business-type activities:						
Administrative	12,448,621	7,663			(12,440,958)	(12,440,958)
Multi-Family Mortgage Loan Programs	55,535,458	66,664,483			11,129,025	11,129,025
Multi-Family Federal Assistance Programs	158,817,045		158,817,045			
Single-Family Mortgage Loan Programs	47,222,914	39,986,175			(7,236,739)	(7,236,739)
Tax Credit Authorization and Monitoring	587,899	2,174,348			1,586,449	1,586,449
FAF Lending Program	4,838	109,682	1,195,572		1,300,416	1,300,416
Total business-type activities	<u>274,616,775</u>	<u>108,942,351</u>	<u>160,012,617</u>		<u>(5,661,807)</u>	<u>(5,661,807)</u>
Total Authority	<u>\$ 295,803,779</u>	<u>111,912,426</u>	<u>177,432,548</u>	<u>(796,998)</u>	<u>(5,661,807)</u>	<u>(6,458,805)</u>
				Real Estate Transfer Taxes		43,078,589
				Unrestricted investment income	505,975	505,975
				Transfers	(5,200,000)	5,200,000
				Total general revenues and transfers	<u>37,878,589</u>	<u>5,705,975</u>
				Change in net assets	37,081,591	44,168
				Net assets at beginning of year	321,594,670	283,655,548
				Net assets at end of year	<u>\$ 358,676,261</u>	<u>283,699,716</u>
						<u>605,250,218</u>
						<u>642,375,977</u>

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

GOVERNMENTAL FUNDS
BALANCE SHEET
As of June 30, 2004

ASSETS	Illinois Affordable Housing Trust Fund	HOME Program Fund	Total
Current assets:			
Cash.....	\$ 1,680,968		1,680,968
Funds held by State Treasurer.....	30,969,681	379,774	31,349,455
Investments.....	37,510,116		37,510,116
Program loans receivable.....	6,999,000	1,423,000	8,422,000
Grant receivable.....		649,353	649,353
Interest receivable on program loans.....	74,443	69,092	143,535
Due from other funds.....		2,698	2,698
Total current assets.....	77,234,208	2,523,917	79,758,125
Noncurrent assets:			
Program loans receivable, net of current portion.....	178,699,232	113,711,007	292,410,239
Less allowance for estimated losses.....	(8,000,000)	(4,000,000)	(12,000,000)
Net program loans receivable.....	170,699,232	109,711,007	280,410,239
Total noncurrent assets.....	170,699,232	109,711,007	280,410,239
Total assets.....	\$ 247,933,440	112,234,924	360,168,364

LIABILITIES AND FUND BALANCES

Current liabilities:			
Deferred revenue.....	\$ 74,443	69,092	143,535
Due to other funds.....	840,052	652,051	1,492,103
Total current liabilities.....	914,495	721,143	1,635,638
Fund balances:			
Reserved for loans receivable.....	170,699,232	109,711,007	280,410,239
Unreserved.....	76,319,713	1,802,774	78,122,487
Total fund balances.....	247,018,945	111,513,781	358,532,726
Total liabilities and fund balances.....	\$ 247,933,440	112,234,924	

Amounts reported for governmental activities in the statement of net assets are different due to interest receivable on program loans	143,535
Net assets of governmental activities \$	358,676,261

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2004

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Total
Revenues:			
Real estate transfer taxes.....	\$ 43,078,589		43,078,589
Federal HOME funds.....		16,919,931	16,919,931
Interest and investment income.....	1,964,883	968,385	2,933,268
Private donation.....	500,000		500,000
Application fees.....	25,935		25,935
Total revenues.....	45,569,407	17,888,316	63,457,723
Expenditures:			
Grants.....	3,359,853	5,235,423	8,595,276
General and administrative.....	1,947,995	1,339,733	3,287,728
Payment to State of Illinois General Revenue Fund.....	8,804,000		8,804,000
Provision for estimated losses on program loans receivable.....	500,000		500,000
Total expenditures.....	14,611,848	6,575,156	21,187,004
Excess of revenues over expenditures.....	30,957,559	11,313,160	42,270,719
Other financing uses:			
Transfer out.....	(5,200,000)		(5,200,000)
Net change in fund balances.....	25,757,559	11,313,160	37,070,719
Fund balances at beginning of year.....	221,261,386	100,200,621	
Fund balances at end of year.....	\$ 247,018,945	111,513,781	

Amounts reported for governmental activities in the statement of activities are different due to interest on program loans receivable	10,872
Change in net assets of governmental activities \$	37,081,591

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of June 30, 2004

ASSETS	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Current assets:				
Cash and cash equivalents.....	\$ 13,815,184	253,496	1,269,129	15,337,809
Investments.....	79,585,255			79,585,255
Investment income receivable.....	282,636	1,810,188	2,452,299	4,545,123
Program loans receivable.....	2,104,000	23,527,000	9,118,000	34,749,000
Interest receivable on program loans.....	514,723	2,569,441	5,396,056	8,480,220
Due from other funds.....	6,580,732	24,982,809		31,563,541
Total current assets.....	<u>102,882,530</u>	<u>53,142,934</u>	<u>18,235,484</u>	<u>174,260,948</u>
Noncurrent assets:				
Investments - restricted.....	157,395,745	222,091,869	255,083,107	634,570,721
Program loans receivable, net of current portion.....	42,074,145	598,439,832	527,777,479	1,168,291,456
Less allowance for estimated losses.....	(8,815,000)	(13,750,000)		(22,565,000)
Net program loans receivable.....	<u>33,259,145</u>	<u>584,689,832</u>	<u>527,777,479</u>	<u>1,145,726,456</u>
Unamortized bond issuance costs.....		8,016,937	9,168,134	17,185,071
Real estate held for sale (net).....	33,805	29,817,166	1,151,205	31,002,176
Capital assets (net).....	595,811			595,811
Other.....	5,753,692	1,833,298		7,586,990
Total noncurrent assets.....	<u>197,038,198</u>	<u>846,449,102</u>	<u>793,179,925</u>	<u>1,836,667,225</u>
Total assets.....	<u>299,920,728</u>	<u>899,592,036</u>	<u>811,415,409</u>	<u>2,010,928,173</u>
LIABILITIES				
Current liabilities:				
Bonds and notes payable.....		17,640,000	109,085,000	126,725,000
Accrued interest payable.....		15,199,720	14,659,525	29,859,245
Deposits held in escrow.....	151,250,179			151,250,179
Accrued liabilities and other.....	12,337,472	11,653,938	2,303,454	26,294,864
Due to other funds.....	24,985,507	3,078,885	2,009,744	30,074,136
Total current liabilities.....	<u>188,573,158</u>	<u>47,572,543</u>	<u>128,057,723</u>	<u>364,203,424</u>
Noncurrent liabilities:				
Bonds and notes payable, net of current portion.....		711,405,279	651,619,754	1,363,025,033
Total liabilities.....	<u>188,573,158</u>	<u>758,977,822</u>	<u>779,677,477</u>	<u>1,727,228,457</u>
NET ASSETS				
Invested in capital assets (net).....	595,811			595,811
Restricted for bond resolution purposes.....		140,614,214	31,737,932	172,352,146
Restricted for loan and grant programs.....	22,917,848			22,917,848
Unrestricted.....	87,833,911			87,833,911
Total net assets.....	<u>\$ 111,347,570</u>	<u>140,614,214</u>	<u>31,737,932</u>	<u>283,699,716</u>

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income.....\$	1,296,950	8,833,522	9,429,720	19,560,192
Net decrease in fair value of investments.....	(790,975)	(1,578,125)	(417,838)	(2,786,938)
Total investment income.....	505,975	7,255,397	9,011,882	16,773,254
Interest earned on program loans.....	3,549,071	44,169,642	29,980,457	77,699,170
Federal assistance programs.....	153,665,344	5,151,701		158,817,045
Service fees.....	8,964,254			8,964,254
Development fees.....	466,780			466,780
HUD savings.....	1,305,254			1,305,254
Other.....	2,332,339	3,102,847		5,435,186
Total operating revenues.....	170,789,017	59,679,587	38,992,339	269,460,943
Operating expenses:				
Interest expense.....		52,501,580	45,019,565	97,521,145
Federal assistance programs.....	153,665,344	5,151,701		158,817,045
Salaries and benefits.....	11,270,791			11,270,791
Professional fees.....	1,921,958	4,500	64,500	1,990,958
Other general and administrative.....	3,426,062		60,352	3,486,414
Financing costs.....	559,387	530,133	440,902	1,530,422
Total operating expenses.....	170,843,542	58,187,914	45,585,319	274,616,775
Operating income (loss).....	(54,525)	1,491,673	(6,592,980)	(5,155,832)
Other:				
Transfers in.....	2,297,576	5,200,000	1,810,123	9,307,699
Transfers out.....	(1,810,123)		(2,297,576)	(4,107,699)
Total other.....	487,453	5,200,000	(487,453)	5,200,000
Change in net assets.....	432,928	6,691,673	(7,080,433)	44,168
Net assets at beginning of year.....	110,914,642	133,922,541	38,818,365	283,655,548
Net assets at end of year..... \$	111,347,570	140,614,214	31,737,932	283,699,716

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Cash received from interest, service fees, and principal on program loans.....\$	14,006,756	193,913,607	231,862,195	439,782,558
Cash payments for loaned amounts.....	(17,302,173)	(59,883,923)	(119,963,660)	(197,149,756)
Cash received from federal assistance programs.....	152,104,352	5,151,701		157,256,053
Cash payments for federal assistance programs.....	(144,467,623)	(5,151,701)		(149,619,324)
Cash payments for operating expenses.....	(21,015,740)			(21,015,740)
Interest on investments.....	2,069,633	11,070,032	13,141,428	26,281,093
Other.....	(15,171,903)	5,592,802	(430,548)	(10,009,649)
Net cash provided by (used in) operating activities.....	<u>(29,776,698)</u>	<u>150,692,518</u>	<u>124,609,415</u>	<u>245,525,235</u>
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes.....		130,430,000	191,577,523	322,007,523
Principal paid on revenue bonds and notes.....		(233,141,100)	(354,790,000)	(587,931,100)
Interest paid on revenue bonds and notes.....		(54,183,609)	(45,092,687)	(99,276,296)
Transfers in.....	2,297,576	85,025,498	22,526,204	109,849,278
Transfers out.....	(1,810,123)	(79,825,498)	(11,196,486)	(92,832,107)
Other.....			(1,304,689)	(1,304,689)
Net cash provided by (used in) noncapital financing activities.....	<u>487,453</u>	<u>(151,694,709)</u>	<u>(198,280,135)</u>	<u>(349,487,391)</u>
Cash flows from investing activities:				
Purchase of investment securities.....	(731,701,427)	(647,801,782)	(512,180,157)	(1,891,683,366)
Proceeds from sales and maturities of investment securities.....	745,844,740	647,043,552	580,207,118	1,973,095,410
Developer escrow and other interest.....	2,291,773			2,291,773
Net cash provided by (used in) investing activities.....	<u>16,435,086</u>	<u>(758,230)</u>	<u>68,026,961</u>	<u>83,703,817</u>
Net decrease in cash and cash equivalents.....	<u>(12,854,159)</u>	<u>(1,760,421)</u>	<u>(5,643,759)</u>	<u>(20,258,339)</u>
Cash and cash equivalents at beginning of year.....	26,669,343	2,013,917	6,912,888	35,596,148
Cash and cash equivalents at end of year.....\$	<u><u>13,815,184</u></u>	<u><u>253,496</u></u>	<u><u>1,269,129</u></u>	<u><u>15,337,809</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)..... \$	(54,525)	1,491,673	(6,592,980)	(5,155,832)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Interest expense.....		52,501,580	45,019,565	97,521,145
Depreciation and amortization.....	277,145	800,000		1,077,145
Changes in assets and liabilities:				
Decrease in investment income receivable.....	94,137	2,050,363	2,424,775	4,569,275
Decrease (increase) in program loan and interest receivable.....	(13,627,291)	92,430,417	93,735,249	172,538,375
Increase (decrease) in due to/from other funds.....	747,877	(1,411,466)	565,755	(97,834)
Increase (decrease) in other liabilities.....	(19,502,403)	168,109	(246,660)	(19,580,954)
Decrease in other assets.....	2,584,159	199,026	124,205	2,907,390
Other.....	(295,797)	2,462,816	(10,420,494)	(8,253,475)
Total adjustments.....	<u>(29,722,173)</u>	<u>149,200,845</u>	<u>131,202,395</u>	<u>250,681,067</u>
Net cash provided (used in) by operating activities.....\$	<u><u>(29,776,698)</u></u>	<u><u>150,692,518</u></u>	<u><u>124,609,415</u></u>	<u><u>245,525,235</u></u>

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

NOTE A—AUTHORIZING LEGISLATION

The Illinois Housing Development Authority (the “Authority”) is a body politic and corporate of the State of Illinois (the “State”) created by the Illinois Housing Development Act, as amended (the “Act”), for the purposes of assisting in the financing of decent, safe and sanitary housing for persons and families of low and moderate income in the State and assisting in the financing of residential mortgages in the State. To accomplish its purposes, the Authority is authorized by the Act to make mortgage or other loans to nonprofit corporations and limited-profit entities for the acquisition, construction or rehabilitation of dwelling accommodations and to acquire, and to contract and enter into advance commitments to acquire, residential mortgage loans from lending institutions. The Act also authorizes the Authority to issue its bonds and notes to fulfill corporate purposes, including the financing of mortgage and construction loans, the acquisition of residential mortgage loans and the making of loans for housing related commercial facilities. The Authority has issued various bonds and notes to finance mortgage loans and construction loans, to purchase residential mortgage loans from lending institutions and to make loans to private lending institutions for making new residential mortgage loans.

The bonds and notes outstanding as of June 30, 2004, as shown on the Authority’s financial statements consist of both general and special limited obligations of the Authority (see Note F). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to \$3,600,000,000 of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2004, amounts outstanding against this limitation were approximately \$1,796,000,000.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board (“GASB”), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit’s board, and either a) the ability of the primary government to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority has no component units.

Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Authority. Eliminations have been made to minimize the double-accounting of internal activities of the Authority. These statements distinguish between the *governmental* and *business-type* activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Authority and for each function of the Authority’s governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

Fund Financial Statements. The fund financial statements provide information about the Authority’s funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis on fund financial statements is on major governmental and proprietary (enterprise) funds, each displayed in a separate column. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund including interest income, service fees and development fees. Exchange transactions are those in which each party receives and gives up essentially equal values.

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

The Authority is designated administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated from a portion of the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. In accordance with State statute, the Authority makes grants and low or no interest mortgages or other loans, some with deferred repayment terms, to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single family and multi-family housing for low and very low income households.

HOME Investment Partnerships Program

The Authority is designated program administrator for the HOME Investment Partnerships Program (“HOME Program”) for the State, the funds of which are appropriated to the Department of Revenue by the General Assembly. Under this program, the Authority seeks applicants and approves funding commitments for federal affordable housing funds made available under the HOME Program provisions of the 1990 National Affordable Housing Act.

The Authority reports the following major proprietary funds:

Administrative Fund

Development fee and financing fee income related to multi-family mortgage loans, income from service fees and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through residual income loans and below market financing for various developments through the Authority’s Housing Partnership Program (see Note E), and its lending program in conjunction with a debt service savings sharing agreement (“the FAF Savings Program”) with the United States Department of Housing and Urban Development (“HUD”) (see Note K).

The designations of the Authority’s Administrative Fund unrestricted net assets as of June 30, 2004 are as follows:

Housing Partnership Program.....	\$8,000,000
To pay expenses for programs under commitment or contract.....	1,000,000
To pay possible losses arising in the Multi-Family Bond Fund	
Program attributable, but not limited to, delinquencies or defaults	
on uninsured or unsubsidized loans.....	13,000,000
Provide funds to purchase single family mortgage loans	
which will eventually be purchased with proceeds from	
future issuances of IHDA bonds.....	25,000,000
Provide funds to the Authority’s Homeowner Mortgage Revenue	
Bonds General Resolution for the purpose of acquiring single	
family loans.....	10,000,000
Provide funds and reserves to support the Mortgage Participation	
Certificate Program.....	<u>30,000,000</u>
	<u>\$87,000,000</u>

The designations of the Administrative Fund unrestricted net assets may be amended or rescinded by the Members of the Authority.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

The Administrative Fund net assets that are classified as restricted by contractual agreement consist of the FAF Savings Program and income from insurance proceeds that was required to be disbursed as a loan to Lake Grove Village (ML-248).

Mortgage Loan Program Fund

The Mortgage Loan Program Fund accounts for the financing of low and moderate income housing developments from the proceeds of Housing Development Bonds, Multi-Family Housing Bonds, Fixed Rate Housing Bonds, Multi-Family Program Bonds, Multi-Family Variable Rate Demand Bonds, Multi-Family Housing Revenue Bonds, Housing Bonds, Housing Finance Bonds, Multifamily Housing Revenue Bonds (Marywood), Multifamily Bonds (Turnberry) and Affordable Housing Program Trust Fund Bonds, and for the retirement of such obligations.

The Authority holds first mortgage liens on such developments. Affordable Housing Trust Fund Bond accounts include a transfer of funds from the Illinois Affordable Housing Trust Fund.

Single Family Program Fund

The Single Family Program Fund accounts for the proceeds of Homeowner and Residential Bonds issued to provide funds for the purchase from lending institutions of mortgage loans on owner-occupied, one to four unit dwellings acquired by eligible buyers.

The use of tax exempt financing to provide eligible borrowers with below market-rate mortgage loans involves federal restrictions on expenses chargeable to the program. Any expenses incurred in the program in excess of such maximum amounts are absorbed by the Administrative Fund.

Restrictions of Assets and Fund Equity

The use of assets of each of the program funds is restricted by the related bond and note resolutions of the Authority. Certain amounts in the above program funds are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net assets. State statute restricts the use of the Illinois Affordable Housing Trust Fund and the HOME Program as noted above. Accordingly, fund balances of these governmental funds are reserved for loans not due within one year. All net assets of the governmental activities column of the Authority-wide financial statements are restricted with respect to the use of cash investments and loan amounts that are to be repaid to the Authority. (See Note E for schedules of aging for the loans made under these programs. In addition, see the governmental funds – balance sheet, fund balance).

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in exchange, include revenues from federal assistance programs. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

The Authority applies all GASB pronouncements for the Authority's proprietary funds, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash, certificates of deposits, time deposits and short-term repurchase agreements to be cash equivalents.

Investments

Investments of the Authority, which are generally held to maturity, are reported at fair value, with the exceptions of nonparticipating investment contracts (“demand repurchase agreements”), which are reported at cost, and money market investments that have a remaining maturity at time of purchase of one year or less, which are reported at amortized cost. Fair value is determined by reference to public market prices and quotations from a securities pricing service.

The investment of funds is restricted by various bond and note resolutions of the Authority and the Act, generally, to direct obligations of the United States government; specific bank obligations, certain of which are fully secured as required by the bond and note resolutions; and obligations of other governmental entities which meet defined standards. The type of collateral instruments that secure the demand repurchase agreements held by the Authority is subject to the same restrictions described above. Generally, collateral instruments are held by third party institutions.

Program Loans Receivable

Program loans receivable include mortgage loans receivable, advances receivable and residual income loans receivable. Mortgage loans receivable include initial development fees and certain amounts of interest and service fees that have been charged by the Authority and added to the loan balance. The due dates for advances and residual income loans receivable are dependent upon future events as specified in the related loan or advance agreements. All loans are reported at undiscounted face value.

Capital Assets

Capital assets of the Authority consist of investments in furniture, fixtures and equipment, computer hardware and computer software are defined by the Authority as assets with an initial, individual cost of \$5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Depreciation and amortization expenses for fiscal year 2004 were approximately \$277,000.

Real Estate Held for Sale

Real estate held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family Program Fund is recorded at the unpaid principal balance of the loans. Since substantially all such loans are covered by pool insurance, based on the Authority’s past experience, it is anticipated that the Authority will recover substantially all of the unpaid principal balances of the loans through proceeds arising from the sale of such property and certain insurance proceeds.

Real estate held for sale of the Mortgage Loan Program Fund represents the Authority’s net carrying value of Lakeshore Plaza (“ML-181”), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990.

The Authority records depreciation against ML-181 on a straight-line basis over forty years, as past market conditions did not allow for a sale of the property. At June 30, 2004, the net carrying value of ML-181 was \$29,817,166 and accumulated depreciation was \$8,611,000.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

The real estate held for sale is reported at the lower of amortized cost or fair market value. The determination of fair market value is based upon periodic valuations that consider changes in market condition, development and disposition costs, and estimated holding period. Net operating income of ML-181 is recorded as other income and is applied primarily toward the Authority's debt service obligations of the bonds issued to refinance the development.

It is the intent of the Authority to continue to own and operate ML-181 until the Authority determines that a sale or other disposition of the development would be in the best interests of the Authority. The Authority cannot predict at this time as to the dates on which, or the circumstances pursuant to which, such determinations might be made.

Bond Discount and Issuance Costs

Discount on bonds is deferred and amortized using a method approximating the effective interest method. Debt issuance costs are deferred in the corresponding bond accounts and amortized over the life of the related bonds using a method approximating the effective interest method. When these costs exceed the designated amounts per the bond agreements, the excess bond issuance costs are expensed to the Administrative Fund.

Operations

Development fee and financing fee income are deferred and amortized over the contractual life of the loan as a yield adjustment using the effective interest method. Such amortized fees are recognized as interest income. Fees earned on loans, which the Authority does not directly originate, such as loans financed through Other Financings (see Note F), are recognized as income in the Administrative Fund generally at the time of initial closing.

Annual service fees charged by the Authority to loan recipients, which are deposited in the respective program funds or added to program loans receivable, are recorded as income in the Administrative Fund through interfund accounts.

Operating expenses include general and administrative expenses of the Authority; salaries and benefits; costs and expenses incurred in connection with the amortization, issuance and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and costs related to analyses, surveys, appraisals and other matters pertaining to maintenance and evaluation of program loans receivable. Operating costs and expenses are charged to expense as incurred, except those directly related to loan or program originations, which are deferred, netted against fee income for loans originated, and amortized over the contractual life of the related loan or program.

A portion of the Authority's operating expenses of administering the Illinois Affordable Housing Trust Fund and the HOME Program is absorbed by these programs. Similarly, related resolutions of various bonds issued allow for the bond accounts to absorb a certain level of operating expenses. Expense in excess of the allowable ceilings set forth in the resolutions are charged to the Administrative Fund.

Direct expenses as shown in the statement of activities include allocations of Administrative Fund expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative costs include certain administrative and supportive functions and all overhead expenses.

Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time and, within a maximum time limit, for one half of accumulated sick leave earned. At June 30, 2004, unused compensated absences, which are included in Other Liabilities, were \$512,284. The Authority has no other post-employment benefits.

Provision for Estimated Losses on Program Loans

The Authority provides for estimated losses on program loans in its proprietary and governmental funds based upon the periodic review and evaluation of the loan portfolio and provides additional amounts, if it deems necessary, for estimated losses for individual loans in the funds. In making such review and evaluation, the Authority considers current

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

economic conditions, occupancy and rental level projections, financial statement analyses, on-site inspections, independent appraisals of certain developments, insurance coverages and such other factors as it deems necessary.

NOTE C—CASH AND INVESTMENTS

Statutes of the State and resolutions of the Authority authorize the Authority to invest in obligations of the United States Government, agencies and instrumentalities of the United States Government, demand repurchase agreements and other banking arrangements. The Authority may also invest its funds in such investments as may be lawful for fiduciaries in the State. Except for a portion of the funds of the Affordable Housing Trust Fund and HOME Program, all funds are held outside of the State Treasury in various banks and financial institutions.

The Authority’s Investments and Cash Management Policy (the “Investment Policy”) contains the following stated objectives:

- Safety of principal. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they be from securities defaults or erosion of market value.
- Liquidity. The investment portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements which may be reasonably anticipated in any fund.
- Maximum rate of return. The investment portfolio shall be designed with the purpose of regularly exceeding the average return of United States Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

As of June 30, 2004, the Authority had the following investments, maturities and credit quality.

<u>Investment</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in Years)</u>				<u>Custodial Credit Risk</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Demand Repurchase Agreements.....	\$220,775,821	\$ -	\$ 4,255,536	\$ -	\$216,520,285	\$ -
United States Agency Obligations.....	481,694,383	455,037,664	22,919,904	-	3,736,815	-
United States Government Obligations..	47,095,633	18,692,081	14,214,306	404,824	13,784,422	-
Municipal Obligations and Other.....	<u>2,100,255</u>	<u>176,080</u>	<u>50,247</u>	<u>810,927</u>	<u>1,063,001</u>	-
	<u>\$751,666,092</u>	<u>\$473,905,825</u>	<u>\$41,439,993</u>	<u>\$1,215,751</u>	<u>\$235,104,523</u>	\$ -

Demand repurchase agreements are collateralized by obligations of the United States Government or its agencies, or direct investments of such obligations and have one-day demand of funds provisions exercisable at the Authority’s option. The market value of securities subject to such agreements must be maintained at least equal to 100 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. The Authority invests in demand repurchase agreements for both short-term (generally program funds) and long-term (generally reserve) investments. On June 30, 2004, approximately \$4 million was invested in such short-term agreements having a maturity date of September 1, 2005, at a rate of 1.27% and approximately \$217 million was invested in such long-term agreements having maturity dates ranging from December 1, 2015, to August 1, 2032, primarily at rates ranging from 4.13% to 7.60%.

The counterparties to the demand repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority’s debt, or in the case of short-term program fund investments, the highest short-term rating category.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

NOTE D—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances

The Authority reports interfund balances among its funds. These balances generally consist of accruals for various revenues or expenses due to a fund, but received or paid to another, and subsidy transfers between funds. These amounts are paid or received within the subsequent fiscal year.

Interfund accounts receivable (payable) balances at June 30, 2004 consisted of the following:

<u>Receivable To</u>	<u>Payable From</u>					<u>Total</u>
	<u>Illinois Affordable Housing Trust</u>	<u>HOME Program</u>	<u>Administrative</u>	<u>Mortgage Loan Program</u>	<u>Single Family Program</u>	
Administrative.....	\$ 840,052	\$652,051	\$ -	\$3,078,885	\$2,009,744	\$6,580,732
Home Program.....	-	-	2,698	-	-	2,698
Mortgage Loan Program.....	-	-	24,982,809	-	-	24,982,809
	<u>\$ 840,052</u>	<u>\$652,051</u>	<u>\$24,985,507</u>	<u>\$3,078,885</u>	<u>\$2,009,744</u>	<u>\$31,566,239</u>

Interfund accounts receivable (payable) between the Mortgage Loan Program and the Administrative Fund primarily consists of a fiscal year 2000 operating transfer of \$10.4 million to the Multi-Family Housing Revenue Bond Accounts made from the Administrative Fund in conjunction with the issuance of the Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) and the corresponding transfer of the carrying value of real estate held for sale, ML-181, to these accounts. This interfund receivable is expected to be reduced over a period of successive fiscal years.

The Authority records transfers between program funds for various purposes including fund closings, earnings transfers, program subsidies, and equity contributions for the initial financing of the Authority's programs.

Transfers for the year ended June 30, 2004 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>			
	<u>Illinois Affordable Housing Trust</u>	<u>Administrative</u>	<u>Single Family Program</u>	<u>Total</u>
Administrative.....	\$ -	\$ -	\$2,297,576	\$2,297,576
Mortgage Loan Program...	5,200,000	-	-	5,200,000
Single Family Program....	-	1,810,123	-	1,810,123
	<u>\$5,200,000</u>	<u>\$1,810,123</u>	<u>\$2,297,576</u>	<u>\$9,307,699</u>

Pursuant to the Illinois Affordable Housing Act, amounts up to \$10,000,000 in any fiscal year may be transferred, following an annual Authority certification to the Illinois Department of Revenue of the amounts required to be withdrawn, from the Illinois Affordable Housing Trust Fund to the Affordable Housing Program Trust Fund Bond Accounts. The amounts transferred during the year ended June 30, 2004 totaled \$5,200,000. The transfers out from the Administrative Fund primarily were to pay issuance and other costs of certain bond issuances. The transfers out from the Single Family Program represented transfers of certain assets in conjunction with the closing of various accounts.

NOTE E—PROGRAM LOANS RECEIVABLE

The Authority has loans throughout the State, of which approximately two-thirds are in the Chicago metropolitan area.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

Loans receivable in the Mortgage Loan Program Fund are secured by first mortgage liens on the related developments. Each development is subject to a regulatory agreement under which the Authority has certain powers relating to rents, profits, occupancy, management and operations. Monies are required to be deposited in reserve accounts monthly by all mortgagors for real estate tax reserves and by substantially all mortgagors for insurance and replacement reserves. See Note G regarding these reserves and other deposits held in escrow.

The ability of the mortgagors to make required payments on the mortgage loans receivable depends principally upon the related developments achieving and sustaining sufficient occupancy and rental levels to support such payments. With respect to most developments financed from proceeds of Multi-Family Housing Bonds and Multi-Family Program Bonds, the Authority, HUD and the owners of the developments have entered into agreements whereby HUD will make, under its Section 8 Program, housing assistance payments for the developments. With respect to a portion of loans within its Housing Bond accounts, the Authority has made loans to finance developments entitled to interest reduction payments by HUD under Section 236 of the National Housing Act for all or a portion of the dwelling units in the developments. Such federal subsidies, together with the rents to be paid by the tenants, are estimated by the Authority, prior to its issuing an initial mortgage loan commitment, to provide sufficient funds to pay the costs of operation, maintenance, administration, mortgage payments, and Authority fees with respect to each of the developments.

During the year ended June 30, 2004, HUD subsidy payments were received and disbursed as follows:

<u>Program</u>	<u>Received</u>	<u>Disbursed</u>
Section 8	\$153,554,044	\$150,185,255
Section 236	5,263,001	5,263,001

The Authority records HUD Section 8 housing assistance transactions in its Administrative Fund. HUD Section 236 transactions are recorded in the Mortgage Loan Program Fund.

At June 30, 2004, for loans financed under the Mortgage Loan Program Fund, amounts in arrears equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves were \$522,707 and \$261,886, respectively.

For certain past delinquencies, the related developments have not been able to generate net rental income sufficient to pay scheduled debt service and reserve deposits in full. In the opinion of the Authority, these deficiencies of net rental income have arisen for various reasons including (i) the existence of physical defects in the development which have caused operational problems, (ii) higher than anticipated operating expenses of the development and (iii) depressed rental market conditions in the development's local area.

In certain cases, cash deficiencies of developments, including certain developments as to which the related mortgage loans are not delinquent as to scheduled debt service payments or required reserve deposits, have been funded in part by advances from the owners of the respective developments. However, there generally can be no assurance that the owners will make additional advances for this purpose. For certain mortgage loans, the Authority holds reserve deposits and letters of credit that may be applied toward delinquencies.

The Authority has pursued actions available under the mortgage and regulatory agreements to cure certain delinquencies. With respect to some developments, the need for capital improvements, repairs, marketing campaigns and other expenditures may be indicated. Where necessary and appropriate, the Authority has committed and/or advanced residual income loans from the Administrative Fund or mortgage loan increases from the related program account to finance these expenditures. In certain instances the Authority has initiated actions to effect necessary changes in the management of the developments. In addition, the Authority has, in some cases, filed suit against the applicable general contractors and/or bonding companies seeking corrections of the development's physical defects and has instituted foreclosure proceedings for certain developments.

The Authority has a second mortgage agreement relating to a \$6.4 million first mortgage for Innsbruck Apartments, ML-19. Under this agreement, upon the development's payment of a debt service amount as set forth in the agreement, the Authority, from its Administrative Fund, was obligated to subsidize debt service payments related to the first mortgage up to a maximum of \$6.2 million. The subsidy payments were applied to receivables within the Mortgage Loan Program. The maximum subsidy amount was reached in May 1999, after which the development became fully obligated for debt service of the receivables of the above bond accounts. The development is obligated to reimburse the Administrative Fund debt service subsidy payments from a portion of residual receipts generated from the development.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

The Authority's policy for converting mortgage loans to non-accrual status is based upon the recording of a specifically identifiable allowance for estimated loss. Throughout fiscal year 2004, the accrual of interest and service fee income was suspended on approximately \$9.6 million of mortgage loans in the Mortgage Loan Program Fund and \$7.1 million of mortgage loans in the Administrative Fund for which allowances for estimated losses had been provided, and such income was recognized only as received. Interest and service fee income due but not accrued was approximately \$520,000 in the Administrative Fund at June 30, 2004. In addition, the Authority does not accrue interest income on approximately \$15.2 million of mortgage loans recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately \$296,000.

The Authority, through its Housing Partnership Program, provides loans to not-for-profit organizations, community groups and cities to finance the rehabilitation of existing housing and for the construction of new housing for low and moderate income persons and families. The program's activities are recorded in the Administrative Fund. At June 30, 2004, loans receivable under this program were approximately \$7,524,000.

In June 1994, the Authority entered into a Risk Sharing Agreement ("Agreement") with HUD that permitted the Authority to participate in HUD's Pilot Risk Sharing Program, which has since been converted to a permanent program. Under this program, HUD will insure certain mortgage loans on multi-family housing developments ("Risk Sharing Loans"). HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority will underwrite Risk Sharing Loans following its underwriting guidelines. HUD will insure the Risk Sharing Loans and will bear 10 to 90 percent of the loss, as elected by the Authority, in the event of a foreclosure. The Authority will bear the remainder of the risk.

The Authority, as of June 30, 2004, has entered into twenty-eight Risk Sharing Loans totaling \$144,172,148 and elected that HUD assume 10 to 50 percent of the loss with respect to those loans. Except for three loans totaling \$16,591,000 which were financed through the issuance of the Authority's Housing Finance Bonds and two loans totaling \$10,993,148 which were financed through the issuance of the Authority's Multi-Family Housing Bonds, these loans are not included in the Authority's financial statements as the Authority sold 100 percent participation interests in the loans to outside parties. The program's service and insurance fee incomes are recorded in the Administrative Fund.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation ("Ambac") under which Ambac will insure mortgage loans ("Ambac Loans") on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. Once Ambac Loans are issued and minimum threshold requirements are met, Ambac and the Authority will enter into a sharing agreement on the remaining principal balance on each mortgage loan. As of June 30, 2004, the Authority has entered into seven Ambac Loans totaling \$26,343,000.

At June 30, 2004, for loans financed under the Risk Sharing and Mortgage Participation Certificate Programs, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2004, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from zero to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund are to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single family and multi-family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 7.0%, with most rates set at 2.0% or below. Loans have maturities of up to 40 years, with some loans carrying deferred payment terms. The approximate aging of the Illinois Affordable Housing Trust Fund receivables as of June 30, 2004, is as follows:

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

Interest Rate - %	Principal Due By June 30				Total
	2005	2010	2020	After 2020	
	(\$ in thousands)				
0 - .99.....	\$ 3,968	\$ 5,753	\$ 14,102	\$ 55,443	\$ 79,266
1 - 1.99.....	2,435	7,619	23,185	59,961	93,200
2 - 3.99.....	539	1,578	2,762	7,036	11,915
4 - 7.00.....	<u>57</u>	<u>182</u>	<u>538</u>	<u>540</u>	<u>1,317</u>
	<u>\$ 6,999</u>	<u>\$ 15,132</u>	<u>\$ 40,587</u>	<u>\$ 122,980</u>	<u>\$ 185,698</u>

The approximate aging of the receivables of the HOME program as of June 30, 2004, is as follows:

Interest Rate - %	Principal Due By June 30				Total
	2005	2010	2020	After 2020	
	(\$ in thousands)				
0 - .99.....	\$ 116	\$ 592	\$ 4,773	\$ 29,390	\$ 34,871
1 - 1.99.....	977	3,563	18,365	52,050	74,955
2 - 3.99.....	253	930	2,335	1,168	4,686
4 - 5.00.....	<u>77</u>	<u>533</u>	<u>12</u>	<u>0</u>	<u>622</u>
	<u>\$ 1,423</u>	<u>\$ 5,618</u>	<u>\$ 25,485</u>	<u>\$ 82,608</u>	<u>\$ 115,134</u>

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectibility. The Authority believes that the allowances for estimated losses at June 30, 2004 in the accompanying financial statements are adequate to cover estimated losses of the various funds. For fiscal year 2004, the Authority increased the allowance for estimated losses for the Illinois Affordable Housing Trust Fund by \$500,000 and made various offsetting adjustments within the Mortgage Loan Program Fund. No other write-offs or other adjustments were made.

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2004 and thereafter are as follows:

2005.....	\$34,749,000
2006.....	37,410,000
2007.....	39,481,000
2008.....	45,389,000
2009.....	48,768,000
After 2009.....	<u>997,243,000</u>
	<u>\$1,203,040,000</u>

NOTE F—BONDS AND NOTES PAYABLE

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Affordable Housing Program Trust Fund Bonds, Multi-Family Variable Rate Demand Bonds, Housing Finance Bonds, Multifamily Housing Revenue Bonds (Marywood), Multifamily Bonds (Turnberry), Multi-Family Housing Bonds, 1995 Series A, Multi-Family Program Bonds, Series 7 and 8, and Multi-Family Housing Revenue Bonds, 2000 Series A, which are special limited obligations (S.L.O.) of the Authority, payable from pledged property as defined in their respective general resolutions. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts.

Bonds and notes outstanding at June 30, 2004 are as follows. The June 30, 2003 amounts are shown for comparative purposes only.

Mortgage Loan Program Fund

Bonds outstanding of the Mortgage Loan Program Fund are as follows:

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount	
				June 30, 2003	June 30, 2004
Housing Development Bonds:					
1993 Series A	2003-2018	5.10 – 6.00	G.O.	\$56,505,000	\$ -
1999 Series A	2003-2015	3.94 – 5.19	G.O.	<u>22,155,000</u>	-
				78,660,000	-
Less unamortized discount thereon.				<u>121,118</u>	-
				<u>\$78,538,882</u>	<u>\$ -</u>
Multi-Family Housing Bonds:					
1979 Series B	2019-2023	6.00	G.O.	\$275,000	\$275,000
1982 Series B	2011-2017	7.00	G.O.	18,840,000	18,840,000
1982 Series C	2015-2025	5.00	G.O.	29,705,000	22,035,000
1983 Series A (1)	2006-2025	10.75	G.O.	13,521,739	1,286,949
1991 Series A	2004-2016	8.13-8.25	G.O.	62,325,000	42,860,000
1991 Series C	2004-2023	6.75-7.35	G.O.	8,180,000	-
1992 Series A	2004-2026	6.65-7.10	G.O.	37,950,000	34,150,000
1993 Series A	2004-2025	6.05-6.13	G.O.	42,935,000	17,085,000
1993 Series B (Taxable)	2003	6.85	G.O.	880,000	-
1993 Series C	2004-2028	5.80-6.10	G.O.	12,010,000	11,810,000
1993 Series D (Taxable)	2003	6.80	G.O.	130,000	-
1994 Series A and B	2004-2020	6.80	G.O.	3,785,000	210,000
1995 Series A	2004-2021	5.00-5.95	S.L.O.	21,525,000	20,580,000
1999 Series A	2004-2028	3.94-5.31	G.O.	9,605,000	-
2001 Series B	2004-2043	4.60-5.50	S.L.O.	<u>10,895,000</u>	<u>10,745,000</u>
				272,561,739	179,876,949
Less unamortized discount thereon.				<u>15,889,720</u>	<u>15,456,670</u>
				<u>\$256,672,019</u>	<u>\$164,420,279</u>
 (1) Capital appreciation term bonds which were originally issued in the amount of \$150,000 and which are scheduled for redemption in part, on a semi-annual basis from July 1, 2009 through July 1, 2025, at accreted values aggregating \$9,069,423. These bonds were redeemed on July 1, 2004.					
Fixed Rate Housing Bonds:					
1984 Series A	2003-2021	7.25	G.O.	\$8,585,000	\$ -
1984 Series D	2003-2015	7.25	G.O.	<u>1,935,000</u>	-
				<u>\$10,520,000</u>	<u>\$ -</u>
Multi-Family Program Bonds:					
Series 1	2005-2021	6.63-6.75	G.O.	\$45,715,000	\$45,715,000
Series 2 (Taxable)	2004-2005	7.85	G.O.	5,420,000	2,815,000
Series 3	2009-2023	6.05-6.20	G.O.	98,135,000	72,165,000
Series 4 (Taxable)	2004-2008	7.65-7.80	G.O.	26,190,000	17,350,000
Series 5	2007-2023	6.65-6.75	G.O.	74,725,000	74,725,000
Series 6 (Taxable)	2004-2006	8.18-8.28	G.O.	12,365,000	9,175,000
Series 7	2019-2029	6.25	S.L.O.	11,350,000	-
Series 8 (Taxable)	2004-2031	7.19-8.52	S.L.O.	<u>16,690,000</u>	-
				<u>\$290,590,000</u>	<u>\$221,945,000</u>
Housing Bonds:					
1999 Series A	2004-2031	4.13-5.25	G.O.	\$40,960,000	\$34,095,000
1999 Series C	2003	6.05	G.O.	90,000	-
2003 Series A	2007-2046	2.55-5.05	G.O.	-	20,860,000
2003 Series B	2040	3.30-5.05	G.O.	-	55,285,000
2003 Series C	2004-2034	1.55-4.95	G.O.	-	6,275,000
2004 Series A	2013-2039	2.90-4.70	G.O.	-	25,000,000

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

	<u>Maturity Dates</u>	<u>Interest Rate Range-%</u>	<u>Debt Class</u>	<u>Amount</u>	
				<u>June 30, 2003</u>	<u>June 30, 2004</u>
2004 Series B	2034	-	G.O.	-	10,000,000
2004 Series C	2005-2045	1.70-5.45	G.O.	-	13,010,000
				<u>\$41,050,000</u>	<u>\$164,525,000</u>
Housing Finance Bonds:					
1999 Series B	2004-2030	5.50 -6.30	S.L.O.	\$5,495,000	\$5,415,000
2000 Series A	2004-2032	5.75-6.30	S.L.O.	9,330,000	9,205,000
				<u>\$14,825,000</u>	<u>\$14,620,000</u>
Multi-Family Variable Rate Demand Bonds:					
Series 1996A (Taxable) (1)	2026	6.06	S.L.O.	<u>\$8,135,000</u>	<u>\$8,135,000</u>
Multi-Family Housing Revenue Bonds:					
Series 1997(1)		5.75	G.O.	\$14,170,000	\$14,170,000
Series 2000 A (1)		5.51	S.L.O.	42,385,000	41,585,000
				<u>\$56,555,000</u>	<u>\$55,755,000</u>
(1) Interest rates on the bonds are determined weekly at a rate established by the Remarketing Agents on each Rate Determination Date. The Authority has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. Payment of the principal and interest on the bonds when due is insured by a financial guarantee insurance policy. The Authority has a general obligation to reimburse the insurer for any such payments made.					
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes, Series 2003	2005-2046	4.50-5.20	S.L.O.	<u>\$15,865,000</u>	<u>\$15,865,000</u>
Multifamily Bonds:					
Turnberry Village II Apartments	2005-2046	4.50-4.75	S.L.O.	<u>\$5,320,000</u>	<u>\$5,320,000</u>
Affordable Housing Program Trust Fund Bonds:					
Series 1994 A	2004-2021	8.13-8.64	S.L.O.	\$42,700,000	\$41,380,000
Series 1995 A	2004-2022	6.92-7.82	S.L.O.	38,155,000	37,080,000
				<u>\$80,855,000</u>	<u>\$78,460,000</u>
Total Mortgage Loan Program Fund				\$874,936,739	\$744,501,949
Less unamortized discount thereon				16,010,838	15,456,670
				<u>\$858,925,901</u>	<u>\$729,045,279</u>

Single Family Program Fund

Bonds outstanding of the Single Family Program Fund are as follows:

Residential Mortgage Revenue Bonds:					
1983 Series A	2015	10.872	G.O.	\$1,467	\$1,631
1983 Series B	2015	10.746	G.O.	1,487	1,651
1984 Series B	2016	11.257	G.O.	1,260	1,406
1985 Series A	2017	10.75	G.O.	1,206	1,338
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount	
				June 30, 2003	June 30, 2004
1987 Series D	2017	8.65	G.O.	100,000	100,000
1988 Series C	2003	7.70	G.O.	5,000	-
1993 Series A and B	2003-2024	4.80-5.90	G.O.	<u>10,700,000</u>	-
				<u>\$11,010,420</u>	<u>\$306,026</u>

The cumulative accretion in value from the date of issuance of the capital appreciation bonds included in the above amounts is summarized as follows:

Series	Redemption Basis and Period	Original Issue Amount (1)	Accreted Value		Aggregate Value to be Redeemed
			June 30, 2003	June 30, 2004	
1983 Series A	Maturity 2/1/15	\$180	\$1,467	\$1,631	\$5,000
1983 Series B	Maturity 2/1/15	193	1,487	1,651	5,000
1984 Series B	Maturity 2/1/16	166	1,260	1,406	5,000
1985 Series A	Maturity 2/1/17	190	1,206	1,338	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2004.

Homeowner Mortgage Revenue Bonds:

1994 Series A	2003-2025	5.50-6.45	S.L.O.	\$ 1,970,000	\$ -
1995 Series A	2004-2022	5.63-6.00	S.L.O.	3,435,000	-
1995 Series B	2004-2026	5.40- 6.63	S.L.O.	14,735,000	3,200,000
1995 Series C	2004-2008	4.95-5.35	S.L.O.	7,205,000	2,680,000
1995 Series D	2004-2009	5.65-6.15	S.L.O.	6,555,000	3,950,000
1995 Series E	2023-2028	6.17	S.L.O.	7,760,000	-
1996 Series A	2004-2020	5.13-5.75	S.L.O.	18,995,000	6,375,000
1996 Series B	2006-2028	6.30-6.45	S.L.O.	10,780,000	-
1996 Series C	2020	5.63	S.L.O.	14,685,000	210,000
1996 Series E	2004-2027	5.05-6.13	S.L.O.	15,405,000	7,205,000
1996 Series F	2004-2028	4.55-5.65	S.L.O.	20,950,000	15,235,000
1997 Series A	2004-2028	5.00-6.15	S.L.O.	24,310,000	17,350,000
1997 Series B (remarketed 4/30/98)	2004-2028	4.40-5.50	S.L.O.	19,920,000	14,135,000
1997 Series B (remarketed 6/29/98)	2004-2017	4.40-5.40	S.L.O.	23,460,000	19,845,000
1997 Series C	2004-2028	4.60-5.80	S.L.O.	25,285,000	14,665,000
1997 Series C-5 (Taxable)	2003-2029	6.72-7.74	S.L.O.	5,825,000	-
1997 Series D	2004-2028	4.55-5.65	S.L.O.	13,865,000	11,620,000
1997 Series D-3 (Taxable)	2006-2028	6.60	S.L.O.	2,395,000	2,120,000
1998 Series A (Taxable)	2004-2028	6.45-6.52	S.L.O.	9,085,000	4,240,000
1998 Series C (Taxable)	2003-2029	6.28-7.00	S.L.O.	12,465,000	-
1998 Series D (remarketed 10/7/98)	2004-2029	4.15-5.20	S.L.O.	23,545,000	19,260,000
1998 Series D (remarketed 12/17/98)	2004-2029	4.20-5.25	S.L.O.	13,550,000	11,070,000
1998 Series D (remarketed 4/29/99)	2004-2029	4.13-5.20	S.L.O.	32,070,000	22,145,000
1998 Series E (Taxable)	2004-2029	5.66-5.91	S.L.O.	16,440,000	9,180,000
1998 Series G	2004-2029	4.20-5.25	S.L.O.	22,495,000	17,565,000
1999 Series A	2004-2028	5.15-6.00	S.L.O.	17,630,000	6,510,000
1999 Series B	2004-2021	5.15-5.80	S.L.O.	10,725,000	4,130,000
1999 Series D	2004-2029	4.70-5.70	S.L.O.	29,310,000	23,195,000

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount	
				June 30, 2003	June 30, 2004
1999 Series D-3 (Taxable)	2004-2030	6.70	S.L.O.	3,965,000	3,260,000
1999 Series E	2004-2028	5.20-6.00	S.L.O.	17,700,000	6,495,000
1999 Series F (Taxable)	2004-2030	8.25	S.L.O.	10,565,000	10,455,000
1999 Series G	2004-2031	5.00-6.05	S.L.O.	14,745,000	12,935,000
2000 Series B	2004-2031	4.80-5.45	S.L.O.	14,245,000	11,690,000
2000 Series C	2004-2031	5.45-5.80	S.L.O.	15,360,000	3,180,000
2000 Series C-4 (Taxable)	2004-2031	8.19	S.L.O.	4,485,000	3,910,000
2000 Series D	2004-2031	4.80-6.05	S.L.O.	37,345,000	33,365,000
2000 Series E	2004-2031	4.60-5.95	S.L.O.	26,480,000	23,620,000
2001 Series A	2004-2032	3.90-5.50	S.L.O.	36,985,000	32,825,000
2001 Series B (Taxable)	2003-2032	6.36	S.L.O.	4,390,000	-
2001 Series C	2004-2032	3.60-5.55	S.L.O.	41,975,000	36,625,000
2001 Series D (Taxable)	2004-2032	Variable	S.L.O.	7,855,000	7,090,000
2001 Series E	2004-2033	3.40-5.60	S.L.O.	50,580,000	41,740,000
2001 Series F (Taxable)	2004-2020	Variable	S.L.O.	10,000,000	10,000,000
2002 Series A	2004-2033	3.10-5.63	S.L.O.	39,885,000	38,640,000
2002 Series B (Taxable)	2004-2023	Variable	S.L.O.	10,000,000	9,700,000
2002 Series C	2004-2033	2.75-5.40	S.L.O.	49,975,000	47,365,000
2003 Series B	2004-2034	1.20-5.15	S.L.O.	-	49,975,000
2004 Series A	2004-2034	1.10-5.50	S.L.O.	-	50,000,000
				821,385,000	668,755,000
Plus unamortized premium thereon				106,495	353,728
				<u>\$821,491,495</u>	<u>\$669,108,728</u>
Homeowner Mortgage Revenue Notes:					
2003 Series A	2004	1.13-1.18	S.L.O.	\$91,455,000	\$ -
2004 Series B	2006	.99-1.04	S.L.O.	-	91,290,000
				<u>\$91,455,000</u>	<u>\$91,290,000</u>
Total Single Family Program Fund				\$923,850,420	\$760,351,026
Plus unamortized premium thereon				106,495	353,728
				<u>\$923,956,915</u>	<u>\$760,704,754</u>

The following summarizes the debt activity for the Authority's proprietary funds for fiscal year 2004:

	6/30/03	Issuance	Accretion	Retirement	6/30/04
Housing Development Bond.....	\$ 78,660,000	\$ -	\$ -	(\$78,660,000)	\$ -
Multi-Family Housing Bond.....	272,561,739	-	586,309	(93,271,099)	179,876,949
Fixed Rate Housing Bond.....	10,520,000	-	-	(10,520,000)	-
Multi-Family Program Bond.....	290,590,000	-	-	(68,645,000)	221,945,000
Housing Bond.....	41,050,000	130,430,000	-	(6,955,000)	164,525,000
Housing Finance Bond.....	14,825,000	-	-	(205,000)	14,620,000
Multi-Family Variable Rate Demand Bond.....	8,135,000	-	-	-	8,135,000
Multi-Family Housing Revenue Bond.....	56,555,000	-	-	(800,000)	55,755,000
Multifamily Housing Revenue Bond (Marywood)	15,865,000	-	-	-	15,865,000
Multifamily Bond (Turnberry II).....	5,320,000	-	-	-	5,320,000
Affordable Housing Program Trust Fund Bond	80,855,000	-	-	(2,395,000)	78,460,000
Total Mortgage Loan Program Fund.....	<u>874,936,739</u>	<u>130,430,000</u>	<u>586,309</u>	<u>(261,451,099)</u>	<u>744,501,949</u>
Residential Mortgage Revenue Bond.....	11,010,420	-	606	(10,705,000)	306,026
Homeowner Mortgage Revenue Bond.....	821,385,000	100,000,000	-	(252,630,000)	668,755,000
Homeowner Mortgage Revenue Note.....	91,455,000	91,290,000	-	(91,455,000)	91,290,000
Total Single Family Program Fund.....	<u>923,850,420</u>	<u>191,290,000</u>	<u>606</u>	<u>(354,790,000)</u>	<u>760,351,026</u>
Total Proprietary Funds.....	<u>\$1,798,787,159</u>	<u>\$321,720,000</u>	<u>\$586,915</u>	<u>(\$616,241,099)</u>	<u>\$1,504,852,975</u>

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

Other Financings

From time to time the Authority has issued special limited obligations with a claim for repayment solely from payments received with respect to the mortgage loans. The bonds are not general obligations of the Authority, and they are not a debt of the State of Illinois; neither is liable to pay interest and principal on the bonds. Accordingly, the bonds are not included in the Authority's financial statements. The bonds do, however, apply toward the Authority's authorized debt limitation.

As of June 30, 2004, there were twenty-six series of such bonds or notes outstanding, with an aggregate principal amount payable of \$291,108,900.

Assets Restricted for Capital and Debt Service Reserves

Pursuant to the Act and various resolutions of the Authority, certain assets (principally investments) are maintained in capital and debt service reserve funds and may be used only for the payment of principal and interest on certain bonds. The reserve funds must be maintained at an amount at least equal to the following:

<u>Bonds</u>	<u>Requirement</u>
Affordable Housing Program Trust Fund Bonds Multi-Family Housing Bonds	7.5% to 13.45%, as defined for each series, of the principal amounts of bonds outstanding provided that the debt service reserve funds for the 1978 Series B Bonds (none of which are outstanding) and subsequent series of bonds cannot be less than a specified percentage (100% except for the 1979 Series B Bonds, for which the percentage is 120%) of the maximum annual debt service on such bonds for the current or any succeeding year until July 1 of the year preceding the final maturity of the bonds of such series
Multi-Family Program Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding
Multi-Family Variable Rate Demand Bonds Multi-Family Housing Revenue Bonds	Three months of adjusted debt service requirements
Housing Bonds	25% of the maximum annual principal and interest
Housing Finance Bonds	50% of the maximum annual principal and interest
Multifamily Housing Revenue Bonds (Marywood)	Six months of maximum annual interest
Homeowner Mortgage Revenue Bonds Residential Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds, and 4% for the Residential Mortgage Revenue Bonds, of the sum of (i) the outstanding principal balance or related mortgage loans and (ii) the amounts on deposit to the credit of series program accounts on the program fund

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2004, these amounts, which were not less than the amounts required, are as follows:

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

Multi-Family Housing Bonds	\$34,592,567
Multi-Family Program Bonds.....	24,490,488
Housing Bonds.....	7,102,152
Housing Finance Bonds.....	519,000
Multi-Family Variable Rate Demand Bonds.....	359,511
Multi-Family Housing Revenue Bonds.....	809,750
Multifamily Housing Revenue Bonds (Marywood).....	406,441
Homeowner Mortgage Revenue Bonds.....	<u>32,693,648</u>
	<u>\$100,973,557</u>

In addition to the above, the debt service reserve requirement of the Affordable Housing Program Trust Fund Bonds (\$8,848,236) at June 30, 2004, is satisfied through the Authority's holding of a surety bond.

Debt service on the Multifamily Bonds, Series 2003 (Turnberry Village II Apartments) is supported by the Authority's issuance of a participation certificate. The full and complete payment of all scheduled payments of principal and interest due under the participation certificate are unconditionally and irrevocably guaranteed pursuant to a surety bond.

Other Maturity Information

Bonds maturing on or after the following dates are redeemable at the option of the Authority at prescribed redemption prices greater than 100%, decreasing periodically, expressed as a percentage of the principal amount, as follows:

<u>Issue</u>	<u>Maturity On or after</u>	<u>Redemption Price</u>		
Multi-Family Housing Bonds:				
1993 Series A and C.....	July 1, 2004	101%	to	100%
1994 Series A and B.....	Jan. 1, 2005	102	to	100
1995 Series A.....	July 1, 2005	102	to	100
Multi-Family Program Bonds:				
Series 1.....	Mar. 1, 2004	101	to	100
Series 3.....	Sept. 1, 2004	101	to	100
Series 5.....	Sept. 1, 2004	102	to	100
Housing Bonds, 1999 A.....	Mar. 1, 2009	101	to	100
Homeowner Mortgage Revenue Bonds:				
1995 Series B.....	May 1, 2005	102	to	100
1995 Series C.....	Oct. 1, 2006	102	to	100
1995 Series D.....	Aug. 1, 2005	102	to	100
1996 Series A.....	Feb. 1, 2006	102	to	100
1996 Series C and E.....	Aug. 1, 2006	102	to	100
1997 Series A.....	Feb. 1, 2007	102	to	100
1997 Series B remarketed April 30, 1998.....	May 1, 2008	102	to	100
1997 Series B remarketed June 29, 1998.....	July 1, 2008	102	to	100
1997 Series C.....	Aug. 1, 2007	102	to	100
1997 Series D and 1996 Series F.....	Jan. 1, 2008	102	to	100
1998 Series A.....	April 1, 2008	101	to	100
1998 Series D remarketed October 7, 1998 and 1998 Series E.....	Oct. 1, 2008	101.5	to	100
1998 Series D remarketed December 17, 1998.....	Dec. 1, 2008	101.5	to	100
1998 Series D remarketed April 29, 1999.....	April 1, 2009	101.5	to	100
1998 Series G.....	Aug. 1, 2008	101	to	100
1999 Series A and B.....	Jan. 1, 2010	101	to	100
Affordable Housing Program Trust Fund Bonds:				
Series 1994 A.....	Aug. 1, 2004	102	to	100
Series 1995 A.....	June 1, 2005	102	to	100

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

Debt service requirements (in \$ millions) through 2009 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

Year Ending	Mortgage Loan Program		Single Family Program		Total	
	Fund		Fund			
June 30	Principal*	Interest	Principal*	Interest	Principal	Interest
2005	\$22.1	\$43.9	\$109.1	\$35.8	\$131.2	\$79.7
2006	24.1	42.3	20.0	35.0	44.1	77.3
2007	25.8	40.7	21.0	33.1	46.8	73.8
2008	27.5	39.1	21.7	32.1	49.2	71.2
2009	29.1	37.2	20.5	31.1	49.6	68.3
Five Years Ending						
June 30						
2010-2014	182.6	154.8	101.3	140.8	283.9	295.6
2015-2019	178.0	95.4	115.5	111.3	293.5	206.7
2020-2024	119.1	48.8	105.6	82.5	224.7	131.3
2025-2029	75.4	21.5	157.8	47.8	233.2	69.3
2030-2034	21.4	12.6	86.4	9.8	107.8	22.4
2035-2039	20.0	7.8	1.5	0.1	21.5	7.9
2040-2044	15.2	3.0			15.2	3.0
2045-2049	4.2	0.3	-	-	4.2	0.3
	<u>\$744.5</u>	<u>\$547.4</u>	<u>\$760.4</u>	<u>\$559.4</u>	<u>\$1,504.9</u>	<u>\$1,106.8</u>

* Includes capital appreciation bonds at their final redemption values.

Derivatives

The Authority, as of June 30, 2004 has six active swap contracts, two interest rate caps, and a forward delivery swap. Details are shown in the following table.

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values ⁽³⁾	Termination Date	Counterparty Credit Rating
SWAP CONTRACTS							
MVRDB*							
Series 1996A	\$5,135,000	12/98	6.41%	30 day nonfinancial CP	\$(525,487)	12/2008	A+/Aa3
Series 1996A	\$2,975,951	12/03	5.467%	1mo LIBOR	\$(46,513)	8/2026	AAA/Aa2
MHRB**							
Series 2000A (Lakeshore Plaza) ⁽¹⁾	\$41,585,000	6/00	5.51%	Actual bond rate	\$(1,333,313)	7/2027	AAA/Aaa
HMRB***							
Series 2001 D	\$7,090,000	7/01	6.13%	1mo LIBOR +30bp	\$(523,553)	2/2010	AAA/Aaa
Series 2001F	\$10,000,000	1/02	6.615%	1mo LIBOR +40bp	\$(1,098,515)	8/2020	A+/Aa3
Series 2002B	\$ 9,700,000	5/02	6.145%	1mo LIBOR +41.5bp	\$(724,609)	2/2023	AAA/Aaa
INTEREST RATE CAP							
MHRB**							
Series 1997 (Camelot Development)	\$14,170,000	11/97	5.75%	N/A	\$(123,075)	12/2007	AA-/Aa3
HB****							
Series 2004B	10,000,000	3/04	5.00%	N/A	\$119,209	4/2012	AAA/A aa
FORWARD DELIVERY SWAP							
AHPTFB*****							
Series 1994 ⁽²⁾	\$24,115,000	8/04	6.50%	1mo LIBOR	\$(2,387,248)	7/29/04	A/A2

*Multi-Family Variable Rate Demand Bonds

**Multi-Family Housing Revenue Bonds

***Homeowner Mortgage Revenue Bonds

****Housing Bonds

*****Affordable Housing Program Trust Fund Bonds

⁽¹⁾ \$550,000 premium received 9-17-98. Par termination rights at Authority's option beginning 7/1/05.

⁽²⁾ Counterparty collateralizes negative market value.

⁽³⁾ Includes accrued interest.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

To protect against the potential of rising interest rates, the Authority has entered into six pay-fixed, receive variable interest rate swap agreements, the objective of which is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the Authority issued fixed-rate debt. In addition, the Authority has entered into interest rate cap agreements, the objective of which are to establish a maximum debt service which may be paid over the life of the underlying bonds.

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2004 are shown in the above table. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreements, all currently active swaps, except for Housing Bonds Series 2004B, had a negative fair value as of June 30, 2004. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2004, the Authority was not exposed to credit risk because of the negative fair values of the swaps. Should interest rates change and the fair values become positive, the Authority would be exposed to credit risk in the amount of the swaps fair value. Fair value is a factor only upon termination.

Basis risk on swaps occurs when the variable payment received is based on an index other than the index on the underlying bonds. The Authority believes its swap agreements have been structured to minimize or eliminate this risk.

The Authority or the counter-party may terminate any of the swap agreements if the other party fails to perform under the terms of the agreements. If a swap is insured, a termination event occurs if the insurer fails to meet its obligations under the agreement.

The Authority is not exposed to rollover risk on its swap agreements.

As of June 30, 2004, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

**Illinois Housing Development Authority
Swap Payments and Associated Debt**

	Variable-Rate Bonds		Interest Rate	
Year	Principal	Interest	Swaps, Net	Total
<u>Ending June 30</u>				
2005	\$1,970,000	\$1,953,764	\$3,117,695	\$7,041,459
2006	2,245,000	1,918,420	3,052,645	7,216,065
2007	2,380,000	1,880,508	2,983,932	7,244,440
2008	2,420,000	1,793,134	2,794,554	7,007,688
2009	7,615,000	1,704,904	2,604,872	11,924,776
Five Years				
<u>Ending June 30</u>				
2014	12,580,000	7,860,873	11,839,933	32,280,806
2019	18,765,000	6,676,325	9,319,666	34,760,991
2024	17,600,000	4,816,645	5,206,299	27,622,944
2029	34,805,000	2,629,421	1,824,228	39,258,649
2034	<u>10,975,000</u>	<u>578,045</u>	<u>151,003</u>	<u>11,704,048</u>
Total	<u>\$111,355,000</u>	<u>\$31,812,039</u>	<u>\$42,894,827</u>	<u>\$186,061,866</u>

As rates vary, variable-rate bond interest payments and net swap payments will vary.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

NOTE G—DEPOSITS HELD IN ESCROW

Deposits from developers, which are held in escrow in the Administrative Fund, may be used when necessary to pay principal and interest payments and fund construction cost overruns, change orders, tax and insurance payments and capital improvements (see Note E). In addition, on certain developments, letters of credit and assignments of syndication proceeds are held by the Authority for similar purposes and to fund potential operating deficits of the related developments. Investment income earned on deposited funds is credited to the respective developer's escrow accounts.

NOTE H—LEASES

The Authority leases office facilities under a lease which extends through July 31, 2006, and which provides the Authority an option to extend the lease five years beyond that date and, during certain time periods, to lease additional office facilities.

The office lease provides for annual base rent of approximately \$876,000 for the fiscal year 2004 and escalates by approximately \$29,000 annually throughout the lease period, plus payments totaling \$861,000 in fiscal year 2004 for the Authority's 8.041% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor.

For fiscal year 2004, total rent expense of the Authority was \$ 1,734,794.

NOTE I—OTHER LIABILITIES

Included in Other Liabilities at June 30, 2004 is \$7,713,740 in undisbursed Risk Sharing Loan proceeds and \$3,606,264 in undisbursed Ambac Loan proceeds.

The bonds issued by the Authority after 1980 are subject to a variety of Internal Revenue Service ("IRS") regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than the amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS.

Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. Included in Other Liabilities at June 30, 2004, is an estimated rebate liability of \$3,599,117.

The Authority is a defendant in various legal actions arising from normal business activities. Management believes, after consultation with legal counsel, that the ultimate liability, if any, resulting from these legal actions will not materially affect the Authority's financial position or results of operations.

The Authority carries commercial insurance for director's and officer's liability, general liability, workers' compensation, and automobile ownership and usage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J—RETIREMENT PLAN

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 19% (within a maximum dollar limit) of their salaries to the plan. In addition, the Authority, under the provisions of the Economic Growth and Tax Relief Act of 2001, permits additional contributions each calendar year for those employees who attain age 50 (or higher) during the calendar year. The plan may be amended or terminated by the Authority at any time and for any reason in the future, but no such action can deprive employees of their vested interests.

The Authority's total payroll in fiscal year 2004 was \$10,584,178. The Authority's contributions were calculated using the base salary amount of \$10,521,633. The Authority contributed \$631,298 or 6% of the base salary amount, in fiscal year 2004. Employee contributions amounted to \$769,044 in fiscal year 2004, or 7.3 % of the base salary amount.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

NOTE K—COMMITMENTS

At June 30, 2004 unexpended bond proceeds held by the Authority in the form of cash and investments amounting to \$93,387,951 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans.

At June 30, 2004, the Authority had authorized commitments for loans and grants totaling \$31,566,520 and \$6,650,000 respectively, of the Illinois Affordable Housing Trust Fund.

Under the HOME Program, \$253.7 million and \$25.5 million for federal fiscal years 1992 through 2003 and 2004, respectively, have been allocated to the State, to be administered by the Authority, under the HOME Program provisions of the 1990 National Affordable Housing Act. In fiscal year 1994, the Authority was allocated \$10.2 million of additional HOME funds to be used for flood disaster relief. At June 30, 2004, the Authority had authorized commitments for loans and grants of \$18,388,494 and \$10,199,391 respectively for the HOME Program.

In accordance with an agreement entered into by the Authority and HUD at the time of delivery of the Authority's Multi-Family Housing Bonds, 1982 Series A, 1982 Series B and 1983 Series A, annual Section 8 contributions payable to HUD with respect to the developments financed by these bonds would be reduced to the extent of the debt service savings resulting from the early redemptions of these Bonds.

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B and 1993 Series A and B. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds and in fiscal year 1994 for the 1993 Series A and B Bonds, and are recorded as other income of the Administrative Fund. At June 30, 2004, loans receivable under this program were approximately \$18.5 million.

NOTE L—CONTINGENCIES

HUD's Office of General Counsel (OGC) has expressed the opinion that certain language used in the form of Housing Assistance Payments (HAP) Contracts in use prior to February 1980 for State Agency projects with mortgages that were not insured by FHA, has the effect of terminating those HAP Contracts upon refinancing of the related project mortgages. While only expressed in the form of an internal memorandum, this opinion has been communicated by HUD to the public. The position expressed in the opinion has not been promulgated in any official form, nor has HUD taken any action to impose consequences that might arise from the opinion on projects that were previously refinanced. The Authority has determined that approximately 57 of the Section 8 projects that it has financed have been refinanced in a fashion that might cause a termination of the related HAP Contracts under such OGC opinion.

Were HUD to stop HAP payments to affected projects and/or attempt to recover previously made payments, such action could adversely affect project income, the Authority's revenues from those projects and, as a consequence thereof, the Authority's financial position. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent its position regarding the pre-1980 HAP form contract language from having an adverse impact upon the affected projects and State Agencies. In addition, HUD has offered to approve an amendment to the affected HAP contracts that would amend the language at issue to clarify that the term of the form HAP contract extends to the originally scheduled maturity date of the original HFA financing. Of the 57 Authority-financed projects that have refinanced, 53 of these projects have executed such amendments, and these amendments have been approved by HUD. One other project has entered into a long term renewal HAP contract. Further, while it is not possible to predict with certainty the outcome of any litigation, the Authority has been advised by counsel that if HUD were to attempt to recover previously made payments under the HAP contracts related to these projects, HUD would be unlikely to prevail.

NOTES TO FINANCIAL STATEMENTS—(CONTINUED)

For the Year Ended June 30, 2004

NOTE M— SUBSEQUENT EVENTS

On July 13, 2004, the Authority issued its Homeowner Mortgage Revenue Bonds, 2004 Series C, in the aggregate principal amount of \$80,000,000, maturing in 2005 through 2034, at initial interest rates of 1.90% to 5.35% and its Homeowner Mortgage Revenue Bonds, 2004 Series D, in the aggregate principal amount of \$43,405,000, at an initial interest rate of 1.68%. The 2004 Series D bonds are convertible option bonds subject to mandatory redemption no later than February 1, 2036. The Series C and D bonds are special limited obligations of the Authority.

On July 29, 2004, the Authority issued its Affordable Housing Program Trust Fund Refunding Bonds, Series 2004, in the aggregate principal amount of \$45,380,000, maturing in 2004 through 2026, at initial interest rates of 4.55% to 6.21%. These bonds are special limited obligations of the Authority.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS
As of June 30, 2004

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
ASSETS										
Current assets:										
Cash and cash equivalents..... \$	83,428	1,615	58,621		27,816	76,705	4,603	708		253,496
Investment income receivable.....	833,953	800,759	61,111	18,337	8,954		18,287		68,787	1,810,188
Program loans receivable.....	5,061,000	8,492,000	6,227,000	211,000	61,000		9,000	21,000	3,445,000	23,527,000
Interest receivable on program loans.....	236,490		1,626,991	82,846	83,476		12,726		526,912	2,569,441
Due from other funds.....		7,318,607	4,381,268			13,260,994		21,940		24,982,809
Total current assets.....	6,214,871	16,612,981	12,354,991	312,183	181,246	13,350,425	31,890	43,648	4,040,699	53,142,934
Noncurrent assets:										
Investments-restricted.....	84,333,728	45,511,409	59,896,414	1,106,744	2,753,031	6,771,884	6,004,936	214,720	15,499,003	222,091,869
Program loans receivable, net of current portion.....	143,589,645	179,424,338	147,321,077	13,858,615	8,009,478	9,796,400	11,195,464	5,299,000	79,945,815	598,439,832
Less allowance for estimated losses.....	(3,500,000)		(2,650,000)		(100,000)				(7,500,000)	(13,750,000)
Net program loans receivable.....	140,089,645	179,424,338	144,671,077	13,858,615	7,909,478	9,796,400	11,195,464	5,299,000	72,445,815	584,689,832
Unamortized bond issuance costs.....	3,441,960		2,360,216		116,479	1,040,709			1,057,573	8,016,937
Real estate held for sale (net).....						29,817,166				29,817,166
Other.....						1,653,494			179,804	1,833,298
Total noncurrent assets.....	227,865,333	224,935,747	206,927,707	14,965,359	10,778,988	49,079,653	17,200,400	5,513,720	89,182,195	846,449,102
Total assets.....	234,080,204	241,548,728	219,282,698	15,277,542	10,960,234	62,430,078	17,232,290	5,557,368	93,222,894	899,592,036
LIABILITIES										
Current liabilities:										
Bonds and notes payable.....	3,060,000	9,625,000	1,510,000	220,000		800,000			2,425,000	17,640,000
Accrued interest payable.....	5,940,720	4,945,588	3,071,970	302,345	7,559	49,187	268,611	82,413	531,327	15,199,720
Accrued liabilities and other.....	6,208,311	1,624,962	2,544,360				943,627	129,618	203,060	11,653,938
Due to other funds.....	616,416	407,604	426,859	23,830	851,007	685,531	417		67,221	3,078,885
Total current liabilities.....	15,825,447	16,603,154	7,553,189	546,175	858,566	1,534,718	1,212,655	212,031	3,226,608	47,572,543
Noncurrent liabilities:										
Bonds and notes payable, net of current portion.....	161,360,279	212,320,000	163,015,000	14,400,000	8,135,000	54,955,000	15,865,000	5,320,000	76,035,000	711,405,279
Total liabilities.....	177,185,726	228,923,154	170,568,189	14,946,175	8,993,566	56,489,718	17,077,655	5,532,031	79,261,608	758,977,822
NET ASSETS										
Restricted for bond resolution purposes.....	56,894,478	12,625,574	48,714,509	331,367	1,966,668	5,940,360	154,635	25,337	13,961,286	140,614,214
Total net assets..... \$	56,894,478	12,625,574	48,714,509	331,367	1,966,668	5,940,360	154,635	25,337	13,961,286	140,614,214

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multifamily Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Inter-Account Eliminations	Total
Operating revenues:													
Interest and other investment income..... \$	3,874,208	2,581,759	127,148	(60,447)	1,095,910	56,095	48,882	69,005	108,216	383	932,363		8,833,522
Net decrease in fair value of investments.....	(1,555,065)						(23,060)						(1,578,125)
Total investment income (loss).....	2,319,143	2,581,759	127,148	(60,447)	1,095,910	56,095	25,822	69,005	108,216	383	932,363		7,255,397
Interest earned on program loans.....	16,068,140	14,915,230	2,352,290	355,103	5,053,865	985,760	636,354	144,794	830,760	271,757	2,555,589		44,169,642
Federal assistance programs.....	153,381		1,746,540	282,231	2,969,549								5,151,701
Other.....								3,102,847					3,102,847
Total operating revenues.....	18,540,664	17,496,989	4,225,978	576,887	9,119,324	1,041,855	662,176	3,316,646	938,976	272,140	3,487,952		59,679,587
Operating expenses:													
Interest expense.....	16,284,198	16,264,129	3,307,492	447,385	4,232,969	911,935	510,484	2,653,537	805,834	247,238	6,836,379		52,501,580
Federal assistance programs.....	153,381		1,746,540	282,231	2,969,549								5,151,701
Professional fees.....					1,500	3,000							4,500
Financing costs.....	46,526	47,432	17,439		25,749	4,806	40,435	129,490	417	300	217,539		530,133
Provision for (reversal of) estimated losses on program loans receivable.....					(2,500,000)						2,500,000		
Total operating expenses.....	16,484,105	16,311,561	5,071,471	729,616	4,729,767	919,741	550,919	2,783,027	806,251	247,538	9,553,918		58,187,914
Operating income (loss).....	2,056,559	1,185,428	(845,493)	(152,729)	4,389,557	122,114	111,257	533,619	132,725	24,602	(6,065,966)		1,491,673
Other:													
Transfers in.....		158,820			44,039,218						5,200,000	(44,198,038)	5,200,000
Transfers out.....			(35,081,397)	(9,116,641)								44,198,038	
Total other.....		158,820	(35,081,397)	(9,116,641)	44,039,218						5,200,000		5,200,000
Change in net assets.....	2,056,559	1,344,248	(35,926,890)	(9,269,370)	48,428,775	122,114	111,257	533,619	132,725	24,602	(865,966)		6,691,673
Net assets at beginning of year.....	54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252		133,922,541
Net assets at end of year..... \$	56,894,478	12,625,574			48,714,509	331,367	1,966,668	5,940,360	154,635	25,337	13,961,286		140,614,214

14-V

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS

For the Year Ended June 30, 2004

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multi-Family Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:												
Cash received from interest, service fees, and principal on program loans..... \$	88,793,345	78,589,201	6,640,311	527,682	11,474,205	1,070,380	627,798	145,299		259,180	5,786,206	193,913,607
Cash payments for loaned amounts.....					(56,076,593)				(3,807,330)			(59,883,923)
Cash received from federal assistance programs.....	153,381		1,746,540	282,231	2,969,549							5,151,701
Cash payments for federal assistance programs.....	(153,381)		(1,746,540)	(282,231)	(2,969,549)							(5,151,701)
Interest on investments.....	3,835,593	3,217,264	526,319	449,024	1,808,667	59,378	49,561	97,729	105,549	383	920,565	11,070,032
Other.....	885,883	(485,557)	(34,650)		2,529,474			2,974,490		(64,788)	(212,050)	5,592,802
Net cash provided by (used in) operating activities.....	93,514,821	81,320,908	7,131,980	976,706	(40,264,247)	1,129,758	677,359	3,217,518	(3,701,781)	194,775	6,494,721	150,692,518
Cash flows from noncapital financing activities:												
Proceeds from sale of revenue bonds and notes.....					130,430,000							130,430,000
Principal paid on revenue bonds and notes.....	(83,861,100)	(68,645,000)	(59,760,000)	(10,520,000)	(6,955,000)	(205,000)		(800,000)			(2,395,000)	(233,141,100)
Interest paid on revenue bonds and notes.....	(17,053,383)	(17,868,132)	(5,313,586)	(689,475)	(1,977,519)	(915,797)	(505,532)	(2,520,018)	(658,098)	(173,753)	(6,508,316)	(54,183,609)
Transfers in.....		158,820	46,950,417	5,530,659	27,185,602						5,200,000	85,025,498
Transfers out.....			(23,320,156)	(3,865,446)	(52,639,896)							(79,825,498)
Net cash provided by (used in) noncapital financing activities.....	(100,914,483)	(86,354,312)	(41,443,325)	(9,544,262)	96,043,187	(1,120,797)	(505,532)	(3,320,018)	(658,098)	(173,753)	(3,703,316)	(151,694,709)
Cash flows from investing activities:												
Purchase of investment securities.....	(195,762,105)	(101,304,505)	(68,110,233)	(22,449,744)	(222,367,198)	(1,091,861)	(4,561,571)	(17,002,026)	(3,671,667)	(268,656)	(11,212,216)	(647,801,782)
Proceeds from sales and maturities of investment securities.....	203,191,512	106,338,680	102,333,544	30,954,780	166,646,581	1,082,900	3,874,471	16,281,895	7,864,442	53,936	8,420,811	647,043,552
Net cash provided by (used in) investing activities.....	7,429,407	5,034,175	34,223,311	8,505,036	(55,720,617)	(8,961)	(687,100)	(720,131)	4,192,775	(214,720)	(2,791,405)	(758,230)
Net increase (decrease) in cash and cash equivalents.....	29,745	771	(88,034)	(62,520)	58,323		(515,273)	(822,631)	(167,104)	(193,698)		(1,760,421)
Cash and cash equivalents at beginning of year.....	53,683	844	88,034	62,520	298		543,089	899,336	171,707	194,406		2,013,917
Cash and cash equivalents at end of year..... \$	83,428	1,615			58,621		27,816	76,705	4,603	708		253,496
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)..... \$	2,056,559	1,185,428	(845,493)	(152,729)	4,389,557	122,114	111,257	533,619	132,725	24,602	(6,065,966)	1,491,673
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Interest expense.....	16,284,198	16,264,129	3,307,492	447,385	4,232,969	911,935	510,484	2,653,537	805,834	247,238	6,836,379	52,501,580
Depreciation and amortization.....								800,000				800,000
Provision for (reversal of) estimated losses on program loans receivable....					(2,500,000)						2,500,000	
Changes in assets and liabilities:												
Decrease (increase) in investment income receivable.....	681,988	226,742	399,171	29,581	717,835	3,283	679	5,549	(2,667)		(11,798)	2,050,363
Decrease (increase) in program loan and interest receivable.....	81,884,904	64,079,568	82,446,273	10,401,663	(146,100,364)	192,092	(16,681)	505	(3,683,862)		3,226,319	92,430,417
Increase (decrease) in due to/from other funds.....	(670,543)	(492,312)	2,893,545	653,895	(3,953,596)	(12,943)	48,560	129,490	417	(12,277)	4,298	(1,411,466)
Increase (decrease) in other liabilities.....	(799,312)	(378,638)	(85,079)		2,536,877	(86,723)			(954,228)	(64,788)		168,109
Decrease (increase) in other assets.....	15,875	27,226			278,794			(128,358)			5,489	199,026
Other.....	(5,938,848)	408,765	(80,983,929)	(10,403,089)	100,133,681		23,060	(776,824)				2,462,816
Total adjustments.....	91,458,262	80,135,480	7,977,473	1,129,435	(44,653,804)	1,007,644	566,102	2,683,899	(3,834,506)	170,173	12,560,687	149,200,845
Net cash provided by (used in) operating activities..... \$	93,514,821	81,320,908	7,131,980	976,706	(40,264,247)	1,129,758	677,359	3,217,518	(3,701,781)	194,775	6,494,721	150,692,518

A-42

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS
As of June 30, 2004

ASSETS	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Current assets:			
Cash and cash equivalents..... \$	1,268,148	981	1,269,129
Investment income receivable.....	2,443,855	8,444	2,452,299
Program loans receivable.....	9,118,000		9,118,000
Interest receivable on program loans.....	5,396,056		5,396,056
Total current assets.....	18,226,059	9,425	18,235,484
Noncurrent assets:			
Investments-restricted.....	254,635,245	447,862	255,083,107
Program loans receivable, net of current portion.....	527,777,479		527,777,479
Unamortized bond issuance costs.....	9,168,134		9,168,134
Real estate held for sale (net).....	1,151,205		1,151,205
Total noncurrent assets.....	792,732,063	447,862	793,179,925
Total assets.....	810,958,122	457,287	811,415,409
LIABILITIES			
Current liabilities:			
Bonds and notes payable.....	109,085,000		109,085,000
Accrued interest payable.....	14,649,410	10,115	14,659,525
Accrued liabilities and other.....	2,303,454		2,303,454
Due to other funds.....	1,982,439	27,305	2,009,744
Total current liabilities.....	128,020,303	37,420	128,057,723
Noncurrent liabilities:			
Bonds and notes payable, net of current portion...	651,313,728	306,026	651,619,754
Total liabilities.....	779,334,031	343,446	779,677,477
NET ASSETS			
Restricted for bond resolution purposes.....	31,624,091	113,841	31,737,932
Total net assets	\$ 31,624,091	113,841	31,737,932

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Inter-Account Eliminations	Total
Operating revenues:				
Interest and other investment income..... \$	9,423,145	6,575		9,429,720
Net decrease in fair value of investments.....	(417,838)			(417,838)
Total investment income.....	9,005,307	6,575		9,011,882
Interest earned on program loans.....	29,376,441	604,016		29,980,457
Total operating revenues.....	38,381,748	610,591		38,992,339
Operating expenses:				
Interest expense.....	44,648,582	370,983		45,019,565
Professional fees.....	51,000	13,500		64,500
Other general and administrative.....	55,410	4,942		60,352
Financing costs.....	432,039	8,863		440,902
Total operating expenses.....	45,187,031	398,288		45,585,319
Operating income (loss).....	(6,805,283)	212,303		(6,592,980)
Other:				
Transfers in.....	35,078,541		(33,268,418)	1,810,123
Transfers out.....	(787)	(35,565,207)	33,268,418	(2,297,576)
Total other.....	35,077,754	(35,565,207)		(487,453)
Change in net assets.....	28,272,471	(35,352,904)		(7,080,433)
Net assets at beginning of year.....	3,351,620	35,466,745		38,818,365
Net assets at end of year..... \$	31,624,091	113,841		31,737,932

See accompanying independent auditors' report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2004

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Cash received from interest, service fees, and principal on program loans.....	\$ 227,379,437	4,482,758	231,862,195
Cash payments for loaned amounts.....	(119,963,660)		(119,963,660)
Interest on investments	11,801,413	1,340,015	13,141,428
Other.....	(761,408)	330,860	(430,548)
Net cash provided by operating activities.....	<u>118,455,782</u>	<u>6,153,633</u>	<u>124,609,415</u>
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes.....	191,577,523		191,577,523
Principal paid on revenue bonds and notes.....	(344,085,000)	(10,705,000)	(354,790,000)
Interest paid on revenue bonds and notes.....	(44,675,860)	(416,827)	(45,092,687)
Transfers in.....	22,526,204		22,526,204
Transfers out.....	(787)	(11,195,699)	(11,196,486)
Other.....	(1,304,689)		(1,304,689)
Net cash used in noncapital financing activities.....	<u>(175,962,609)</u>	<u>(22,317,526)</u>	<u>(198,280,135)</u>
Cash flows from investing activities:			
Purchase of investment securities.....	(491,281,832)	(20,898,325)	(512,180,157)
Proceeds from sales and maturities of investment securities.....	544,189,747	36,017,371	580,207,118
Net cash provided by investing activities.....	<u>52,907,915</u>	<u>15,119,046</u>	<u>68,026,961</u>
Net decrease in cash and cash equivalents.....	(4,598,912)	(1,044,847)	(5,643,759)
Cash and cash equivalents at beginning of year.....	5,867,060	1,045,828	6,912,888
Cash and cash equivalents at end of year.....	<u>\$ 1,268,148</u>	<u>981</u>	<u>1,269,129</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss).....	\$ (6,805,283)	212,303	(6,592,980)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Interest expense.....	44,648,582	370,983	45,019,565
Changes in assets and liabilities:			
Decrease in investment income receivable.....	2,070,374	354,401	2,424,775
Decrease in program loan and interest receivable.....	65,486,999	28,248,250	93,735,249
Increase in due to/from other funds.....	265,314	300,441	565,755
Decrease in other liabilities.....	(213,560)	(33,100)	(246,660)
Decrease in other assets.....	33,381	90,824	124,205
Other.....	12,969,975	(23,390,469)	(10,420,494)
Total adjustments.....	<u>125,261,065</u>	<u>5,941,330</u>	<u>131,202,395</u>
Net cash provided by operating activities.....	<u>\$ 118,455,782</u>	<u>6,153,633</u>	<u>124,609,415</u>

See accompanying independent auditors' report.

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APPENDIX B
CERTAIN PROGRAM INFORMATION

Bonds Issued under the Program

The Authority has previously issued the following Series of Bonds under the Program:

Series	Date of Issue	Original	Principal Amount
		Principal Amount	Outstanding As of 12/31/04
1994 Series A	August 30, 1994	\$60,000,000	\$ 0
1994 Series B	December 13, 1994	41,100,000	0
1994 Series C ¹	November 14, 1994	41,900,000	0
1995 Series A	March 8, 1995	40,000,000	0
1995 Series B	April 24 & May 3, 1995	51,920,000	2,600,000
1995 Series C ²	April 24, 1995	22,660,000	2,110,000
1995 Series D	September 28, 1995	50,000,000	0
1995 Series E ³	December 21, 1995	65,000,000	0
1996 Series A	May 7, 1996	51,945,000	4,540,000
1996 Series B	June 12, 1996	40,000,000	0
1996 Series C	September 3, 1996	26,000,000	15,000
1996 Series D ⁴	September 3, 1996	11,315,000	0
1996 Series E	December 19, 1996	37,000,000	2,830,000
1996 Series F ⁵	December 19, 1996	51,500,000	13,870,000
1997 Series A	April 8, 1997	45,000,000	3,685,000
1997 Series B ⁶	July 7, 1997	126,425,000	31,635,000
1997 Series C	August 21 & November 4, 1997	77,320,000	12,000,000
1997 Series D	December 18, 1997	25,500,000	12,885,000
1997 Series E ⁷	December 18, 1997	24,855,000	0
1998 Series A	April 30, 1998	20,000,000	4,115,000
1998 Series B ⁸	April 30, 1998	11,215,000	0
1998 Series C	June 29, 1998	16,500,000	0
1998 Subseries D-1/D-2	June 29, 1998	70,320,000	39,345,000
1998 Subseries D-3	July 9, 1998	28,120,000	7,745,000
1998 Series E	October 7, 1998	20,000,000	8,160,000
1998 Series F ⁸	October 7, 1998	20,305,000	0
1998 Series G	December 17, 1998	31,500,000	15,720,000
1999 Series A	January 20, 1999	25,740,000	3,505,000
1999 Series B	April 29, 1999	17,160,000	3,535,000
1999 Series C	April 29, 1999	5,000,000	0
1999 Series D	July 29, 1999	59,500,000	23,105,000
1999 Series E	July 29, 1999	24,305,000	5,385,000
1999 Series F	October 27, 1999	10,850,000	0
1999 Series G	October 27, 1999	19,060,000	6,830,000
2000 Series A	January 26, 2000	5,175,000	0
2000 Series B	January 26, 2000	15,900,000	10,565,000
2000 Series C	June 7, 2000	29,990,000	3,365,000
2000 Series D	July 26, 2000	48,600,000	28,355,000
2000 Series E	October 26, 2000	31,775,000	22,300,000
2000 Series F	October 26, 2000	5,000,000	0
2001 Series A	March 27, 2001	42,120,000	31,350,000
2001 Series B	March 27, 2001	5,000,000	0
2001 Series C	July 24, 2001	48,310,000	34,410,000
2001 Series D	July 24, 2001	8,000,000	6,470,000
2001 Series E	January 23, 2002	56,895,000	37,925,000
2001 Series F	January 23, 2002	10,000,000	10,000,000
2002 Series A	May 2, 2002	40,000,000	37,860,000
2002 Series B	May 2, 2002	10,000,000	9,360,000
2002 Series C	July 30, 2002	50,000,000	46,310,000
2003 Series A	April 29, 2003	91,455,000	0
2003 Series B	September 30, 2003	50,000,000	49,470,000
2004 Series A	March 16, 2004	50,000,000	49,865,000
2004 Series B	March 16, 2004	91,290,000	91,290,000
2004 Series C	July 13, 2004	80,000,000	80,000,000
2004 Series D	July 13, 2004	<u>43,405,000</u>	<u>43,405,000</u>
TOTAL		<u>\$2,081,930,000</u>	<u>\$795,915,000</u>

1. The Authority refunded \$39,700,000 aggregate principal amount of the 1994 Series C Bonds with a portion of the proceeds of the 1995 Series B Bonds.
2. The Authority refunded \$1,240,000 and \$2,420,000 aggregate principal amount of the 1995 Series C Bonds with a portion of the proceeds of the 1996 Series C Bonds and the 1996 Series E Bonds, respectively.
3. The Authority refunded \$25,600,000, \$23,330,000 and \$8,070,000 aggregate principal amount of the 1995 Series E Bonds with a portion of the proceeds of the 1996 Series A Bonds, the 1996 Series E Bonds and the 1996 Series F Bonds, respectively.
4. The Authority refunded the 1996 Series D Bonds with a portion of the proceeds of the 1997 Series A Bonds.
5. The Authority refunded \$20,500,000 aggregate principal amount of the 1996 Series F Bonds with a portion of the proceeds of the 1997 Series D Bonds.
6. The Authority refunded \$65,925,000 aggregate principal amount of the 1997 Series B Bonds with a portion of the proceeds of the 1998 Series D Bonds.
7. The Authority refunded the 1997 Series E Bonds with a portion of the proceeds of the 1998 Series G Bonds.
8. The Authority refunded the 1998 Series B Bonds and the 1998 Series F Bonds with a portion of the proceeds of the 1999 Series D Bonds.

Bond Redemptions and Purchases

The following table sets forth as of December 31, 2004 for each Series of Bonds,[†] the amount redeemed or purchased (other than scheduled serial or sinking fund redemptions) and the source of funds used for such redemption or purchase. For a description of the circumstances under which Offered Bonds may be called for redemption, see “THE OFFERED BONDS – The Offered Bonds– Redemption,” and “– The Variable Rate Bonds – Optional Redemption.” For information regarding the date of issuance and the amount outstanding as of December 31, 2004, for each Series of Bonds, see the under the caption “Bonds Issued under the Program” in this Appendix.

Series	Principal Amount of Bonds Redeemed or Purchased	Source of Funds		
		Bond Proceeds not used to Purchase Mortgage Loans	Mortgage Loan Prepayments and Repayments	Excess Revenues
1994 Subseries A-1 (non-AMT)	\$ 26,665,000	\$ 60,000	\$ 23,055,000	\$ 3,550,000
1994 Subseries A-2 (AMT)	28,000,000	54,415	27,890,585	55,000
1994 Series B (AMT)	38,255,000	11,071,476	26,588,524	595,000
1994 Subseries C-2 (AMT)	2,200,000	0	2,200,000	0
1995 Subseries A-1 (non-AMT)	16,545,000	10,000	16,535,000	0
1995 Subseries A-2 (AMT)	20,650,000	7,566	20,577,434	65,000
1995 Subseries B-1 (non-AMT)	8,290,000	0	8,290,000	0
1995 Subseries B-2 (AMT)	24,595,000	0	24,594,824	176
1995 Subseries B-3 (Taxable)	12,040,000	0	10,568,775	1,471,225
1995 Subseries C-1 (non-AMT)	6,770,000	0	6,770,000	0
1995 Subseries C-2 (AMT)	6,420,000	0	6,400,000	20,000
1995 Subseries D-1 (non-AMT)	8,170,000	0	8,170,000	0
1995 Subseries D-2 (AMT)	38,435,000	0	31,910,000	6,525,000
1995 Subseries E-2 (AMT)	8,000,000	0	8,000,000	0
1996 Subseries A-1 (non-AMT)	20,270,000	0	20,270,000	0
1996 Subseries A-2 (AMT)	22,460,000	0	22,401,141	58,859
1996 Series B (AMT)	40,000,000	0	39,924,415	75,585
1996 Subseries C-1 (AMT)	20,985,000	0	18,170,000	2,815,000
1996 Subseries C-2 (Taxable)	4,945,000	0	4,905,000	40,000
1996 Subseries E-1 (non-AMT)	5,960,000	0	5,660,000	300,000
1996 Subseries E-2 (AMT)	14,715,000	0	14,715,000	0
1996 Subseries E-3 (Taxable)	11,250,000	0	11,210,000	40,000
1996 Subseries F-1 (non-AMT)	0	0	0	0
1996 Subseries F-2 (AMT)	15,115,000	0	15,115,000	0
1997 Subseries A-1 (non-AMT)	8,515,000	0	4,640,000	3,875,000
1997 Subseries A-2 (AMT)	24,030,000	0	24,030,000	0
1997 Subseries A-3 (Taxable)	4,990,000	0	4,990,000	0
1997 Subseries B-1 (non-AMT)	0	0	0	0
1997 Subseries B-2 (AMT)	13,385,000	0	13,385,000	0
1997 Subseries B-1 (non-AMT)	0	0	0	0
1997 Subseries B-2 (AMT)	10,335,000	0	10,335,000	0
1997 Subseries C-1 (non-AMT)	125,000	0	125,000	0
1997 Subseries C-2 (non-AMT)	21,970,000	0	21,970,000	0
1997 Subseries C-3 (AMT)	16,270,000	0	16,270,000	0
1997 Subseries C-4 (AMT)	715,000	0	715,000	0
1997 Subseries C-5 (Taxable)	19,965,000	0	19,915,000	50,000
1997 Subseries D-1 (non-AMT)	0	0	0	0
1997 Subseries D-2 (AMT)	7,265,000	0	7,265,000	0
1997 Subseries D-3 (Taxable)	3,275,000	0	3,275,000	0
1998 Series A (Taxable)	14,605,000	0	14,605,000	0
1998 Series C (Taxable)	15,720,000	0	15,720,000	0
1998 Subseries D-1 (non-AMT)	0	0	0	0
1998 Subseries D-2 (AMT)	11,970,000	0	11,970,000	0
1998 Subseries D-1 (non-AMT)	0	0	0	0
1998 Subseries D-2 (AMT)	6,475,000	0	6,475,000	0
1998 Subseries D-1 (non-AMT)	0	0	0	0
1998 Subseries D-2 (AMT)	5,830,000	0	5,830,000	0
1998 Subseries D-3 (AMT)	16,470,000	0	16,470,000	0

Source of Funds

Series	Principal Amount of Bonds Redeemed or Purchased	Bond Proceeds not used to Purchase Mortgage Loans	Mortgage Loan Prepayments and Repayments	Excess Revenues
1998 Series E (Taxable)	\$ 10,335,000	\$ 0	\$ 10,335,000	\$ 0
1998 Subseries G-1 (non-AMT)	0	0	0	0
1998 Subseries G-2 (AMT)	13,195,000	0	13,195,000	0
1999 Subseries A-1 (non-AMT)	3,820,000	0	3,820,000	0
1999 Subseries A-2 (AMT)	16,615,000	0	16,615,000	0
1999 Subseries B-1 (non-AMT)	4,315,000	0	4,315,000	0
1999 Subseries B-2 (AMT)	8,090,000	0	8,090,000	0
1999 Series C (Taxable)	4,840,000	0	4,840,000	0
1999 Subseries D-1 (non-AMT)	0	0	0	0
1999 Subseries D-2 (AMT)	15,750,000	0	15,750,000	0
1999 Subseries D-3 (Taxable)	17,605,000	0	17,605,000	0
1999 Subseries E-1 (non-AMT)	6,045,000	0	6,045,000	0
1999 Subseries E-2 (AMT)	11,310,000	0	11,310,000	0
1999 Series F (Taxable)	10,395,000	0	10,395,000	0
1999 Subseries G-1 (non-AMT)	0	0	0	0
1999 Subseries G-2 (AMT)	11,485,000	0	11,485,000	0
2000 Series A (Taxable)	5,175,000	0	5,175,000	0
2000 Subseries B-1 (non-AMT)	0	0	0	0
2000 Subseries B-2 (AMT)	4,675,000	0	4,675,000	0
2000 Subseries C-1 (non-AMT)	5,920,000	0	5,920,000	0
2000 Subseries C-2 (AMT)	6,265,000	0	6,265,000	0
2000 Subseries C-3 (AMT)	10,000,000	0	10,000,000	0
2000 Subseries C-4 (Taxable)	2,730,000	0	2,730,000	0
2000 Subseries D-1 (non-AMT)	2,150,000	0	2,150,000	0
2000 Subseries D-2 (AMT)	5,755,000	0	5,755,000	0
2000 Subseries D-3 (non-AMT)	0	0	0	0
2000 Subseries D-4 (AMT)	10,220,000	0	10,220,000	0
2000 Subseries E-1 (non-AMT)	2,380,000	0	2,380,000	0
2000 Subseries E-2 (AMT)	1,885,000	0	1,885,000	0
2000 Subseries E-3 (non-AMT)	0	0	0	0
2000 Subseries E-4 (AMT)	3,500,000	0	3,500,000	0
2000 Series F (Taxable)	4,935,000	0	4,935,000	0
2001 Subseries A-1 (non-AMT)	0	0	0	0
2001 Subseries A-2 (AMT)	5,075,000	0	5,075,000	0
2001 Subseries A-3 (AMT)	3,890,000	0	3,890,000	0
2001 Series B (Taxable)	4,925,000	0	4,925,000	0
2001 Subseries C-1 (non-AMT)	0	0	0	0
2001 Subseries C-2 (AMT)	3,795,000	0	3,795,000	0
2001 Subseries C-3 (non-AMT)	5,880,000	0	5,880,000	0
2001 Subseries C-4 (AMT)	2,190,000	0	2,190,000	0
2001 Series D (Taxable)	1,360,000	0	1,360,000	0
2001 Subseries E-1 (non-AMT)	0	0	0	0
2001 Subseries E-2 (AMT)	9,650,000	0	9,650,000	0
2001 Subseries E-3 (AMT)	7,990,000	0	7,990,000	0
2001 Series F (Taxable)	0	0	0	0
2002 Subseries A-1 (non-AMT)	0	0	0	0
2002 Subseries A-2 (AMT)	2,045,000	0	2,045,000	0
2002 Subseries B (Taxable)	0	0	0	0
2002 Subseries C-1 (non-AMT)	0	0	0	0
2002 Subseries C-2 (AMT)	3,085,000	0	3,085,000	0
2003 Subseries B-1 (non-AMT)	0	0	0	0
2003 Subseries B-2 (AMT)	25,000	0	25,000	0
2004 Subseries A-1 (non-AMT)	0	0	0	0
2004 Subseries A-2 (AMT)	135,000	0	135,000	0
2004 Subseries A-3 (AMT)	0	0	0	0
TOTAL	<u>\$852,080,000</u>	<u>\$ 11,203,457</u>	<u>\$821,340,698</u>	<u>\$ 19,535,845</u>

† This table excludes information regarding the redemption or purchase of Series of Bonds that were purchased or redeemed as Convertible Option Bonds or Notes.

Mortgage Loan Interest Rate Information

Set forth in the following table is certain information regarding the interest rates borne by Mortgage Loans held (including Transferred Mortgage Loans), but excluding Contributed Mortgage Loans, under the Program as of January 6, 2005, except that the information regarding the principal amount of Mortgage Loans outstanding is as of October 31, 2004. The information below under the heading "Range of Mortgage Loan Interest Rates" includes the interest rates on Mortgage Loans purchased by the Authority under its various below market single-family home loan programs for certain low income borrowers and targeted areas.

Series	Total Principal Amount of Mortgage Loans Purchased	Principal Amount of Mortgage Loans Outstanding	Range of Original Mortgage Loan Interest Rates (%) ¹	Weighted Average of Original Mortgage Loan Interest Rates (%) ²
1994 Series A	\$54,673,617	\$5,453,997	6.990 - 8.125	7.61
1994 Series B	26,676,995	1,873,303	7.690 - 8.160	8.13
1995 Series A	36,611,055	2,702,770	6.750 - 8.375	7.98
1995 Series B/ 1994 Series C-2	49,591,810	5,603,864	5.000 - 8.375	7.75
1995 Series C	17,845,176	3,216,485	5.000 - 8.500	7.37
1995 Series D	46,651,534	6,441,234	6.540 - 8.750	7.39
1995 Series E	7,693,341	1,010,042	6.000 - 7.760	7.31
1996 Series A	47,493,061 ³	4,843,439 ³	6.000 - 8.200	7.44
1996 Series B	38,301,867	4,426,294	6.000 - 8.600	7.83
1996 Series C	24,314,471	2,524,728	6.000 - 8.625	7.82
1996 Series E	34,689,987	3,915,895	3.000 - 8.250	7.56
1997 Series A	43,392,765	6,063,382	5.000 - 8.500	7.50
1997 Series C	75,448,072 ³	17,022,026 ³	3.000 - 9.750	6.90
1997 Series D	24,323,598	6,800,753	4.000 - 7.510	6.51
1996 Series F	29,867,020	6,056,189	3.000 - 8.000	6.72
1997 Series B	56,628,076	14,417,284	4.000 - 8.550	6.68
1998 Series A	19,248,832	4,900,290	4.000 - 7.350	6.66
1998 Series C	15,639,587	3,982,024	5.000 - 8.550	6.70
1998 Series D	94,196,824	32,865,431	3.000 - 8.550	6.38
1998 Series E	18,391,655	5,692,901	3.000 - 8.550	6.58
1998 Series G	30,747,435	7,998,818	3.000 - 8.240	6.68
1999 Series A	24,607,270	6,794,787	5.000 - 8.500	7.02
1999 Series B	16,311,676	3,863,528	4.375 - 8.800	7.05
1999 Series C	4,520,125	1,737,735	3.000 - 8.300	6.22
1999 Series D	55,771,261	11,701,408	5.000 - 8.550	7.02
1999 Series F	10,087,379	6,987,985	3.000 - 4.250	4.02
2000 Series A	4,878,257	3,026,614	3.000 - 8.300	4.79
1999 Series E	23,170,746	6,771,406	3.000 - 8.800	6.84
1999 Series G	18,165,206	5,123,501	5.000 - 8.800	7.00
2000 Series C	30,016,628 ³	7,495,926 ³	3.000 - 8.800	7.45
2000 Series D	46,304,890 ³	17,493,707 ³	5.000 - 8.400	6.76
2000 Series B	15,112,766	5,673,978	5.000 - 8.550	6.95
2000 Series E	30,313,334 ³	13,675,298 ³	5.000 - 8.550	6.82
2000 Series F	4,298,202	2,271,173	5.000 - 8.550	6.17
2001 Series A	39,924,555 ³	15,615,106 ³	5.000 - 8.550	6.68
2001 Series B	4,577,495	1,952,352	5.000 - 7.590	6.31
2001 Series C	45,649,571 ³	20,746,106 ³	3.000 - 8.210	6.68
2001 Series D	7,210,626	3,781,311	3.000 - 7.240	6.15
2001 Series E	52,746,375 ³	24,541,128 ³	3.000 - 8.100	6.75
2001 Series F	9,191,942	4,744,651	3.000 - 7.240	6.40
2002 Series A	37,097,849	25,444,212	4.875 - 7.240	6.05
2002 Series B	9,559,069	6,556,256	4.875 - 7.240	6.05
2002 Series C	47,190,429	33,754,558	3.000 - 6.750	6.08
2003 Series B	49,106,146	46,560,887	3.000 - 7.000	5.47
2004 Series A	49,447,580	48,007,760	3.000 - 6.250	5.37
2004 Series C	<u>77,823,283</u>	<u>53,534,520</u>	3.000 - 6.150	5.51
TOTAL	<u>\$1,505,509,435</u>	<u>\$525,667,043</u>		

1. Excludes interest rates on Second Mortgage Loans, all of which are interest free.

2. These interest rates do not reflect the Authority's allocation of interest among Series of Bonds for Mortgage Loans acquired with proceeds of more than one Series.

3. Includes Transferred Mortgage Loans.

Ten-Year Rule[†]

Currently, under the Code, subject to a \$250,000 *de minimis* exception, repayments and prepayments of principal received more than ten years after the date of issuance of certain qualified mortgage bonds (or, to the extent bonds are treated as refunding bonds, directly or through a series of refundings, the respective dates of issuance of the original bonds) may not be used to make additional mortgage loans but must be used to retire or redeem bonds (the “Ten-Year Rule”). Portions of regularly scheduled payments of principal, prepayments of principal and other Recoveries of Principal received with respect to the Series of Bonds listed below are, or will be, subject to the limitations of the Ten-Year Rule. The portions of those payments, prepayments and other Recoveries of Principal subject to the Ten-Year Rule increase over time until they reach 100%. The dates that all of those payments, prepayments and other Recoveries of Principal of listed Series of Bonds become (or became) subject to the Ten-Year Rule are listed below. The dates are for general reference only and may be modified upon review by the Authority and to the extent permitted or required by the Code. Certain Subseries or maturities of Bonds within a Subseries may be 100 percent subject to the Ten-Year Rule at an earlier date.

<u>Series of Bonds</u>	<u>Date 100% Subject to 10-Year Rule</u>
1994 Series A	8/30/04
1994 Series B	12/13/04
1994 Series C-2	11/14/04
1995 Series A	3/8/05
1995 Subseries B-1 & B-2	11/14/04
1995 Series C	7/30/01
1995 Series D	9/28/05
1995 Series E	12/21/05
1996 Series A	12/21/05
1996 Series B	6/12/06
1996 Subseries C-1	9/3/06
1996 Subseries E-1 & E-2	12/21/05
1996 Series F	12/19/06
1997 Subseries A-1 & A-2	4/8/07
1997 Series B	7/7/07
1997 Subseries C-1 & C-3	8/21/07
1997 Subseries C-2 & C-4	11/4/97
1997 Subseries D-1 & D-2	12/19/06
1998 Subseries D-1 & D-2	7/7/07
1998 Subseries D-3	7/7/07
1998 Series G	12/17/08
1999 Subseries D-1 & D-2	7/29/09
1999 Series E	7/07/07
1999 Series G	10/27/09
2000 Subseries B-1 & B-2	1/26/10
2000 Subseries C-1 & C-2	6/7/00
2000 Subseries C-3	6/7/10
2000 Subseries D-1 & D-2	7/26/00
2000 Subseries D-3 & D-4	7/26/10
2000 Subseries E-1 & E-2	10/26/00
2000 Subseries E-3 & E-4	10/26/10
2001 Subseries A-1 & A-2	3/27/11
2001 Subseries A-3	3/27/01
2001 Subseries C-1 & C-2	7/24/11
2001 Subseries C-3 & C-4	7/30/01
2001 Subseries E-1 & E-2	1/23/12
2001 Subseries E-3	1/23/02
2002 Subseries A-1 & A-2	5/2/12
2002 Subseries C-1 & C-2	7/30/12
2003 Subseries B-1 & B-2	9/30/13
2004 Subseries A-1, A-2 & A-3	3/11/13
2004 Subseries C-1, C-2 & C-3	7/13/14
2005 Subseries A-1, A-2 & A-3	3/10/15

[†] This table excludes information regarding Bonds outstanding as Convertible Option Bonds or Notes.

Mortgage Pool Insurers

For each Series of Bonds (other than that portion of a Series of Bonds outstanding as Convertible Option Bonds or Notes), the following table sets forth (i) the initial Mortgage Pool Insurers for Mortgage Loans purchased with their proceeds (or, in the case of Transferred Mortgage Loans, transferred to the Program), (ii) the principal amount of Mortgage Loans subject to the Pool Policy, as of January 6, 2005, (iii) the principal amount of Mortgage Loans outstanding, as of October 31, 2004, (iv) the amount of loss coverage provided by the applicable Pool Policy (inclusive of the Deductible), (v) the amount of the applicable Deductible, and (vi) the claims against the Deductible or the Pool Policy for any Series of Bonds.

<u>Series of Bonds</u>	<u>Mortgage Pool Insurer</u>	<u>Principal Amount of Mortgage Loans Subject to Pool Policy^{1,2}</u>	<u>Principal Amount of Mortgage Loans Outstanding²</u>	<u>Amount of Loss Coverage^{1,3}</u>	<u>Amount of Deductible¹</u>	<u>Claims Against Deductible or Pool Policy</u>
1994 Series A ⁴	Radian	\$ 54,673,617	\$ 5,453,997	\$ 1,913,577	\$ 546,736	\$133,952
1994 Series B	GEMICO	26,676,995	1,873,303	933,695	266,770	25,206
1995 Series A	MGIC	36,611,055	2,702,770	1,281,387	366,111	20,980
1995 Series B/1994 Series C-2	GEMICO	49,591,810	5,603,864	1,735,713	495,918	143,918
1995 Series D	UGI	45,258,846	6,422,513	1,584,060	452,588	55,267
1996 Series A ⁵	UGI	44,495,296	4,368,793	1,557,335	444,953	77,970
1996 Series B	UGI	37,302,287	4,197,192	1,305,580	373,023	31,849
1996 Series C	MGIC	23,546,294	2,283,162	824,120	235,463	47,677
1996 Series E ⁶	MGIC	34,121,329	3,820,855	1,194,247	341,213	27,422
1995 Series E	MGIC	6,194,702	733,638	216,815	61,947	0
1995 Series C	MGIC	16,125,850	2,922,649	564,405	161,259	0
1995 Series D/1996 Series A	UGI	2,785,375	37,441	97,488	27,854	563
1997 Series A ⁷	MGIC	41,079,689	5,508,693	1,437,789	410,797	76,594
1997 Series C ⁵	GEMICO	66,832,678	11,146,298	2,339,144	n/a	27,838
1997 Series D/1995 Series C	GEMICO	17,193,258	2,938,363	601,764	n/a	41,013
1996 Series F	GEMICO	28,567,457	5,785,198	999,861	n/a	0
1997 Series D	GEMICO	5,131,557	1,487,978	179,604	n/a	5,981
1998 Series A/1997 Series B	⁸	33,007,009	9,348,808	1,155,245	n/a	69,446
1998 Series A/1997 Series B/1995 Series E	GEMICO	14,986,393	2,764,045	524,524	n/a	16,954
1998 Series C/1997 Series B/1996 Series A	⁹	16,050,768	4,559,253	561,777	n/a	27,726
1998 Series C/1997 Series B	⁹	29,366,250	7,148,373	1,027,819	n/a	39,897
1998 Series E/1998 Series D/1996 Series B	⁹	9,995,799	2,291,019	349,853	n/a	10,795
1998 Series E/1998 Series D	⁹	40,793,318	13,349,665	1,427,766	n/a	23,664
1998 Series G	⁹	23,083,603	5,974,154	807,926	n/a	5,306
1998 Series D/1996 Series C	⁹	7,681,776	2,415,656	268,862	n/a	13,565
1998 Series D	⁹	10,677,386	3,592,914	373,709	n/a	0
1998 Series G/1996 Series E	⁹	5,686,579	950,399	199,030	n/a	3,844
1999 Series C/1998 Series D	⁹	33,723,175	14,005,222	1,180,311	n/a	41,471
1999 Series C/1998 Series D/1996 Series F	⁹	12,995,631	2,709,919	454,847	n/a	0

<u>Series of Bonds</u>	<u>Mortgage Pool Insurer</u>	<u>Principal Amount of Mortgage Loans Subject to Pool Policy^{1,2}</u>	<u>Principal Amount of Mortgage Loans Outstanding²</u>	<u>Amount of Loss Coverage^{1,3}</u>	<u>Amount of Deductible¹</u>	<u>Claims Against Deductible or Pool Policy</u>
1999 Series D	⁹	22,373,734	4,270,467	783,081	n/a	49,684
1999 Series D/1997 Series A	⁹	23,130,755	5,546,892	809,576	n/a	37,880
1999 Series D/1997 Series B/1998 Series C	⁹	12,097,913	2,114,489	423,427	n/a	10,491
1999 Series F/1997 Series D	⁹	6,759,092	4,850,569	236,568	n/a	5,226
1999 Series F/1997 Series C	⁹	15,661,791	10,681,393	548,163	n/a	11,823
2000 Series A/1998 Series D/1999 Series C	⁹	9,187,098	5,699,945	321,548	n/a	0
1999 Series A	⁹	24,607,270	6,794,787	861,254	n/a	0
1999 Series B	⁹	16,311,676	3,863,528	570,909	n/a	19,553
1999 Series E/2000 Series C-3	⁵ ⁹	43,778,169	11,563,453	1,532,236	n/a	0
2000 Series C-4/1999 Series D	⁹	7,037,129	2,228,362	246,300	n/a	2,716
2000 Series C-3	⁹	4,063,801	1,011,215	142,233	n/a	0
1999 Series G	⁹	11,465,741	2,896,822	401,301	n/a	0
2000 Series D-3 and D-4/1998 Series G	⁵ ¹⁰	38,978,268	14,314,231	1,364,239	n/a	7,373
2000 Series D-4	¹⁰	9,872,533	4,348,782	345,539	n/a	2,755
2000 Series B	¹⁰	15,112,766	5,673,978	528,947	n/a	0
2000 Series E/2000 Series F	⁵ ¹⁰	34,611,535	15,946,471	1,211,404	n/a	5,084
1999 Series G	¹⁰	6,699,465	2,226,679	234,481	n/a	0
2001 Series A-1 and A-2/2001 Series B	⁵ ¹⁰	44,502,049	17,567,458	1,557,572	n/a	827
2001 Series C/2001 Series D	⁵ ¹⁰	52,860,197	24,527,417	1,850,107	n/a	0
2001 Series E/2001 Series F	⁵ ¹⁰	61,938,317	29,285,780	2,167,841	n/a	1,916
2002 Series A/2002 Series B	¹⁰	46,656,919	32,000,467	1,632,992	n/a	0
2002 Series C-2	¹⁰	47,190,429	33,754,558	1,651,665	n/a	0
2003 Series B	¹⁰	49,106,146	46,560,887	1,718,715	n/a	0
2004 Series A	¹¹	49,447,580	48,007,760	1,730,665	n/a	0
2004 Series C	¹¹	<u>77,823,283</u>	<u>53,534,520</u>	<u>2,723,815</u>	<u>n/a</u>	<u>0</u>
Resolution Total		<u>\$1,505,509,435</u>	<u>\$525,667,043</u>	<u>\$52,692,830</u>	<u>\$4,184,631</u>	<u>\$1,124,228</u>

1. Amounts shown under these columns are based on the original principal amount of Mortgage Loans purchased as of the referenced date. Mortgage Loans in the amount of \$67,727,847 are insured by USDA and MGIC.
2. Amounts shown under this column include Second Mortgage Loans that are not subject to a Pool Policy.
3. Inclusive of the Deductible.
4. Commonwealth Mortgage Insurance Company and Amerin Guaranty merged to form Radian Guaranty, Inc. on June 9, 1999.
5. Includes Transferred Mortgage Loans.
6. Includes \$134,294 principal amount of Mortgage Loans of this Series insured by GEMICO.
7. Includes \$87,604 principal amount of Mortgage Loans of this Series insured by FHA and not subject to a Pool Policy.
8. The Mortgage Pool Insurer(s) for these Mortgage Loans will be one or more of MGIC or GEMICO.
9. The Mortgage Pool Insurer(s) for these Mortgage Loans will be one or more of MGIC, UGI or PMI.
10. The Mortgage Pool Insurer(s) for these Mortgage Loans will be one or more of MGIC, UGI or Radian.
11. The Mortgage Pool Insurer(s) for these Mortgage Loans will be one or more of MGIC, UGI, Radian or RMIC.

Additional information regarding Radian may be obtained from Radian Guaranty, Inc., 1601 Market Street, Philadelphia, PA 19103. Additional information regarding GEMICO may be obtained from General Electric Mortgage Insurance Corporation, 6601 Six Forks Road, Raleigh, NC 27615. Additional information regarding MGIC may be obtained from Mortgage Guaranty Insurance Corporation, P.O. Box 488, Milwaukee, WI 53201. Additional information regarding UGI may be obtained from United Guaranty Residential Insurance Company, 230 North Elm Street, Greensboro, NC 27420. Additional information regarding PMI may be obtained from PMI Mortgage Insurance Company, 601 Montgomery Street, San Francisco, CA 94111. Additional information regarding FHA may be obtained from US Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410. Additional information regarding RMIC may be obtained from Republic Mortgage Insurance Company, 190 Oak Plaza Boulevard, Winston-Salem, NC 27105.

Delinquency Information

Certain information regarding payment delinquencies as of November 30, 2004 with respect to Mortgage Loans purchased under the Program, including Transferred Loans is summarized in the following table. The information is based upon the November 30, 2004, reports from the Servicers.

	<u>Mortgage Loans</u>	<u>Two Payment Delinquencies</u>	<u>Three or more Payment Delinquencies</u>	<u>In Foreclosure¹</u>
Number of Mortgage Loans	8,374	99	86	53
Principal Amount	\$562,823,095	\$6,341,732	\$5,491,064	\$2,905,321
Percentage of Total Number of Mortgage Loans	100%	1.18%	1.03%	0.63%
Percentage of Total Principal Amount of Mortgage Loans	100%	1.13%	0.98%	0.52%

1. In addition, as of November 30, 2004, there were 28 real estate owned properties representing \$1,702,317 in total principal amount awaiting sale, and 38 Mortgage Loans representing \$2,108,708 in total principal amount that were awaiting final insurance settlement.

Primary Mortgage Insurers under the Program

Certain information regarding the primary mortgage insurance coverage for Mortgage Loans purchased under the Program, including Transferred Loans, as of January 3, 2005, is summarized in the following table:

<u>Primary Mortgage Insurance Provider</u>	<u>Original Principal Amount of Mortgage Loans Covered</u>	<u>Percentage of Mortgage Loans Covered</u>
Radian Guaranty, Inc.†	\$156,072,095	10.48 %
General Electric Mortgage Insurance Corporation	177,760,195	11.94
Mortgage Guaranty Insurance Corporation	423,233,711	28.42
Republic Mortgage Insurance Co.	7,986,792	0.54
United Guaranty Residential Insurance Company	267,693,600	17.98
Guaranteed Rural Housing Loan Program	67,727,847	4.55
TRIAD Guaranty Insurance Corporation	319,143	0.02
Federal Housing Administration	843,551	0.06
PMI Mortgage Insurance Company	76,439,918	5.13
Mortgage Loans not requiring primary mortgage insurance	<u>311,121,029</u>	<u>20.89</u>
TOTAL	<u>\$ 1,489,197,880††</u>	<u>100.00 %††</u>

† Commonwealth Mortgage Insurance Company and Amerin Guaranty merged to form Radian Guaranty, Inc. on June 9, 1999.

†† Rounding

Summary of Investment Obligations

The following table sets forth for each Series of Bonds the name of the counterparties to the respective collateralized demand repurchase agreements or, in the case of Investment Obligations other than collateralized demand repurchase agreements, the nature of the investment, in which funds in the various Series Program Accounts, Reserve Fund and Revenue Fund are invested, the maturity date and the interest rate applicable to that Investment Obligation.

Series	Series Program Account	Maturity Date	Interest Rate ¹	Reserve Fund	Maturity Date	Interest Rate ¹	Revenue Fund	Maturity Date	Interest Rate ¹
1994 Series A ¹⁵	Closed								
1994 Series B ¹⁵	Closed								
1995 Series A ¹⁵	Closed								
1995 Series B/1994 Subseries C-2 ¹⁵	Closed								
1995 Series D ¹⁵	Closed								
1996 Series A	Closed			BLB	08/01/27	6.20	JPM	08/01/27	5.85
1996 Series B ¹⁵	Closed								
1996 Series C/ 1995 Series C ²	Closed			BLB	08/01/28	6.50	WLB	08/01/28	5.875
1996 Series E/ 1995 Series E ³	Closed			BLB ⁴	02/01/28	6.125	WLB	02/01/28	5.88
1997 Series A	Closed						JPM	08/01/28	6.25
1997 Series C	Closed			FNMA	03/10/16	8.20	WLB	02/01/29	5.78
1997 Series D/ 1996 Series F ⁵	Closed			JPM ⁴	08/01/28	6.00	WLB	08/01/28	5.62
1998 Series A/ 1997 Series B ⁶	Closed			TPF ⁴	08/01/28	5.25	WLB	08/01/28	5.31
1998 Series C/ 1997 Series B ⁷	Closed			TPF ⁴	08/01/28	5.25	WLB	08/01/29	5.00
1998 Series E/ 1998 Series D ⁸	Closed			WLB ⁴	08/01/29	6.77	WLB	08/01/29	4.37
1998 Series G/ 1998 Series D ⁹	Closed			WLB ⁴	08/01/29	6.77	WLB	08/01/29	4.73
1999 Series C/ 1998 Series D ¹⁰	Closed			WLB ⁴	08/01/29	5.28	WLB	08/01/29	5.21
1999 Series D	Closed			WLB ⁴	02/01/30	5.86	WLB	02/01/30	5.77
1999 Series F ¹⁵	Closed								
2000 Series A/ 1999 Series A/ 1999 Series B ¹¹	Closed			WLB	08/01/30	6.77	WLB	08/01/30	6.68
2000 Series C/ 1999 Series E ¹²	Closed			WLB ⁴	02/01/31	6.25	WLB	02/01/31	6.375
2000 Series D/ 1999 Series G ¹³	Closed			WLB ⁴	08/01/31	6.375	WLB	08/01/31	6.25
2000 Series E & F/ 2000 Series B ¹⁴	Closed			BLB ⁴	08/01/31	5.30	BLB	08/01/31	5.30
2001 Series A & B	Closed			BLB ⁴	08/01/31	5.13	BLB	08/01/31	5.13
2001 Series C & D	Closed			TPF ⁴	08/01/32	5.32	TPF	08/01/32	5.00
2001 Series E & F	Closed			FNMA ⁴	05/15/29	6.25	BLB	12/01/15	4.50
2002 Series A & B	Closed			FHLMC ⁴	07/15/32	6.25	BLB ¹⁵	12/01/15	4.30
2002 Series C	Closed			4			15		
2003 Series A	Closed			4			15		
2003 Series B	Closed			4			15		
2004 Series A	Closed			4			15		
2004 Series B	15			4			15		
2004 Series C	MS	05/02/05	1.546%	4			15		
2004 Series D	15			4			15		
2005 Series A	15								

- These rates of interest are no guarantee of future rates of interest.
 - This information with respect to the 1995 Series C Bonds pertains to that portion (\$19,000,000 aggregate principal amount) converted to bear interest at a Fixed Rate on September 3, 1996.
 - This information with respect to the 1995 Series E Bonds pertains to that portion (\$8,000,000 aggregate principal amount) converted to bear interest at a Fixed Rate on December 19, 1996.
 - All or a portion of the Series Reserve Requirement is satisfied, in whole or in part, by amounts on deposit in the Reserve Fund in excess of the Reserve Requirement.
 - This information with respect to the 1996 Series F Bonds pertains to that portion (\$31,000,000 aggregate principal amount) converted to bear interest at a Fixed Rate on December 18, 1997.
 - This information with respect to the 1997 Series B Bonds pertains to that portion (\$29,000,000 aggregate principal amount) converted to bear interest at a Fixed Rate on April 30, 1998.
 - This information with respect to the 1997 Series B Bonds pertains to that portion (\$31,500,000 aggregate principal amount) converted to bear interest at a Fixed Rate on June 29, 1998.
 - This information with respect to the 1998 Series D Bonds pertains to that portion (\$32,825,000 aggregate principal amount) converted to bear interest at a Fixed Rate on October 7, 1998.
 - This information with respect to the 1998 Series D Bonds pertains to that portion (\$18,500,000 aggregate principal amount) converted to bear interest at a Fixed Rate on December 17, 1998.
 - This information with respect to the 1998 Series D Bonds pertains to that portion (\$47,115,000 aggregate principal amount) converted to bear interest at a Fixed Rate on April 29, 1999.
 - This information with respect to the 1999 Series A Bonds pertains to that portion (\$25,740,000 aggregate principal amount) and with respect to the 1999 Series B Bonds pertains to that portion (\$17,160,000 aggregate principal amount) converted to bear interest at a Fixed Rate on January 26, 2000.
 - This information with respect to the 1999 Series E Bonds pertains to that portion (\$24,305,000 aggregate principal amount) converted to bear interest at a Fixed Rate on June 7, 2000.
 - This information with respect to the 1999 Series G Bonds pertains to that portion (\$19,060,000 aggregate principal amount) converted to bear interest at a Fixed Rate on July 26, 2000.
 - This information with respect to the 2000 Series B Bonds pertains to that portion (\$15,900,000 aggregate principal amount) converted to bear interest at a Fixed Rate on October 26, 2000.
 - The nature of the investment of moneys in these funds will be determined as moneys become available for investment and reinvestment.
- Key: BLB = Bayerische Landesbank JPM = JP Morgan Chase Bank MS = Morgan Stanley & Co. Incorporated WLB = WestLB AG
 FHLMC = Federal Home Loan Mortgage Corp. FNMA = Fannie Mae TPF = Trinity Plus Funding Company, LLC

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APPENDIX C

SUMMARY OF CERTAIN MORTGAGE INSURANCE AND ILLINOIS FORECLOSURE PROCEDURES

General

The following provides information about the Authority's Program relating to mortgage insurance requirements. The description of certain mortgage insurance policies and loan guarantees is only a brief outline and does not purport to summarize or describe all of the provisions thereof. For a more complete description of the terms of these policies and guarantee programs, reference is made to the provisions of such policies and guarantee programs.

Pursuant to the Series Program Determinations for the Prior Bonds, each First Mortgage Loan to be purchased with the proceeds of those Bonds must either:

- (i) in the case of uninsured conventional Mortgage Loans, have an original principal balance not exceeding 80 percent of the Property Value; or
- (ii) qualify for and obtain primary mortgage insurance in the form of either private mortgage insurance, FHA insurance, a VA guarantee, or a USDA guarantee.

Transferred Mortgage Loans, which are all conventional Mortgage Loans, when originated, each had an original principal balance not exceeding 80 percent of the Property Value, or qualified for and obtained primary mortgage insurance in the form of private mortgage insurance.

In addition, each First Mortgage Loan to be purchased with the proceeds of the Prior Bonds must either:

- (i) in the case of uninsured Mortgage Loans and Mortgage Loans insured with private mortgage insurance, be the subject of a mortgage pool insurance policy or policies that shall provide coverage of losses of the Authority by reason of default on any Mortgage Loan covered by such policy up to an aggregate limit equal to 3.5 percent of the aggregate original principal amount of the Mortgage Loans covered by such policy, less any applicable Deductible (as defined herein); or
- (ii) in the case of Mortgage Loans insured by the FHA or guaranteed by the VA or USDA, the Authority must provide a Cash Flow Certificate, accompanied by a Rating Certificate, advising that the purchase of such Mortgage Loans will not result in a reduction of the Ratings of the Bonds.

The various mortgage insurance alternatives required by the Series Program Determinations for the Prior Bonds and applicable to Transferred Mortgage Loans, and the FFLMC Mortgage Certificate program, are described generally below.

Primary Mortgage Insurance Programs

Private Mortgage Insurance. Private mortgage insurance must be issued by a mortgage insurer that is: (i) (A) qualified to do business in the State; (B) approved by Fannie Mae and FHLMC; and (C) rated as to its claims paying ability in the two highest rating categories by each Rating Agency; or (ii) accepted in writing by the Authority subject to the filing by the Authority of a Rating Certificate with the Trustee, advising that the use of such insurer will not result in a reduction of the Ratings of the Bonds.

The Authority may permit Eligible Borrowers to maintain private mortgage insurance issued by a mortgage insurer whose rating is subsequently reduced below the two highest rating categories of the Rating Agencies. Coverage is required on the amount of the First Mortgage Loan in excess of 68 percent (72 percent in the case of Transferred First Mortgage Loans) of the original Property Value and is required to remain in force until the principal balance of the First Mortgage Loan is reduced to 80 percent of the original Property Value, at which time the coverage requirement may be waived by the Authority. In certain circumstances, the federal Homeowners Protection Act of 1998 (which applies to mortgage loans made after July 29, 1999) requires cancellation or termination of private mortgage insurance, including automatic termination on the date on which the principal balance of the mortgage loan is first scheduled to reach 78 percent of the original value of the property (so long as mortgage loan payments are current). The Homeowners Protection Act of 1998 also provides that in no case may private mortgage insurance be required beyond the first day of the month immediately following the date that is the midpoint of the amortization period of the mortgage loan (so long as mortgage loan payments are current). Cancellation or termination of primary mortgage insurance under such circumstances does not effect the loss coverage provided by the Pool Policies.

Private mortgage insurance policies generally require that delinquencies must be reported to the insurer within four months of default, and proceedings to recover title are required to be commenced within six months of default. Prior to presenting a claim under the private mortgage insurance, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor, must be acquired and tendered to the insurer. Private mortgage insurance policies generally provide that the insurer has the option of either taking title to the property securing the mortgage loan and paying the holder of such mortgage loan the unrecovered balance of its loss, or of paying the holder the loss limit of the policy and allowing the holder to retain title. Should the private mortgage insurer elect to take title to the property, the amount of the claim payable generally consists of the unpaid principal amount of the mortgage loan, accumulated interest through the date of tender of conveyance of title to the residence to the insurer and incidental expenses such as usual and customary attorneys' fees, real estate taxes, hazard and private mortgage insurance premiums necessarily advanced by the insured, expenses incurred in preservation and maintenance of the property, and other costs and expenses incurred to acquire title to the property. Should the private mortgage insurer elect to allow the holder to retain title, the amount of the claim payable consists of the insured percentage of the loss, as calculated above. Private mortgage insurance settlements may be reduced by the cost to repair physical damage to the property that is beyond ordinary wear and tear.

Under most policies issued by private mortgage insurers, the maximum amounts insurable generally range from 90 percent to 100 percent of the appraised value or selling price for owner-occupied dwellings, whichever is lower. Requirements of borrower equity vary according to the percentage of the mortgage to be insured. Certain insurers will credit toward the value of the land to be improved, trade-in property or work equity a specified percentage of this amount, if at least a minimum cash equity is met and the home is to be owner-occupied. Although there may be variations among insurers, available coverage by private mortgage insurers is generally limited to first mortgage loans or contracts on improved real estate, with amortization over the term of the loan or contract in substantially equal monthly payments, including accruals for taxes and insurance.

Federal Housing Administration Insurance Programs. The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the premises contains five or more dwelling units or less than five such units. Insurance benefits are payable only upon foreclosure (or other acquisition of possession) and conveyance of the premises to FHA or upon assignment of the defaulted loan to FHA. Assignment is allowed only with FHA approval if the premises contains less than five dwelling units.

With respect to the assignment of defaulted loans to the United States Department of Housing and Urban Development (“HUD”), the insured must first make a determination as to whether or not the default is caused by a circumstance or set of circumstances beyond the borrower’s control that temporarily renders the family financially unable to cure the delinquency with a reasonable time or to make full mortgage payments. If a determination is made that the default is caused by such circumstances, HUD must be requested to accept assignment, and must have rejected the request in order for the insured to initiate foreclosure proceedings. FHA will generally provide insurance upon assignment of the mortgaged premises to HUD in an amount equal to 100 percent of the outstanding principal balance of the mortgage loan plus interest, and certain additional costs and expenses.

Under some of the FHA insurance programs, insurance claims are paid by FHA in cash unless the insured specifically requests payment in debentures issued by FHA. Under others, FHA has the option at its discretion to pay insurance claims in cash or in such debentures. The current FHA policy, subject to change at any time, is to make insurance payments on single-family mortgage loans in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment. FHA debentures issued in satisfaction of FHA insurance claims bear interest payable semi-annually on January 1 and July 1 of each year at the FHA debenture interest rate in effect under FHA regulations on the date the FHA mortgage insurance commitment was issued or of the initial insurance endorsement of the mortgage loan, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of the institution of foreclosure or the date of acquisition of the property whichever is earlier, and the insured generally is not compensated for interest accrued and unpaid prior to that date. However, the mortgagee will be reimbursed for uncollected interest resulting from the mortgagor’s default on a

forbearance agreement. Under such circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed two-thirds of the mortgagee's foreclosure costs (or \$75, whichever is the greater). When entitlement to insurance benefits results from assignment of the mortgage loan to HUD, the insurance payment is computed on the date of assignment and includes full compensation for interest accrued and unpaid to the assignment date. The regulations under all insurance programs described above provide that the insurance payment itself bears interest for the date of default by the mortgagor, which under HUD regulations will occur no less than 30 days after the due date of a mortgage payment or, where applicable, assignment to the date payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property conveyed to FHA or securing a loan that is to be assigned to FHA has been damaged by fire, earthquake, flood or tornado or the property has suffered damage due to failure of the mortgagee to make required inspections, it is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage lender prior to such conveyance or assignment in some instances, when damage has resulted from failure of the mortgagee to inspect and preserve the property, FHA may deduct the amount of such damages from the insurance payment made by FHA.

The continuation of the availability of FHA mortgage insurance depends on periodic action by the United States Congress to increase the limitation on the aggregate amount of loan guarantees. Through legislative action by the United States Congress or changes in regulations by HUD, the fees and standards for participation in FHA insurance programs may change. The United States Congress has recently approved modifications to the FHA insurance program, including increases in insurance premiums and limitations on the financing of fees and downpayments. It is not possible to predict the effect of legislative or regulatory action, if any, on the ability of the Authority to purchase Mortgage Loans.

Department of Veterans Affairs Guarantee 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. The maximum guarantee that may be issued by the VA under this program is based on the size of the mortgage loan that is, at present, as follows: (i) 50 percent of the original principal amount of the mortgage loan for a mortgage loan of not more than \$45,000; (ii) \$22,500 for a mortgage loan greater than \$45,000 but not more than \$56,250; and (iii) the lesser of \$36,000 or 40 percent of the original principal amount of the mortgage loan for a mortgage loan greater than \$56,250 but not more than \$144,000. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of 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.

United States Department of Agriculture, Rural Development Service Guaranteed Rural Housing Loan Program. The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the USDA interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating this program. The Agriculture Appropriations Act of 1991 included initial funding for the USDA loan guaranty program for both moderate and low income borrowers.

The USDA Guaranteed Rural Housing Loan Program is limited to certain qualified rural areas of the State. The USDA guaranty covers the lesser of (a) any loss equal to 90 percent of the original principal amount of the loan or (b) any loss in full up to 35 percent of the original principal amount of the loan plus any additional loss of the remaining 65 percent to be shared approximately 85 percent by USDA and approximately 15 percent by the Authority.

See “CERTAIN PROGRAM INFORMATION” attached as Appendix B for certain additional information regarding Primary Mortgage Insurers under the Program.

Mortgage Pool Insurance Policy

Each conventional First Mortgage Loan purchased with proceeds attributable to the Prior Bonds, (including Transferred First Mortgage Loans,) will be covered by one or more Pool Policies with terms generally as described below, provided by a private qualified mortgage pool insurer (the “Mortgage Pool Insurer”). The Pool Policy applicable to First Mortgage Loans purchased with proceeds of some of the Bonds may also cover some First Mortgage Loans insured by FHA or guaranteed by VA or USDA.

Subject to certain limitations, a Pool Policy insures the Authority against losses sustained by it arising from an event of default under any First Mortgage Loan covered by such Pool Policy up to certain specified aggregate limits, after absorption of losses under the Program equal to any applicable deductible (a “Deductible”). The Pool Policies applicable to First Mortgage Loans purchased with proceeds of Prior Bonds provide loss coverages and Deductibles as described under the caption “CERTAIN PROGRAM INFORMATION – Mortgage Pool Insurers” attached as Appendix B. The Authority may cancel a Pool Policy and provide for alternative Supplemental Mortgage Coverage, or obtain additional Supplemental Mortgage Coverage, subject to the filing by the Authority of a Cash Flow Certificate and a Rating Certificate with the Trustee, advising that such alternative or additional Supplemental Mortgage Coverage will not result in a reduction of the Ratings of the Bonds.

Each Pool Policy provides that no claim may validly be presented thereunder unless (i) with respect to a First Mortgage Loan with an initial loan-to-Property Value ratio in excess of 80 percent, primary mortgage insurance coverage on the amount of such Mortgage Loan that exceeds 68 percent (72 percent in the case of Transferred First Mortgage Loans) of the Property

Value (at the time of origination) has been kept in force for at least as long as the remaining principal balance of the First Mortgage Loan exceeds 80 percent of such Property Value; (ii) premiums for primary mortgage insurance on the property securing the defaulted First Mortgage Loan (the “Mortgaged Property”), real property taxes, property sale, preservation and protection expenses and foreclosure expenses have been advanced by the Authority or otherwise have been paid, and (iii) if there has been physical loss or damage to the Mortgaged Property, it has been restored to the condition it was in at the time the First Mortgage Loan became subject to the coverage of the Pool Policy, subject to reasonable wear and tear (the Pool Policy does not provide coverage against casualty losses). Assuming the satisfaction of these conditions, the Mortgage Pool Insurer will have the option, after expiration of any applicable redemption period, to either (a) purchase the Mortgaged Property securing the defaulted First Mortgage Loan at a price equal to the unpaid principal balance thereof plus accrued and unpaid interest at the First Mortgage Loan rate to the date of purchase and certain expenses on the condition the Mortgage Pool Insurer must be provided with good and merchantable title to the Mortgaged Property or (b) pay the amount by which the sum of the unpaid principal balance of the defaulted First Mortgage Loan plus accrued and unpaid interest, at the First Mortgage Loan rate, to the date of the payment of the claim, plus certain expenses, exceeds such proceeds received from the Mortgage Pool Insurer-approved sale of the Mortgaged Property. In both (a) and (b), the amount of payment is reduced by the amount of loss paid under any applicable primary mortgage insurance policy, and any unreimbursed advance claim payments made under the Pool Policy.

A claim under each Pool Policy must be filed, (i) when a primary mortgage insurance policy is in force, within 60 days after the claim for loss has been settled or paid, or within 60 days after the sale approved by the Mortgage Pool Insurer, whichever is later, or (ii) when such insurance is not in force, within 60 days after the Authority has conveyed title to the Mortgaged Property pursuant to a Mortgage Pool Insurer-approved sale.

The amount of coverage under each Pool Policy will be reduced over its life by the dollar amount of claims paid under such Pool Policy less amounts realized by the Mortgage Pool Insurer upon disposition of Mortgaged Properties. The amount of claims payable includes certain expenses incurred by the Mortgage Lenders of the Authority as well as the accrued interest on delinquent First Mortgage Loans, including interest accrued through completion of foreclosure proceedings. Accordingly, if aggregate recoveries under the Pool Policy reach the Pool Policy limit (subject to the Deductible), coverage under the Pool Policy will be exhausted, and any further losses will be borne by Bondowners to the extent remaining moneys held under the General Resolution are inadequate to pay principal of an interest on the Bonds.

See “CERTAIN PROGRAM INFORMATION” attached as Appendix B for certain additional information regarding Mortgage Pool Insurers under the Program.

Mortgage Certificate Programs

FHLMC

General. The following summary of the FHLMC Guarantor Program, the FHLMC Certificates and FHLMC’s mortgage purchase and servicing standards does not purport to be

complete and is qualified in its entirety by reference to FHLMC's Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, FHLMC's Information Statement, any Information Statement Supplements and any other documents made available by FHLMC. Copies of these documents can be obtained by writing or calling Investor Inquiry at FHLMC at 8200 Jones Branch Drive, McLean, Virginia 22102 (800-336-FMPC). The Authority does not and will not participate in the preparation of FHLMC's Mortgage Participation Certificates Offering Circular, Information Statement or Supplements.

FHLMC is a shareholder owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended (the "FHLMC Act"). FHLMC's statutory mission is (i) to provide stability in the secondary market for residential mortgages, (ii) to respond appropriately to the private capital market, (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of FHLMC.

FHLMC Guarantor Program. FHLMC has established a mortgage purchase program pursuant to which FHLMC purchases a group of mortgages from a single seller in exchange for a FHLMC Certificate representing an undivided interest in a pool consisting of the same mortgages (the "Guarantor Program"). FHLMC approves the institutions that may sell and service mortgages under the Guarantor Program on an individual basis after consideration of factors such as financial condition, operational capability and mortgage origination and/or servicing experience. Most sellers and servicers are HUD-approved mortgagees or FDIC-insured financial institutions.

FHLMC Certificates. FHLMC Certificates will be mortgage pass-through securities issued and guaranteed by FHLMC under its Guarantor Program. FHLMC Certificates are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each FHLMC Certificate represents an undivided interest in a pool of mortgages. Payments by borrowers on the mortgages in the pool are passed through monthly by FHLMC to record holders of the FHLMC Certificates representing interests in that pool.

Payments on FHLMC Certificates begin on or about the fifteenth day of the first month following issuance. Each month, FHLMC passes through to record holders of FHLMC Certificates their proportionate share of principal payments on the mortgages in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for a FHLMC Certificate is determined by subtracting from the lowest interest rate on any of the mortgages in the pool the applicable servicing fee and FHLMC's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under FHLMC's Guarantor Program must fall

within a range from the pass-through rate on the FHLMC Certificate plus the minimum required servicing fee through the pass-through rate plus 250 basis points.

FHLMC guarantees to each holder of a FHLMC Certificate, on each monthly payment date, its proportionate share of scheduled principal payments on the related mortgages and interest at the applicable pass-through rate, in each case, whether or not received. The full and final payment on each FHLMC Certificate will be made no later than the payment date that occurs in the month in which the last monthly payment on the FHLMC Certificate is scheduled to be made.

The obligations of FHLMC under its guarantees of the FHLMC Certificates are obligations of FHLMC only. The FHLMC Certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than FHLMC. If FHLMC were unable to satisfy its obligations under its guarantees, distributions on the FHLMC Certificates would consist solely of payments and other recoveries on the related mortgages; accordingly, delinquencies and defaults on the mortgages would affect distributions on the FHLMC Certificates and could adversely affect payments on the Bonds.

Mortgage Purchase and Servicing Standards. All mortgages purchased by FHLMC must meet certain standards established by the FHLMC Act. In addition, FHLMC has established in the FHLMC Guide its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. The guidelines are designed to determine the value of the real property securing a mortgage and the creditworthiness of the borrower. FHLMC's administration of its guidelines may vary based on its evaluation of and experience with the seller of the mortgages, the loan-to-value ratio, the age of the mortgages, the type of property securing the mortgages and other factors.

FHLMC has also established in the FHLMC Guide servicing policies and procedures to support the efficient and uniform servicing of the mortgages it purchases. Each servicer must perform diligently all services and duties customary to the servicing of mortgages in a manner consistent with prudent servicing standards. The duties performed by a servicer include collection and remittance of principal and interest to FHLMC; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. FHLMC monitors servicers' performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage, FHLMC may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage and when to initiate such measures, FHLMC seeks to minimize the costs that may be incurred in servicing the mortgage, as well as FHLMC's possible exposure under its guarantees. However, the measures that FHLMC may choose to pursue to resolve a default will not affect FHLMC's guarantees. FHLMC generally repurchases from a pool any mortgage that has remained delinquent for at least 120 consecutive days and makes payment of principal to record holders.

Fannie Mae

General. Fannie Mae is a federally chartered and stockholder-owned corporation 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. The Secretary of Housing and Urban Development exercises general regulatory power over Fannie Mae. 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.

ALTHOUGH THE SECRETARY OF THE TREASURY OF THE UNITED STATES HAS CERTAIN DISCRETIONARY AUTHORITY TO PURCHASE OBLIGATIONS OF FANNIE MAE, NEITHER THE UNITED STATES NOR ANY AGENCY OR INSTRUMENTALITY THEREOF IS OBLIGATED TO FINANCE FANNIE MAE OBLIGATIONS OR ASSIST FANNIE MAE IN ANY MANNER.

Fannie Mae Certificates. 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 Selling and Servicing Guides (the “Fannie Mae Guides”) and are further described in a prospectus issued by Fannie Mae (the “Fannie Mae Prospectus”). The most recent Fannie Mae Prospectus is dated October 1, 1996, and is updated from time to time. Copies of the Fannie Mae Prospectus and Fannie Mae’s most recent annual and quarterly reports and proxy statements are available without charge from the Vice President for Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D. C. 20016 (telephone: (202) 752-6724). The Authority does not and will not participate in the preparation of the Fannie Mae Prospectus.

The summary of the MBS Program set forth herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides, the Fannie Mae Prospectus and the other documents referred to herein.

Each Fannie Mae Certificate will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae and identified in records maintained by Fannie Mae. Each Fannie Mae Certificate must generally be in a minimum amount of \$250,000. The mortgage loans backing each Fannie Mae Certificate will generally bear interest at rates (the “pass-through rate”) which will be 0.50 percent per annum less than the corresponding rate borne by the related mortgage loans. The difference between the interest rate on the mortgage loans and the pass-through rate on the Fannie Mae Certificates will be collected by the mortgage loan

servicer and is generally used to pay the servicing fee of 0.25 percent per annum and Fannie Mae's guaranty fee of .25 percent per annum.

Fannie Mae guarantees to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pool represented by such Fannie Mae Certificates, whether or not received, and the full principal balance of any foreclosed or other fully 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 registered holder of Fannie Mae Certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to the holder of Fannie Mae Certificates would be affected by delinquent payments and defaults on such mortgage loans.

Payments on a Fannie Mae Certificate are made on the 25th day of each month (beginning with the month following the month such Fannie Mae 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 distributes 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), (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 Certificates as reported to 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 will 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.

Summary of Illinois Foreclosure Procedures

If a mortgagor defaults on a Mortgage Loan and foreclosure or other recovery proceedings are instituted, there may at times be delays in collection. These delays could disrupt the flow of revenues available from Mortgage Loans to pay debt service on the Bonds if such defaults occur with respect to a substantial number of Mortgage Loans.

The foreclosure laws applicable to defaulted mortgage loans in many states permit a mortgagee to foreclose upon Mortgaged Property within a short period of time. Illinois law in this respect contains two provisions that cause foreclosures in the State to be more time consuming than in other states.

Under State law, foreclosure of defaulted mortgages must be pursuant to judicial proceedings. The sale of Mortgaged Property by virtue of any power of sale contained in any mortgage or trust deed is expressly prohibited. Judicial proceedings in a foreclosure suit are governed by the Illinois Code of Civil Procedure, 735 ILCS 5/1-101 *et seq.*, in particular by 5/15-1101 *et seq.* A mortgagor has the right to reinstate the mortgage by curing all defaults then existing, other than payment of such portion of the principal that would not have been due had no acceleration occurred, and by paying all costs and expenses required by the mortgage to be paid in the event of such defaults, *provided* that such cure and payment are made prior to the expiration of 90 days from the date all mortgagor(s) have been served with the foreclosure complaint or have otherwise submitted to the jurisdiction of the court. The reinstatement period must expire before a foreclosure sale is held. The mortgagor or other owner or co-owner of Mortgaged Property may redeem the Mortgaged Property by paying the mortgagee the amount specified in the judgment of foreclosure and certain expenses incurred by the mortgagee between the date of judgment of foreclosure and the date of redemption. The redemption may be made only during a specified redemption period. The applicable redemption period for residential Mortgaged Property ends on the later of (i) the date seven months from the date all mortgagors have been served with the foreclosure complaint or have otherwise submitted to the jurisdiction of the court or (ii) the date three months from the date of entry of a judgment of foreclosure, unless certain conditions are met, in which case the redemption period will end at the later of the date of the expiration of the 90-day reinstatement period described above or the date 60 days after the judgment of foreclosure is entered. The redemption period must expire before a foreclosure sale is held.

The Mortgage Pool Insurer is not obligated to pay claims thereunder until the Mortgaged Property has been sold at an approved sale, or until the insured has obtained marketable title, except to the extent of payments made under an advance claims payment coverage of the Pool Policy. Accordingly, unless they are within the scope of the advance claims payment coverage, delays in the sale of such Mortgaged Property may be expected to delay the collection of insurance proceeds. Although Mortgage Lender expenses and interest accruing during the period prior to sale are covered under the Pool Policy, the increased amounts of such items occasioned by the delays resulting from State law may serve to reduce the overall coverage of the Pool Policy as compared with a comparable policy written on mortgage loans in a state in which Mortgaged Properties may be sold more quickly.

Mortgagors may seek protection under the United States Bankruptcy Code, which provides a debtor with an opportunity to adjust his debts without losing control of his assets. Under a plan confirmed under Chapter 13 of the Bankruptcy Code, the debtor's unsecured and secured debts may be modified, except that debts secured by a mortgage on real property used as the debtor's principal residence may not be modified, unless the case is converted to a case under Chapter 7 (liquidation) or Chapter 11 (reorganization). Absent court ordered relief (which is only available under limited circumstances) the automatic stay under Section 362 of the Bankruptcy Code will apply to any case commenced under such Bankruptcy Code, and the mortgagee will be stayed from any action to satisfy its claim, including foreclosure on the real property.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Illinois Housing Development Authority
401 North Michigan Avenue
Chicago, Illinois 60611

We have examined a certified copy of the record of proceedings of the Illinois Housing Development Authority (the “**Authority**”), together with various accompanying certificates, pertaining to the issuance today by the Authority of \$75,000,000 aggregate principal amount of its Homeowner Mortgage Revenue Bonds, 2005 Series A (the “**2005 Series A Bonds**”). The 2005 Series A Bonds consist of \$19,200,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, 2005 Subseries A-1 (Non-AMT) (the “**2005 Subseries A-1 Bonds**”), \$35,800,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, 2005 Subseries A-2 (AMT) (the “**2005 Subseries A-2 Bonds**”), and \$20,000,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, 2005 Subseries A-3 (AMT) (Variable Rate) (the “**2005 Subseries A-3 Bonds**” and, together with the 2005 Subseries A-1 Bonds and the 2005 Subseries A-2 Bonds, the “**Bonds**”). The record of proceedings includes the Authority’s Homeowner Mortgage Revenue Bonds General Resolution, adopted July 15, 1994, as supplemented by Supplemental Resolutions adopted July 18, 1997, September 17, 2003 and September 17, 2004 (as so supplemented, the “**General Resolution**”), a Series Resolution pertaining to the Bonds adopted November 19, 2004, a Determination made by authorized officers of the Authority (together, the “**Series Resolution**” and, together with the General Resolution, the “**Resolution**”). The record of proceedings also includes a Tax Exemption Certificate and Agreement of the Authority, dated today. As to matters of fact material to this opinion, we have relied upon the certified copy of the record of proceedings and accompanying certificates, without having undertaken to make an independent investigation or verification of those factual matters.

The Bonds mature on the dates and in the principal amounts and bear interest as set forth in the Series Resolution. The 2005 Subseries A-1 Bonds and 2005 Subseries A-2 Bonds are issuable only as fully registered bonds in the denomination of \$5,000, or any integral multiple of \$5,000 in excess of that amount. The 2005 Subseries A-3 Bonds are issuable only as fully registered bonds in the denomination of \$100,000, or any integral multiple of \$5,000 in excess of that amount. The Bonds are subject to redemption prior to their maturity as provided in their terms. The 2005 Subseries A-3 Bonds are subject to mandatory tender for purchase on the Tender Dates as set forth in the Series Resolution.

The Internal Revenue Code of 1986, as amended (the “**Code**”), to the extent applicable, establishes certain continuing requirements which must be met in order that interest on the Bonds not be included in gross income for federal income tax purposes. These include requirements as to the use and investment of proceeds of the Bonds, the payment of certain amounts to the United States and the Mortgage Loans to be purchased with the proceeds of the Bonds. The Authority

has covenanted in the Series Resolution and in the Tax Exemption Certificate and Agreement to take all steps within its power that are required to maintain the status of interest on the Bonds as not includible in the income of their owners under federal income tax law existing on the date of initial issuance of the Bonds.

Based upon this examination, we are of the opinion that:

1. The Authority is a legally existing body politic and corporate of the State of Illinois.

2. Under the Illinois Housing Development Act, as amended to the date of this opinion (the “Act”), the Authority has the right and power to adopt the Resolution. The Resolution (including the continuing disclosure undertaking contained in the Series Resolution) has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable in accordance with its terms. No authorization of the Resolution is required in addition to that which the record of proceedings evidences has been taken.

3. The Bonds have been duly and validly authorized by the Authority and issued in accordance with law and the Resolution.

4. The Bonds are valid and legally binding special limited obligations of the Authority, secured in the manner and to the extent provided in the Resolution, including by the Transfer Amounts as defined in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and the Act.

5. The Bonds have a claim for payment solely from Pledged Property as defined in the Resolution. The Bonds are on a parity with any additional series of Bonds (other than Subordinate Bonds) which have been issued or may be issued in the future under the General Resolution.

6. Under existing law, interest on the Bonds is not includible in the gross income of their owners for federal income tax purposes under Section 103 of the Internal Revenue Code, if there is continuing compliance by the Authority with the covenants described above in the Series Resolution and the Tax Exemption Certificate and Agreement. Assuming that compliance by the Authority interest on the 2005 Subseries A-1 Bonds is not included as a preference item for purposes of computing the alternative minimum tax for individuals or corporations, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations; interest on the 2005 Subseries A-2 Bonds and the 2005 Subseries A-3 Bonds will be treated as a preference item for purposes of computing the alternative minimum tax for individuals and corporations. Interest on the Bonds may be subject to certain federal taxes not based on gross income and ownership of the Bonds may result in certain other federal income tax consequences to certain owners; we express no opinion as to these matters. Failure of the Authority to comply with certain of those tax covenants could cause the interest on the

Bonds to be included as gross income for federal income tax purposes retroactively to the date of their issuance.

7. The Authority has no taxing power. The Bonds are not a debt of the State of Illinois and the State of Illinois is not liable on the Bonds. The Bonds are not subject to Section 26.1 of the Act.

8. Under the Act, interest on the Bonds is exempt from Illinois income tax.

We express no opinion in this letter as to the accuracy, adequacy or completeness of the Official Statement dated February 3, 2005, relating to the Bonds.

Under the Tax Exemption Certificate and Agreement and the Resolution, various actions may be taken only upon the receipt of an approving legal opinion of bond counsel. We give in this letter no opinion as to the effect on exclusion of interest on the Bonds from gross income of their owners for federal income tax purposes of any such actions.

Our opinions expressed in this letter represent our legal judgment based upon our review of the record of proceedings and the accompanying factual certificates as described above. It is not a guarantee of a result. This opinion is given as of today. We assume no obligation to review or supplement our opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after this opinion is given today.

Very respectfully yours,

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APPENDIX E

SUMMARY OF THE CONTINUING DISCLOSURE UNDERTAKING OF THE AUTHORITY

(a) Undertaking. The Authority shall make all required filings and reports so that all requirements of Rule 15c2-12(b)(5) (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), as amended from time to time, applicable to the Authority are met with respect to the Offered Bonds.

(b) Annual Financial Information. Each year the Authority shall provide annual financial information concerning the Offered Bonds to each nationally recognized municipal securities information repository and to any entity designated by the State of Illinois as a state information depository for purposes of the Rule. A copy of the annual financial information shall also be provided to the Trustee. The annual financial information shall be so provided within 180 days after the end of the Authority’s fiscal year, beginning with the fiscal year ending June 30, 2005. Copies of the annual financial information shall also be made available to any beneficial or registered owner of Offered Bonds upon request. The annual financial information shall include the Authority’s audited financial statements, prepared in accordance with generally accepted accounting principles as in effect from time to time. The annual financial information shall also include financial and operating information of the type set forth in the final Official Statement for the Offered Bonds, including information relating to:

- (i) the outstanding principal amounts of the Bonds;
- (ii) the nature and status of the Mortgage Loans, including amounts, rates and delinquencies;
- (iii) the amounts available to purchase Mortgage Loans;
- (iv) the Supplemental Mortgage Coverage;
- (v) the Reserve Fund; and
- (vi) the Transfer Amounts.

The annual financial information may include any or all information by incorporating, by specific reference, other documents which have been provided to each nationally recognized municipal securities information repository and the state information depository, if any. If the incorporated information is in an Official Statement, it must be available from the Municipal Securities Rulemaking Board. The annual financial information shall include a notice of any change in the Authority’s fiscal year.

(c) Reporting Significant Events. Upon the occurrence of any of the following events with respect to the Offered Bonds, if material, the Authority shall report the event in a timely manner to the state information depository, if any, and either to each nationally recognized

municipal securities information repository described above or to the Municipal Securities Rulemaking Board:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements (if any are subsequently provided) reflecting financial difficulties;
- (v) substitution of credit or liquidity providers (if any such enhancement is subsequently provided) or their failure to perform;
- (vi) adverse tax opinions or events affecting tax-exempt status;
- (vii) modifications to rights of Owners of the Offered Bonds;
- (viii) non-scheduled redemptions;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Bonds (other than in the ordinary course of the operations as contemplated in the Official Statement); and
- (xi) rating changes.

The Authority will give a copy of each such report to the Trustee. The Authority will give notice in a timely manner to the Trustee, to the state information depository, if any, and either to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board of any failure timely to provide the annual financial information as provided in this continuing disclosure undertaking.

(d) Enforcement. The agreements of the Authority in this continuing disclosure undertaking are a contract between the Authority and the beneficial and registered owners from time to time of the Offered Bonds. It may be enforced by any beneficial or registered owner of Offered Bonds. The sole remedy with respect to the Authority's compliance with its undertaking under this Section shall be to require compliance. This continuing disclosure undertaking shall be solely for the benefit of the beneficial or registered owners of the Offered Bonds from time to time, and shall create no right in anyone else. The Trustee shall have no powers or duties under this continuing disclosure undertaking. No violation by the Authority of any provision described in this continuing disclosure undertaking shall constitute any Event of Default or a default under the Resolution or under the Act. Articles X (Supplemental Resolutions) and XI (Defeasance) of the General Resolution do not apply to this continuing disclosure undertaking.

Any filing required to be made with a nationally recognized municipal securities information repository or a state information depository, if any, in connection with the undertaking described in this summary may be made solely with an internet-based electronic filing system (a “CPO”) by transmitting such filing to the CPO, provided that (i) such CPO has received satisfactory interpretive advice or some other appropriate approval from the SEC with respect to its status as a CPO satisfying the requirements of the Rule, or (ii) an opinion of counsel has been issued stating that such filing meets the requirements of the Rule.

(e) Termination. The obligation of the Authority under this continuing disclosure undertaking shall end upon the Offered Bonds being paid or treated as paid as provided in Section 1101 of the General Resolution, except for the obligations to give notice under c(viii) above.

(f) Amendment. The Authority may by resolution amend this continuing disclosure undertaking at any time to the extent and in the manner allowed by the Rule, as amended from time to time, if the Authority’s agreements under this continuing disclosure undertaking, as amended, shall continue to comply with the Rule, the amendment to be effective upon receipt by the Authority of an opinion of counsel, selected by it with significant federal securities law expertise, to that effect. Any such amendment shall be described in the next annual financial information.

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APPENDIX F

THE VARIABLE RATE BONDS

This Official Statement is not intended to describe the terms of any Variable Rate Bond after its conversion to a Long-Term Interest Rate Period. Variable Rate Bonds that are converted to a Long-Term Interest Rate Period will no longer have the benefit of the Initial Liquidity Facility or be subject to tender by the Owners thereof during, or following, such Long-Term Interest Rate Period.

The Variable Rate Bonds will be dated the date of their delivery and will mature on the maturity date set forth on the inside cover page of this Official Statement.

The Variable Rate Bonds will be issued in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Short-Term Interest Rate Period.

The principal of and redemption premium, if any, on the Variable Rate Bonds shall be payable at the principal corporate trust office of the Fiscal Agent. Interest due on the Variable Rate Bonds will be paid to the registered owners thereof by the Trustee by check or, in the case of owners of Variable Rate Bonds in a principal amount equal to or exceeding \$1 million upon request by wire transfer. The Variable Rate Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee of DTC, which will act as securities depository for the Variable Rate Bonds. Purchasers of the Variable Rate Bonds will not receive a physical delivery of the bond certificates representing their beneficial ownership interests. See “THE OFFERED BONDS – Book-Entry Only System.”

The Variable Rate Bonds will bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication is an Interest Accrual Date to which interest on the Variable Rate Bonds has been paid in full or duly provided for or the date of initial authentication of the Variable Rate Bonds, from such date of authentication. However, if, as shown by the records of the Registrar, interest on the Variable Rate Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange will bear interest from the date to which interest has been paid in full on the Variable Rate Bonds or, if no interest has been paid on the Variable Rate Bonds, from the date of the first authentication of Bonds hereunder. Interest will be computed, in the case of any Interest Rate Period other than a Long-Term Interest Rate Period, on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed.

For any Daily Interest Rate Period, interest on the Variable Rate Bonds will be payable on each Interest Payment Date for the period commencing on the preceding Interest Accrual Date and ending on the day preceding such Interest Payment Date. For any Weekly Interest Rate Period, interest on the Variable Rate Bonds will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day preceding such Interest Payment Date. For any Short-Term Interest Rate Period, interest on the Variable Rate Bonds will be payable on each Interest Payment Date for the period

commencing on the preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Variable Rate Bonds will be payable for the final Interest Rate Period to but not including the date on which the Variable Rate Bonds have been paid in full.

The term of the Variable Rate Bonds will be divided into consecutive Interest Rate Periods during each of which the Variable Rate Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate. At any time, all Bonds must bear interest at a Daily Interest Rate, a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate. Variable Rate Bonds shall not bear interest at a rate higher than the Maximum Rate (as defined herein), except that the Maximum Rate does not apply to Purchased Bonds. The first Interest Rate Period for the Variable Rate Bonds shall commence on the date of issuance of the Variable Rate Bonds and shall be a Weekly Interest Rate Period. Upon the date of issuance of the Variable Rate Bonds, the initial Weekly Interest Rate borne by the Variable Rate Bonds shall be determined by the Remarketing Agent in the manner provided in the Resolution.

The determination of the interest rate of Variable Rate Bonds by the Remarketing Agent shall be conclusive and binding upon the Authority, the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent, the Liquidity Provider and the holders of the Variable Rate Bonds, except that interest rate borne by Purchased Bonds shall be determined in accordance with the Liquidity Facility.

Interest Rate Periods

Weekly Interest Rate Period

Determination of Weekly Interest Rate. During each Weekly Interest Rate Period, the Variable Rate Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 4:30 p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the first preceding Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on Wednesday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell the Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately

preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110 percent of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined in accordance with the provisions of the Resolution for such Weekly Interest Rate Period.

Adjustment to Weekly Interest Rate. At any time, the Authority, upon written notice to the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Provider, may elect, subject to the Authority's providing to the Trustee and the Remarketing Agent a Favorable Bond Counsel Opinion, that the Variable Rate Bonds shall bear interest at a Weekly Interest Rate. Such notice of the Authority shall specify the effective date of such adjustment to a Weekly Interest Rate, which shall be (A) a Business Day not earlier than the 12th day following the second Business Day after receipt by the Registrar of such notice, and (B) in the case of an adjustment from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period. During each Weekly Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Variable Rate Bonds shall be a Weekly Interest Rate.

Notice of Adjustment to Weekly Interest Rate. The Registrar shall give notice by first-class mail of an adjustment to a Weekly Interest Rate Period to the holders of the Variable Rate Bonds and, if a Book Entry System is in effect, the Depository, not less than 12 days prior to the effective date of such Weekly Interest Rate Period. Such notice shall state (1) that the interest rate on the Variable Rate Bonds will be adjusted to a Weekly Interest Rate unless Bond Counsel fails to deliver to the Trustee, the Authority and the Remarketing Agent a Favorable Bond Counsel Opinion as to such adjustment on the effective date of such adjustment in the Interest Rate Period, in which case the Variable Rate Bonds, if being adjusted from a Daily Interest Rate Period or a Short-Term Interest Period, shall continue to bear interest at the Daily Interest Rate or Bond Interest Term Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, (2) the effective date of such Weekly Interest Rate Period, (3) that the Variable Rate Bonds are subject to mandatory tender for purchase on such effective date, setting forth the applicable purchase price (see "THE VARIABLE RATE BONDS – Purchase of Bonds – Mandatory Tender for Purchase on First Day of Each Interest Rate Period" in this Appendix), and (4) if the Variable Rate Bonds are no longer in Book Entry Form and are therefore in certificated form, information with respect to required delivery of Bond certificates and payment of the purchase price under the Resolution.

Daily Interest Rate Period

Determination of Daily Interest Rate. During each Daily Interest Rate Period, the Variable Rate Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent by 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by the Variable Rate Bonds, would enable the Remarketing Agent to sell the Variable Rate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding Business Day if the Daily Interest Rate for such preceding Business Day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110 percent of the BMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75 percent of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined in accordance with the provisions of the Resolution for such Daily Interest Rate Period.

Adjustment to Daily Interest Rate. At any time, the Authority, upon written notice to the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Provider, may elect, subject to the Authority's providing to the Trustee and the Remarketing Agent a Favorable Bond Counsel Opinion, that the Variable Rate Bonds shall bear interest at a Daily Interest Rate. Such notice of the Authority shall specify the effective date of such adjustment to a Daily Interest Rate, which shall be (A) a Business Day not earlier than the 12th day following the second Business Day after receipt by the Registrar of such notice, and (B) in the case of an adjustment from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period. During each Daily Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period or the Maturity Date, the interest rate borne by the Variable Rate Bonds shall be a Daily Interest Rate.

Notice of Adjustment to Daily Interest Rate. The Registrar shall give notice by first-class mail of an adjustment to a Daily Interest Rate Period to the holders of the Variable Rate Bonds not less than 12 days prior to the effective date of such Daily Interest Rate Period. Such notice shall state (1) that the interest rate on the Variable Rate Bonds will be adjusted to a Daily Interest Rate unless Bond Counsel fails to deliver to the Trustee, the Authority and the Remarketing Agent a Favorable Bond Counsel Opinion as to such adjustment on the effective date of such adjustment in the Interest Rate Period, in which case the Variable Rate Bonds, if being adjusted from a Weekly Interest Rate Period or a Short-Term Interest Rate Period, shall continue to bear interest at the Weekly Interest Rate or the Bond Interest Term Rates as in effect

immediately prior to such proposed adjustment in the Interest Rate Period, (2) the effective date of such Daily Interest Rate Period, and (3) that the Variable Rate Bonds are subject to mandatory tender for purchase on such effective date, setting forth the applicable purchase price. See “THE VARIABLE RATE BONDS – Purchase of Bonds – Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix.

Short-Term Interest Rate Period

Determination of Bond Interest Terms and Bond Interest Term Rates

(A) During each Short-Term Interest Rate Period, each Bond shall bear interest during each Bond Interest Term for such Bond at the Bond Interest Term Rate for such Bond. The Bond Interest Term and the Bond Interest Term Rate for each Bond need not be the same for any two Bonds, even if determined on the same date. Each of such Bond Interest Terms and Bond Interest Term Rates for each Bond shall be determined by the Remarketing Agent no later than 12:00 noon, New York City time, on the first day of each Bond Interest Term. Each Bond Interest Term for each Bond shall be a period of not less than one day nor more than 180 days, determined by the Remarketing Agent to be the period which, together with all other Bond Interest Terms for all Bonds then outstanding, will result in the lowest overall interest expense on the Variable Rate Bonds, taking into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Variable Rate Bonds, (IV) general economic conditions, (V) economic and financial conditions that may affect or be relevant to the Variable Rate Bonds, (VI) the Bond Interest Terms of other Bonds, and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant. Any Bond purchased on behalf of the Authority and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Bond Interest Term for that Bond shall have a Bond Interest Term of one day or, if that Bond Interest Term would not end on a day immediately preceding a Business Day, a Bond Interest Term ending on the day immediately preceding the next Business Day. Each Bond Interest Term shall end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date, but in no event shall any Bond Interest Term extend beyond the day which is three Business Days prior to the Expiration Date of the Liquidity Facility. If for any reason a Bond Interest Term for any Bond cannot be so determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the last day so determined shall not be a day immediately preceding a Business Day, such Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, such Bond Interest Term shall end on the day immediately preceding the Maturity Date. In determining the number of days in each Bond Interest Term, the Remarketing Agent shall take into account the following factors: (I) existing short-term tax-exempt market rates and indices of such short-term rates, (II) the existing market supply and demand for short-term tax-exempt securities, (III) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Variable Rate Bonds, (IV) general economic

conditions, (V) economic and financial conditions that may affect or be relevant to the Variable Rate Bonds, (VI) the Bond Interest Terms of other Bonds, and (VII) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

(B) The Bond Interest Term Rate for each Bond Interest Term for each Bond shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by such Bond, would enable the Remarketing Agent to sell such Bond on the date and at the time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof. If for any reason a Bond Interest Term Rate for any Bond is not so established by the Remarketing Agent for any Bond Interest Term, or such Bond Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term shall be the rate per annum equal to 75 percent of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by *The Wall Street Journal* on the first day of such Bond Interest Term and which maturity most nearly equals the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

Adjustment to Bond Interest Term Rates. At any time, the Authority, upon written notice to the Trustee, the Authenticating Agent, the Paying Agent, the Registrar, the Remarketing Agent, the Tender Agent and the Liquidity Provider, may elect, subject to the Authority's providing to the Trustee and the Remarketing Agent a Favorable Bond Counsel Opinion, that the Variable Rate Bonds shall bear interest at Bond Interest Term Rates; *provided* that the Liquidity Facility then in effect must have an interest component of at least 180 days of interest coverage. Such notice of the Authority shall specify the effective date of the Short-Term Interest Rate Period (during which the Variable Rate Bonds shall bear interest at Bond Interest Term Rates), which shall be (A) a Business Day not earlier than the 12th day following the second Business Day after receipt by the Registrar of such notice, and (B) in the case of an adjustment from a Daily Interest Rate Period or a Weekly Interest Rate Period, the day immediately following the last day of such Interest Rate Period. During each Short-Term Interest Rate Period commencing on the date so specified and ending, with respect to each Bond, on the day immediately preceding the effective date of the next succeeding Interest Rate Period with respect to such Bond, each Bond shall bear interest at a Bond Interest Term Rate during each Bond Interest Term for such Bond.

Notice of Adjustment to Bond Interest Term Rates. The Registrar shall give notice by first-class mail of an adjustment to a Short-Term Interest Rate Period to the holders of the Variable Rate Bonds and, if a Book Entry System is in effect, the Depository, not less than 12 days prior to the effective date of such Short-Term Interest Rate Period. Such notice shall state (1) that the Variable Rate Bonds shall bear interest at Bond Interest Term Rates unless Bond Counsel fails to deliver to the Trustee, the Authority and the Remarketing Agent a Favorable Bond Counsel Opinion as to such adjustment on the effective date of such adjustment in the Interest Rate Period, in which case the Variable Rate Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect immediately prior to such proposed adjustment in the Interest Rate Period, (2) the effective date of such Short-Term Interest Rate

Period, (3) that the Variable Rate Bonds are subject to mandatory tender for purchase on the effective date of such Short-Term Interest Rate Period, setting forth the applicable purchase price (see “THE VARIABLE RATE BONDS – Purchase of Bonds – Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix), and (4) if the Variable Rate Bonds are no longer in Book Entry Form, information with respect to the required delivery of Bond certificates and payment of the purchase price.

Adjustment from Short-Term Interest Rate Period. At any time during a Short-Term Interest Rate Period, the Authority may elect that the Variable Rate Bonds no longer shall bear interest at Bond Interest Term Rates and shall instead bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate, as specified in such election. The date on which all Bond Interest Terms determined shall end, shall be the last day of the then current Short-Term Interest Rate Period, and the day next succeeding such date shall be the effective date of the Daily Interest Rate Period, the Weekly Interest Rate Period or the Long-Term Interest Rate Period elected by the Authority.

Favorable Bond Counsel Opinion as Condition to Any Adjustment of an Interest Rate Period

In connection with any adjustment of the Interest Rate Period on the Variable Rate Bonds, the Authority shall cause to be provided to the Trustee, the Liquidity Provider and the Remarketing Agent a Favorable Bond Counsel Opinion on the effective date of such adjustment. In the event that Bond Counsel fails to deliver a Favorable Bond Counsel Opinion on any such date, then the Interest Rate Period on the Variable Rate Bonds shall not be adjusted, and the Variable Rate Bonds shall continue to bear interest at a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rates, as the case may be, as in effect immediately prior to such proposed adjustment in the Interest Rate Period. In any event, if notice of such adjustment has been mailed to the owners of the Variable Rate Bonds and Bond Counsel fails to deliver a Favorable Bond Counsel Opinion on the effective date as herein described, the Variable Rate Bonds shall continue to be subject to mandatory purchase on the date which would have been the effective date of such adjustment.

Purchased Bonds

Purchased Bonds will bear interest at the rate or rates, and shall be payable and subject to redemption in such amounts and in such manner, as provided in the Initial Liquidity Facility.

Purchase of Bonds

Described below are the circumstances under which the Variable Rate Bonds are subject to optional and mandatory tender for purchase.

During a Daily Interest Rate Period. During any Daily Interest Rate Period when a Book Entry System is in effect, a Beneficial Owner (through its direct Participant in the Depository) may tender its interest in a Bond on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately

preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond and the date on which the same shall be purchased, which date shall be the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 10:30 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

During a Weekly Interest Rate Period. During any Weekly Interest Rate Period when a Book Entry System is in effect, a Beneficial Owner (through its direct Participant in the Depository) may tender its interest in a Bond on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its principal corporate trust office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice or telephonic notice, promptly confirmed in writing, which states the principal amount of such Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the 7th day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day.

Not later than 12:00 Noon, New York City time, on the date for purchase specified in the notice, the Beneficial Owner shall effect delivery of such Bonds by causing the direct Participant through which such Beneficial Owner owns such Bonds to transfer its interest in such Bonds equal to such Beneficial Owner's interest on the records of the Depository for such Bonds to the participant account of the Tender Agent with the Depository. During any Daily Interest Rate Period or Weekly Interest Rate Period when a Book Entry System is not in effect, an owner of a Bond may tender the Variable Rate Bond by delivery of the notice described above by the time set forth above and shall also deliver the Variable Rate Bond to the Tender Agent on the date specified for purchase.

Mandatory Tender for Purchase on Day Next Succeeding the Last Day of Each Bond Interest Term. On the day next succeeding the last day of each Bond Interest Term for a Bond, unless such day is the Maturity Date or the first day of a new Interest Rate Period (in which event such Bond shall be subject to mandatory purchase pursuant to the provisions of the Resolution summarized in the immediately succeeding paragraph), such Bond shall be purchased from its holder at a purchase price equal to the principal amount thereof payable in immediately available funds. The purchase price of any Bond so purchased shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied, when such Bonds are not in a Book Entry System, by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed by a bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Variable Rate Bonds shall be subject to mandatory tender for purchase on the first day (or, under certain circumstances, on the day that otherwise would have been the first day) of each Interest Rate Period at a purchase price, payable in immediately available funds, equal to the principal amount of the Variable Rate Bonds.

Mandatory Tender for Purchase Upon Termination, Expiration, Reduction, Suspension, Modification or Replacement of the Liquidity Facility. If the Registrar shall give holders of the Variable Rate Bonds payable from the Liquidity Facility (or if a Book Entry System is in effect, the Depository) notice that the Variable Rate Bonds shall, on the date specified in such notice, cease to be payable from such Liquidity Facility as a result of (i) (A) the termination or expiration of the term of such Liquidity Facility, or (B) the Liquidity Facility being reduced, replaced or modified (other than a reduction or modification in connection with the redemption of Variable Rate Bonds) with the effect that the Variable Rate Bonds are no longer payable from the Liquidity Facility, or (ii) the Liquidity Provider notifying the Trustee of a Liquidity Facility Event of Default and that the Liquidity Provider is suspending or terminating the Liquidity Facility in accordance with its terms as described under the caption “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS – Liquidity Facility Events of Default” in Appendix G, then 45 days prior to the applicable event, in the case of clause (i) above, and no later than 30 days after the date of the notice specified in clause (ii) above, each Variable Rate Bond shall be subject to mandatory tender for purchase; *provided, however*, that no mandatory tender for purchase shall occur as a result of such Liquidity Facility being reduced or modified in connection with Variable Rate Bonds being redeemed and no mandatory tender for purchase shall occur as a result of a Liquidity Facility Event of Default if such event of default is also a Termination Event, which results in the immediate suspension or termination of the obligation of the Liquidity Provider to purchase Variable Rate Bonds thereunder. See “INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS – Liquidity Facility Events of Default” in Appendix G. The purchase price for such Variable Rate Bonds shall be equal to the principal amount thereof, plus accrued interest (if any).

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Bonds pursuant to the provisions of the Resolution described in the immediately preceding three paragraphs, the Trustee shall give notice of a mandatory tender for purchase. Such notice shall state (A) in the case of a mandatory tender for purchase described under “Mandatory Tender for Purchase on First Day of Each Interest Rate Period” in this Appendix, the type of Interest Rate Period to commence on such mandatory purchase date; (B) in the case of a mandatory tender for purchase described under “Mandatory Tender for Purchase Upon Termination, Expiration, Suspension, Modification or Replacement of Liquidity Facility” in this Appendix, that the Liquidity Facility will expire, terminate, be suspended, be replaced or be modified and that the Variable Rate Bonds shall no longer be payable from the Liquidity Facility then in effect or that the coverage thereof with respect to the Variable Rate Bonds shall be reduced and that any rating applicable thereto may be reduced or withdrawn; (C) that the purchase price of any Bond so subject to mandatory purchase shall be payable only upon (i) if a Book Entry System is not in effect, surrender of such Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized

attorney, with such signature guaranteed by a bank, trust company or member firm of the New York Stock Exchange; or (ii) if a Book Entry System is in effect, registration of the ownership rights in such Bond to the Tender Agent on the records of the Depository; (D) that, *provided* that moneys sufficient to effect such purchase have been provided through the remarketing of such Bonds by the Remarketing Agent, through the Liquidity Facility or through payments made by the Authority, all Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date, and that if any owner of a Bond subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase (or if a Book Entry System is in effect, effect the transfer of ownership rights to the Tender Agent on the records of the Depository) on such mandatory purchase date, and moneys sufficient to pay the purchase price thereof are on deposit with the Tender Agent, then such Bond shall be deemed to be an Undelivered Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the holder thereof shall have no rights under the Resolution other than to receive payment of the purchase price thereof, and (E) in the event that moneys sufficient to pay the purchase price of such Variable Rate Bonds have not been provided to the Tender Agent from (i) proceeds of remarketing of such Variable Rate Bonds, (ii) amounts drawn on the Liquidity Facility, and (iii) amounts legally available therefor under the Resolution, then no such tendered or deemed tendered Variable Rate Bonds shall be purchased, and instead, all outstanding Variable Rate Bonds (x) shall thereafter bear interest in the Weekly Interest Rate Period, at a rate, reset weekly, equal to the BMA Index plus three percent (not to exceed the Maximum Rate), and (y) Owners of such Bonds shall have no further right to tender their Bonds for purchase. In connection with any mandatory tender for purchase of Bonds as a result of the termination, expiration, reduction, modification or replacement of a Liquidity Facility (see “THE VARIABLE RATE BONDS – Purchase of Bonds – Mandatory Tender for Purchase Upon Termination, Expiration, Suspension, Modification or Replacement of Liquidity Facility” in this Appendix), such notice also shall (F) describe generally the Alternate Liquidity Facility, if any, in effect or to be in effect upon such termination, expiration, suspension, modification or replacement and identify the provider of such Alternate Liquidity Facility, (G) state the date of such termination, expiration, suspension, modification or replacement and the date of the proposed provision of the Alternate Liquidity Facility, if any, (H) specify the ratings, if any, to be applicable to such Bonds after such termination, expiration, suspension, modification or replacement of the Liquidity Facility or state that no ratings will be assigned to such Bonds subsequent to such termination, expiration, suspension, modification or replacement of the Liquidity Facility, and (I) describe any special restrictions or procedures (if any) applicable to the registration of transfer of such Bonds. The Authority shall provide the Trustee with a form of any such notice. No notice of mandatory purchase shall be given in connection with the provision of an Alternate Liquidity Facility unless and until the Alternate Liquidity Facility shall have been delivered to the Tender Agent.

Subject to the provisions of the Resolution relating to Variable Rate Bonds held in a Book Entry System, for payment of the purchase price of any Bond required to be purchased pursuant an optional or mandatory tender for purchase described herein, on the date specified, such a Bond must be delivered, at or prior to 12:00 noon, New York City time, on the date specified in such notice, to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature

guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. In the event any such Bond is delivered after 12:00 noon, New York City time, on such date, payment of the purchase price of such Bond need not be made until the Business Day following the date of delivery of such Bond, but such Bond shall nonetheless be deemed to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds. The giving of notice by an owner of a Bond shall constitute the irrevocable tender for purchase of each such Bond with respect to which such notice shall have been given, regardless of whether such Bond is delivered to the Tender Agent for purchase on the relevant purchase date; *provided* that moneys sufficient to pay the purchase price of such Bonds are on deposit with the Tender Agent for such purpose. The Tender Agent may refuse to accept delivery of any Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such Bond as herein described. If any holder of a Bond who shall have given notice of tender of purchase, if a Book Entry System is not in effect, shall fail to deliver such Bond to the Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Bond properly endorsed, or if a Book Entry System is in effect, shall fail to cause its beneficial ownership to be transferred to the Tender Agent on the records of the Depository, and moneys sufficient to pay the purchase price thereof are on deposit with the Tender Agent for such purpose, such Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Resolution, (2) interest shall no longer accrue thereon, and (3) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the Tender Agent for the benefit of the holder thereof (*provided* that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested and not commingled.

Payment of the purchase price for tendered Variable Rate Bonds is expected to be made from (i) proceeds of remarketing of such Variable Rate Bonds, (ii) amounts drawn on the Liquidity Facility, and (iii) amounts legally available therefor under the Resolution. If the amounts described in (i) – (iii) above are insufficient to pay the purchase price for all Variable Rate Bonds so tendered or deemed tendered for purchase on the date such purchase price is due, then no such tendered or deemed tendered Variable Rate Bonds shall be purchased. Instead, all outstanding Variable Rate Bonds (x) shall thereafter bear interest in the Weekly Interest Rate Period, at a rate, reset weekly, equal to the BMA Index plus three percent (not to exceed the Maximum Rate), and (y) Owners of such Bonds shall have no further right to tender their Bonds for purchase.

Redemption Prior to Maturity

In addition to other circumstances under which the Offered Bonds are subject to redemption, the Variable Rate Bonds shall be subject to redemption prior to maturity as follows:

Optional Redemption of Bonds

During a Daily Interest Rate Period or a Weekly Interest Rate Period. On any Interest Payment Date during a Daily Interest Rate Period or Weekly Interest Rate Period, the Variable Rate Bonds shall be subject to optional redemption by the Authority, at the direction of the Authority, in whole or in part, at a redemption price of par.

On the Day Succeeding the Last Day of a Bond Interest Term. On the day succeeding the last day of any Bond Interest Term with respect to any Bond, such Bond shall be subject to optional redemption by the Authority, at the direction of the Authority, in whole or in part, at a redemption price of par.

Definitions

The following are definitions in summary form of certain terms contained in the Resolution with respect to the Variable Rate Bonds.

“Alternate Liquidity Facility” means an irrevocable letter of credit, a standby bond purchase agreement, a line or lines of credit or other similar agreement or agreements or any other agreement or agreements used to provide liquidity support for the Variable Rate Bonds, satisfactory to the Authority and the Remarketing Agent and containing administrative provisions reasonably satisfactory to the Trustee, issued and delivered to the Trustee in accordance with the Resolution.

“Authenticating Agent” means the Registrar and any additional or successor Authenticating Agent as may be appointed from time to time pursuant to the Resolution. *“Principal Office”* of the Authenticating Agent means the Principal Office of the Registrar or such other office as designated in writing to the Authority, the Trustee, the Paying Agent, the Tender Agent and the Remarketing Agent.

“BMA Index” means the rate calculated weekly, and released each Wednesday, on the basis of an index based upon the weekly interest reset rates of tax-exempt variable rate issues included in a data base maintained by Municipal Market Data, a division of Thomson Financial Services, which meet specific criteria established by the Bond Market Association, and which is in effect on a particular day.

“Bond Interest Term” means, with respect to any Variable Rate Bond, each period during which such Variable Rate Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to any Variable Rate Bond, a term, non-variable interest rate on such Variable Rate Bond established for a Bond Interest Term.

“*Bond Purchase Fund*” means the fund so designated which is established with the Tender Agent pursuant to the Tender Agreement and the Resolution.

“*Business Day*” means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal corporate trust offices of the Trustee, the Tender Agent, the Remarketing Agent, the Paying Agent, the Registrar, the Authority, the Liquidity Provider or the Authenticating Agent are located, or in which the office of the Liquidity Provider from which payments are made pursuant to the Liquidity Facility is located, are authorized or required to remain closed; or (ii) a day on which the New York Stock Exchange is closed.

“*Daily Interest Rate*” means a variable interest rate on the Variable Rate Bonds established on each Business Day during a Daily Interest Rate Period.

“*Daily Interest Rate Period*” means each period during which Daily Interest Rates are in effect.

“*Favorable Bond Counsel Opinion*” means a bond counsel opinion, addressed to the Authority, the Remarketing Agent and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of Illinois and the Resolution and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Variable Rate Bonds.

“*Interest Accrual Date*” means (i) with respect to any Daily Interest Rate Period or any Weekly Interest Rate Period, the first day thereof, and, thereafter, each next Interest Payment Date; and (ii) with respect to each Bond Interest Term within a Short-Term Interest Rate Period, the first day of each Bond Interest Term.

“*Interest Payment Date*” means (i) with respect to any Daily Interest Rate Period, the first Business Day of each calendar month; (ii) with respect to any Weekly Interest Rate Period, each February 1 and August 1; (iii) with respect to any Short-Term Interest Rate Period, the day next succeeding the last day of each Bond Interest Term; and (iv) with respect to each Interest Rate Period, the day next succeeding the last day thereof (or the day next succeeding the day that would have been last day thereof had one of the events described in this Appendix in the last paragraph under “THE VARIABLE RATE BONDS – Interest Rate Periods – *Favorable Bond Counsel Opinion as Condition to Any Adjustment of An Interest Rate Period*” not occurred).

“*Interest Rate Period*” means any Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

“*Liquidity Provider*” means initially State Street Bank and Trust Company and its successors and assigns, as the provider of the initial Liquidity Facility for the Variable Rate Bonds, and if an Alternate Liquidity Facility is provided, the provider thereof and in any case where a Liquidity Facility is provided by more than one bank or other entity, the term “Liquidity Provider” means all such entities collectively, *provided* that each such entity’s obligation for the purchase price of bonds tendered for purchase shall be determined in accordance with the applicable Liquidity Facility.

“Long-Term Interest Rate” means, with respect to each Variable Rate Bond, a term or indexed interest rate on such Variable Rate Bond established in accordance with the terms of the Resolution.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect.

“Maximum Rate” means, with respect to all Variable Rate Bonds other than Purchased Bonds the lesser of (i) 12 percent, or (ii) the maximum interest rate permitted by applicable law (currently under applicable law, there is no maximum interest rate limitation). The Maximum Rate does not apply to Purchased Bonds.

“Paying Agent” means J.P. Morgan Trust Company, N.A., Chicago, Illinois,, and any successor paying agent or agents appointed in accordance with the Resolution. If two or more paying agents have been appointed and are acting in such capacity, each shall be considered a co-paying agent.

“Purchased Bond” means any Variable Rate Bond purchased by, or on behalf of, and/or held for the account of the Liquidity Provider.

“Record Date” means (i) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, any Weekly Interest Rate Period or any Bond Interest Term, the Business Day immediately preceding such Interest Payment Date.

“Registrar” means the J.P. Morgan Trust Company, N.A., Chicago, Illinois,, and any successor or additional registrar appointed in accordance with the Resolution.

“Remarketing Agent” means UBS Financial Services Inc., the initial remarketing agent, and any successor remarketing agent for the Variable Rate Bonds appointed in accordance with the Resolution.

“Short-Term Interest Rate Period” means each period, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“Tender Agent” means J.P. Morgan Trust Company, N.A., Chicago, Illinois, and any successor or additional tender agent appointed in accordance with the Resolution.

“Undelivered Bonds” means any Variable Rate Bond where funds in the amount of the purchase price of such Variable Rate Bonds are available for payment to the holder(s) thereof on the date and at the time specified for the pertinent tender.

“Weekly Interest Rate” means a variable interest rate on the Variable Rate Bonds established for each period from Wednesday to Tuesday, inclusive, during a Weekly Interest Rate Period.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect.

APPENDIX G

INITIAL LIQUIDITY FACILITY FOR THE VARIABLE RATE BONDS

Initial Liquidity Facility

The Authority, the Trustee and State Street Bank and Trust Company (the “Initial Liquidity Provider”) intend to enter into a Standby Bond Purchase Agreement dated as of March 1, 2005 (the “Initial Liquidity Facility”) with respect to the Variable Rate Bonds. The following summary is qualified in its entirety by reference to the Initial Liquidity Facility, a copy of which is available from the Trustee.

General. The Initial Liquidity Facility requires the Initial Liquidity Provider to provide funds for the purchase of the Variable Rate Bonds that have been tendered for purchase and not remarketed, subject to certain conditions described below.

Subject to the terms of the Initial Liquidity Facility, the Initial Liquidity Provider agrees, at the request from time to time of the Trustee on behalf of the Authority, to purchase, during the “Commitment Period” (as such term is defined herein), any Variable Rate Bonds bearing interest at a Weekly Interest Rate, a Daily Interest Rate or a Bond Interest Term Rate tendered for purchase in accordance with the Resolution with respect to which the Trustee does not, on the date any such tendered Variable Rate Bonds are required to be purchased pursuant to the Resolution, have sufficient funds from, among other sources, the remarketing of such tendered Variable Rate Bonds, to make such purchase. Variable Rate Bonds so purchased constitute Bank Bonds under the terms of the Initial Liquidity Facility and the Resolution. Bank Bonds will bear interest at the Bank Rate, in accordance with the Initial Liquidity Facility, payable monthly.

The “Available Commitment” (as defined in the Initial Liquidity Facility) initially means \$21,242,740 (\$20,000,000 being the “Available Principal Commitment” and \$1,242,740 being the “Available Interest Commitment”) which is calculated based on 189 days of interest at an assumed rate of 12% per annum, subject to reduction for, among other reasons, the principal amount of Variable Rate Bonds previously purchased by the Initial Liquidity Provider and not resold as well as any Variable Rate Bonds which are redeemed by the Authority and increased (but not above the amount of the Available Commitment) for the principal amount of Variable Rate Bonds which are held for the account of the Initial Liquidity Provider and remarketed. As a result, the Available Commitment will, during the Commitment Period, always equal at least 100% of the principal amount of Variable Rate Bonds bearing interest at a Weekly Interest Rate, a Daily Interest Rate or a Bond Interest Term Rate outstanding, plus 189 days of accrued interest at an assumed rate of 12% per annum, less the principal amount of any Variable Rate Bonds held for the account of the Initial Liquidity Provider from time to time.

Issuance of Additional Liquidity Facility Bonds. The Authority may issue additional series of its Homeowner Mortgage Revenue Bonds as variable rate bonds (for purposes of this Appendix, “Additional Liquidity Facility Bonds”). Upon satisfaction of certain conditions precedent, such Additional Liquidity Facility Bonds will be Bonds covered by the Initial Liquidity Facility. **In such case, an event of default under the Initial Liquidity Facility with**

respect to such Additional Liquidity Facility Bonds could result in the termination of the Initial Liquidity Facility with respect to the 2005 Subseries A-3 Bonds. For purposes of this Appendix, the term "Liquidity Facility Bonds" means the 2005 Subseries A-3 Bonds and any Additional Liquidity Facility Bonds.

Representations and Covenants. The Authority makes certain representations, warranties and covenants under the Initial Liquidity Facility relating to various matters, including, without limitation, existence, authorization and validity, compliance with laws and litigation. The covenants and agreements contained in the Initial Liquidity Facility run only in favor of the Initial Liquidity Provider and may be waived at any time in the sole discretion of the Initial Liquidity Provider or amended at any time upon the agreement of the Authority and the Initial Liquidity Provider. Holders are not entitled to and should not rely upon any of the covenants and agreements in the Initial Liquidity Facility.

Expiration of the Initial Liquidity Facility. The Initial Liquidity Provider is obligated to purchase Liquidity Facility Bonds pursuant to the Initial Liquidity Facility from the date of issuance of the 2005 Subseries A-3 Bonds until the earliest to occur of the following dates and events (the "Commitment Period"): (1) the later of 5:00 p.m. (Eastern United States time) on March 10, 2010 (the "Expiration Date"), and the date to which such Expiration Date is extended at the sole discretion of the Initial Liquidity Provider (or if such date is not a Business Day, the Business Day next preceding such day); (2) the first date on which no Liquidity Facility Bonds are Outstanding; (3) 5:00 p.m. (Eastern United States time) on the first date on which the interest rate borne by all of the Liquidity Facility Bonds has been converted to a Long-Term Interest Rate; (4) 5:00 p.m. (Eastern United States time) on the thirtieth (30th) day following the date on which a "Notice of Termination Date" (defined below in paragraph (2) of "*Remedies Upon Occurrence of an Event of Default*") is received by the Authority, the Trustee and the Tender Agent, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day; (5) 5:00 p.m. (Eastern United States time) on the date on which an Alternate Liquidity Facility has become effective with respect to all Liquidity Facility Bonds; (6) 30 days after the Authority delivers a notice of voluntary termination of the Initial Liquidity Facility (or immediately upon delivery of such notice if the Initial Liquidity Provider has defaulted on any payment obligations under the Initial Liquidity Facility), and payment of all amounts owing to the Initial Liquidity Provider under the Initial Liquidity Facility; and (7) the occurrence of a "Termination Event" (as defined below in paragraph (1) of "*Remedies Upon Occurrence of an Event of Default*").

In the event there is an occurrence of a "Termination Event" as described below, the obligation of the Initial Liquidity Provider to purchase Liquidity Facility Bonds immediately terminates without notice or demand to any person. In such event, holders of Liquidity Facility Bonds will have no right to optionally tender the Liquidity Facility Bonds and may be required to hold such Liquidity Facility Bonds until the earlier of the redemption or maturity thereof.

Purchase of Liquidity Facility Bonds. The Tender Agent will notify the Initial Liquidity Provider in writing by not later than 11:00 a.m. (Eastern United States time) on the Business Day immediately following the seventh day prior to a Purchase Date of the maximum amount which could be payable on such Purchase Date to pay the Purchase Price of tendered Liquidity Facility

Bonds. Notwithstanding the preceding sentence, on each Purchase Date on which the Liquidity Facility Bonds are to be purchased by the Tender Agent, by no later than 1:00 p.m. (Eastern United States time), the Tender Agent shall give the Initial Liquidity Provider notice by telecopier and in writing of the aggregate Purchase Price of the tendered Liquidity Facility Bonds required to be purchased by the Initial Liquidity Provider pursuant to the Initial Liquidity Facility, and the amount of principal and interest constituting such Purchase Price. Upon receipt of the notice set forth above, the Initial Liquidity Provider, unless it determines that its obligation to purchase pursuant to the Initial Liquidity Facility has been suspended or terminated in accordance therewith, shall, by no later than 2:30 p.m. (Eastern United States time) on the same day, (or not later than 2:30 p.m. (Eastern United States time) on the next Business Day if the Initial Liquidity Provider receives such notice after 1:00 p.m. (Eastern United States time)) make available to the Tender Agent, in immediately available funds, such Purchase Price, to be deposited in accordance with the Resolution. As soon as such funds become available, the Tender Agent is required to purchase therewith, for the account of the Initial Liquidity Provider, that portion of the tendered Liquidity Facility Bonds for the purchase of which immediately available funds are not otherwise then available for such purposes under the Resolution. Under the Initial Liquidity Facility, the Initial Liquidity Provider is obligated to make available to the Tender Agent an amount equal to the principal amount of the 2005 Subseries A-3 Bonds plus 189 days of interest at an assumed interest rate of 12%.

Extension of Initial Liquidity Facility. Upon written request of the Authority to the Initial Liquidity Provider, made not less than 90 days nor more than 120 days prior to the then current Expiration Date or at such other time as is acceptable to the Initial Liquidity Provider, the then current Expiration Date may be extended from time to time by agreement in writing between the Initial Liquidity Provider and the Authority (the period from the preceding Expiration Date to such new Expiration Date being herein sometimes called the "Extended Commitment Period"). The Extended Commitment Period may itself be extended in a like manner. The Initial Liquidity Provider has no obligation to agree to any Extended Commitment Period. If the Initial Liquidity Provider, in its sole discretion following such request by the Authority, agrees to extend any such period, the Initial Liquidity Provider shall give written notice of the election to extend to the Authority, the Tender Agent and the Remarketing Agent, within forty-five (45) days of such request. If the Initial Liquidity Provider does not so notify the Authority, the Expiration Date shall not be extended.

Liquidity Facility Events of Default

The Liquidity Facility Events of Default are as set forth below. A Liquidity Facility Event of Default described in paragraphs (1), (6), (7), (8), (9) and (10) below is called a "Termination Event." **Upon the occurrence of a Termination Event, the Initial Liquidity Provider's obligation to purchase Variable Rate Bonds under the Initial Liquidity Facility shall immediately terminate without notice or demand to any person, and thereafter the Initial Liquidity Provider shall be under no obligation to purchase Variable Rate Bonds.**

Events of Default Under the Initial Liquidity Facility. The following events constitute Liquidity Facility Events of Default.

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

(2) The Authority shall fail to pay any fee due to the Initial Liquidity Provider under the Initial 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 Initial Liquidity Provider by or on behalf of the Authority in the Initial Liquidity Facility or in any of the Liquidity Facility Bonds, the Bank Bond Custody Agreement, the Resolution, the Purchase Contract or the Remarketing Agreement or in any of the equivalent documents executed in connection with the issuance of any Additional Liquidity Facility Bonds (collectively, the "Related Documents") or in any certificate or statement delivered under the Initial Liquidity Facility shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The Authority 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 Authority shall default in the due performance or observance of any other term, covenant or agreement contained (or incorporated by reference) in the Initial 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 Initial Liquidity Provider shall have given written notice thereof to the Authority; or

(6) The Authority 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 Authority shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Authority 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 Authority, 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 Authority 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 Authority 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 Resolution with respect to the payment of principal of or interest on the bonds authorized and outstanding thereunder shall occur; or

(8) Any material provision of the Initial Liquidity Facility or any Related Document (other than the Preliminary Official Statement, the Official Statement or the Purchase Contract) shall cease to be valid and binding on the Authority 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 Authority 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 the Initial Liquidity Facility or any Related Document (other than the Preliminary Official Statement, the Official Statement or the Purchase Contract) is not valid or binding on the Authority or such other party thereto, or the Authority 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 rating assigned to the Liquidity Facility Bonds shall fall below "Baa3" (or its equivalent) by Moody's (for those Liquidity Facility Bonds that are rated by Moody's) and "BBB-" (or its equivalent) by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") (for those Liquidity Facility Bonds that are rated by Standard & Poor's); or

(10) The Authority shall default in any payment of principal of or premium, if any, or interest on any obligation issued pursuant to the Resolution in excess of \$2,500,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or the Authority shall fail to perform any other agreement, term or condition contained in any agreement under which any such obligation is created or secured, which shall permit or result in the declaring due and payable of such obligation 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 Revenue Fund in excess of \$2,500,000 shall have been rendered against the Authority and shall, by order of the Governmental Agency (as defined in the Initial Liquidity Facility) issuing such final judgment or order, be payable from the Revenues and other monies pledged to the payment of the Bonds under the Resolution, and such judgment or order shall not have been satisfied, stayed or bonded pending appeal.

Remedies Upon Occurrence of a Liquidity Facility Event of Default. Following the occurrence of certain of the above referenced events of default, the Initial Liquidity Provider may take any one or more of the following actions.

(1) In the case of the occurrence of a Liquidity Facility Event of Default specified in paragraphs (1), (6), (7), (8), (9) or (10) above (each, a "Termination Event"), the obligations of the Initial Liquidity Provider under the Initial Liquidity Facility to purchase the Liquidity Facility Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Initial Liquidity Provider shall be under no obligation to purchase the Liquidity Facility Bonds. Promptly upon such a Liquidity Facility Event of Default, the Initial Liquidity

Provider shall give written notice of the same to the Authority, the Trustee, and the Remarketing Agent; *provided*, that the Initial Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the obligation of the Initial Liquidity Provider to purchase Bonds pursuant to the Initial Liquidity Facility. The Authority shall cause the Trustee to notify all Bondowners of the termination of the obligation of the Initial Liquidity Provider to purchase the Liquidity Facility Bonds.

(2) In the case of the occurrence of any Liquidity Facility Event of Default described above (other than as specified in paragraph (1) above), the Initial Liquidity Provider may give written notice of such event of default and termination of the Initial Liquidity Facility (a "Notice of Termination Date") to the Trustee, the Tender Agent, the Authority, and the Remarketing Agent, requesting a mandatory tender of the Liquidity Facility Bonds. The obligation of the Initial Liquidity Provider 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 Tender Agent and on such date the Initial Liquidity Provider shall be under no obligation under the Initial Liquidity Facility to purchase Liquidity Facility Bonds.

(3) In the case of a potential Liquidity Facility Event of Default described in Paragraph 6(ii) or (iii), the obligation of the Initial Liquidity Provider to advance funds for the purchase of Liquidity Facility Bonds under the Initial 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 Initial Liquidity Provider under the Initial Liquidity Facility shall be automatically reinstated and the terms of the Initial Liquidity Facility shall continue in full force and effect (unless the obligation of the Initial Liquidity Provider to purchase Liquidity Facility Bonds under the Initial 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 Initial Liquidity Facility and (ii) the date that is four (4) years following the suspension of the obligation of the Initial Liquidity Provider to purchase Liquidity Facility Bonds, (x) the potential Liquidity Facility Event of Default which gave rise to such suspension is cured or ceased to be continuing and (y) the obligation of the Initial Liquidity Provider to purchase Liquidity Facility Bonds under the Initial Liquidity Facility has not otherwise terminated, then, upon written notice from the Trustee to the Initial Liquidity Provider to such effect, the obligation of the Initial Liquidity Provider to purchase Liquidity Facility Bonds under the Initial Liquidity Facility shall be automatically reinstated. If the potential Liquidity Facility Event of Default which gave rise to the suspension of the obligations of the Initial Liquidity Provider to purchase of Liquidity Facility Bonds under the Initial Liquidity Facility has not been cured or has not ceased to be continuing prior to the four (4) year anniversary of such occurrence and the obligation of the Liquidity Provider to purchase Liquidity Facility Bonds under the Initial 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 Initial Liquidity Provider to the Authority and the Trustee and the Initial Liquidity Provider shall have no further obligations to purchase any Liquidity Facility Bonds; *provided* that the Initial

Liquidity Provider 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 Initial Liquidity Provider to purchase Liquidity Facility Bonds under the Initial Liquidity Facility.

(4) Upon the occurrence of any Liquidity Facility Event of Default, the Initial Liquidity Provider may declare all accrued and unpaid amounts payable to it under the Initial 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 Initial Liquidity Provider shall have all remedies provided at law or equity, including, without limitation, specific performance; *provided*, the Initial Liquidity Provider agrees to purchase the Liquidity Facility Bonds on the terms and conditions of the Initial Liquidity Facility notwithstanding the occurrence of a Liquidity Facility 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.

(5) The remedies provided under paragraphs (1), (2), (3) and (4) under "Remedies Upon Occurrence of a Liquidity Facility Event of Default" shall only be exclusive with respect to such Liquidity Facility Events of Default to the extent they are obtained by the Initial Liquidity Provider. If, for any reason whatsoever, the Initial Liquidity Provider is not able to obtain all such remedies, then the Initial Liquidity Provider reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity or the Initial Liquidity Facility.

Initial Liquidity Provider

The information contained below under this caption "Initial Liquidity Provider" has been furnished by the Initial Liquidity Provider. No representation is made as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. Neither the Authority nor the Underwriters make any representation as to the ability of the Initial Liquidity Provider to make payments in accordance with the Initial Liquidity Facility.

State Street Bank and Trust Company (the "Bank"), a wholly-owned subsidiary of State Street Corporation (the "Corporation"), provides banking, securities processing and investment management services to a broad base of customers worldwide. The Bank combines information processing with banking to process and manage virtually all types of financial assets. In addition to financial processing services, the Bank provides a full range of capital market services to businesses and financial institutions in New England and selected national and international markets. At December 31, 2003, the Bank and its consolidated subsidiaries had total assets of \$80.435 billion, total deposits (including deposits in foreign offices) of \$48.431 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$5.820 billion and total equity capital of \$6.018 billion.

The Bank's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2003, as submitted to the Federal

Reserve Bank of Boston, are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

In addition, all reports filed by the Bank pursuant to 12 U.S.C. §324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and the Bank is set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Initial Liquidity Facility is an obligation of the Bank and not of the Corporation.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein 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 filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, 225 Franklin Street, Boston, Massachusetts 02110, telephone number (617) 786-3000.

Neither the Bank nor its affiliates make any representation as to the contents of this Official Statement (except as to this Appendix to the extent it relates to the Bank), the suitability of the 2005 Subseries A-3 Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

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